

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies,
Procedures and Incentives for Distributed Generation
and Distributed Energy Resources.

Rulemaking 04-03-017
(Filed March 16, 2004)

**OPENING COMMENTS OF ENERGY INNOVATIONS, INC. ON
INTERIM ORDER ADOPTING POLICIES AND FUNDING
FOR THE CALIFORNIA SOLAR INITIATIVE**

January 3, 2006

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Energy Innovations¹ respectfully submits these opening comments on ALJ Malcom's Interim Order Adopting Policies and Funding for the California Solar Initiative, including the appended Revised Joint Staff Proposal to Implement a California Solar Initiative.

Overall, we applaud the Commission's courage and foresight in proceeding with a measured but clear and unwavering effort to increase the number of distributed solar systems contributing to the State's energy resources. The Commission's willingness to commit to a long-term program with a solid plan for its funding will provide the market signals that will result in increased investments in plant and equipment, create new jobs in manufacturing and construction, and drive down the cost of installed systems to consumers around the State.

We are particularly encouraged by the Commission's willingness to call out market transformation effects as a specific goal for this program². Having such a clear objective creates the impetus for measurement systems that will enable all of us to

¹ Energy Innovations, Inc., is developing a low-cost solar concentrator for use on grid-tied commercial buildings. Its wholly owned subsidiary, EI Solutions, is a California solar power systems integrator with offices in San Rafael, San Diego and Pasadena. EI Solutions serves the entire California market for grid-connected solar power systems across all of the IOU territories.

² Draft Decision, page 4.

know more precisely how our work is helping to transform the market and to account for those benefits when evaluating the program.

Finally, we are heartened by the Commission's recognition that there is insufficient record in this proceeding to nail down many of the details and by the consequent promotion of an aggressive plan to solidify these over the next few months. Creating the opportunity for all stakeholders in this Initiative to jointly finalize the individual elements will undoubtedly result in a stronger and more successful program.

In preparation for those efforts, we would ask the Commission in its final order to clarify its intentions regarding two of the key program elements. Without some additional specificity regarding the objectives of the program, we fear that the several workshops designed to work out details will flounder in acrimonious debate and unnecessary indecision.

First, we are unclear on the Commission's objectives with regard to performance-based incentives (PBIs). While there is much discussion in the staff report on possible PBI implementation strategies, it is not clear if the Commission supports a shift to this approach as soon as practical or if it is merely asking for a recommendation. This confusion is further enhanced by the specific, ten-year timetable based entirely on capacity-based incentives. If the staff and the various stakeholders who will participate in the upcoming workshops have a clear directive from the Commission, their work will be focused and deliberate. Without such clarity, however, we fear that the workshops will become platforms to continue a debate on which there is already sufficient record before the Commission.

And second, some aspects of the program's incentive and funding formulae seem to conflict with one another, creating unnecessary confusion that can easily be cleared up before the implementation discussions begin. We believe that the "bin" approach taken by the staff has all the attributes of a successful program design: it is clear, it is measurable, it is self-contained and it is inextricably tied to the Initiative's goals. Other provisions, such as the concept of "borrowing" a percentage of funding

from an upcoming year, are superfluous, contradictory and ultimately confusing. Whether each bin's megawatt increments or specific incentive amounts are appropriate can be debated in the upcoming workshops. But if provisions that conflict with the clarity of the ten-year incentive table are allowed to remain in the appendix to the final order, much time will be wasted discussing how to resolve potential conflicts between provisions instead of how to structure incentives to meet the Commission's goals for solar installations.

Again, we congratulate the Commission on its bold decision to proceed with implementing the California Solar Initiative. While many details remain to be worked out, the direction and intent are clear. We look forward to working with the staff and the other stakeholders in helping to achieve the goals of this historic initiative.

Respectfully submitted,



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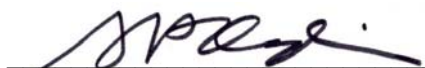
CERTIFICATE OF SERVICE

I certify that I have served a true copy of the document

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to all known parties to R.04-03-017 via email to those listed with email on the CPUC service website and via US Mail to those without email service.

Executed on January 3, 2006 at Pasadena, California.



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