

**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)

**COMMENTS OF PV NOW ON THE INTERIM ORDER
ADOPTING POLICIES AND FUNDING FOR THE
CALIFORNIA SOLAR INITIATIVE**

GOODIN, MACBRIDE, SQUERI,
RITCHIE & DAY, LLP
Michael B. Day
Joseph F. Wiedman
505 Sansome Street, Suite 900
San Francisco, CA 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: mday@gmsr.com
Email: jwiedman@gmsr.com

Date: January 3, 2005

Attorneys for PV Now

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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

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

**COMMENTS OF PV NOW ON THE INTERIM ORDER
ADOPTING POLICIES AND FUNDING FOR THE
CALIFORNIA SOLAR INITIATIVE**

Pursuant to Rule 77.2 of the Commission’s Rules of Practice and Procedure, PV Now¹ respectfully submits the following comments on the Interim Order Adopting Policies and Funding for the California Solar Initiative (“Draft Decision”) mailed to parties on December 13, 2005.

I. INTRODUCTION AND SUMMARY

PV Now commends the Commission for its support and leadership of the California Solar Initiative (CSI). We look forward to working with the Commission and the CEC to fulfill the promise to transform California’s solar power market to one that is

¹ PV Now is a national solar industry advocacy group comprised of manufacturers in the solar PV energy industry, including Sharp Solar, Shell Solar, Powerlight, Schott Solar, SunPower Corp. and Evergreen Solar. PV Now is affiliated with the national Solar Energy Industries Association (SEIA). Both SunPower Corp. and Powerlight have their corporate headquarters located in California. Three of the other four PV Now companies have their U.S. headquarters located in California.

self-sustaining, cost-effective and rebate-free. We agree that this transformation will add clean, reliable, dispersed energy to peak demand resources, reduce energy resource risk by diversifying the state's energy portfolio and reduce demand for transmission and distribution system additions. This decision will accelerate investment in technological innovation and accelerate the development of the state's solar power market. This decision will, also, establish California as a leading global solar power market and create California jobs in the emerging solar economy.

As established through the record in this proceeding, sustained customer incentive funding helps establish the market certainty needed to encourage long lead time and capital intensive private investment in clean energy production. Sustained solar power market growth is also critical to maintaining the creation of high-quality California solar power jobs in manufacturing, marketing, installation and service. The CSI, as scoped in this Draft Decision, sets forth a long-term program which will provide the investment climate needed for California to take full advantage of its abundant solar power potential.

PV Now's comments focus on our support for the CSI project proposal and areas for further workshop discussion and exploration in 2006.

II. DISCUSSION OF THE PROPOSED DECISION

A. PV Now Supports the Major Program Design Elements Discussed in the Draft Decision

PV Now believes that the comprehensive California Solar Initiative created and implemented by the Commission and the CEC is sufficient to meet the agencies' program objective of 3000 MW of distributed solar power online by year-end 2016. The Commission has taken the first step to meet this goal with its approval of transition year 2006 incremental solar power funding of \$300 million approved in D.05-12-044. The \$2.5 billion in Commission CSI funds from 2007-2016 will be supplemented by public goods funds expected to be allocated to the CEC's CSI program.

We support the development of the CSI by extracting the solar elements of the Commission's Self-Generation Incentive Program (SGIP) and the California Energy Commission's Emerging Renewables Program (ERP) and replacing them with the CSI beginning in 2007 after a transition year in 2006. We support the proposed funding mechanisms, the CARE carve-out, and utility funding allocation approach provided in Table 1. (Draft Decision at pg. 7.) We concur with the Commission that the eligibility criteria for the CSI should remain consistent with existing program criteria and that allocation of CSI program costs should be decided in ratemaking proceedings.

The Commission wisely identifies the differences between program oversight and administration and PV Now agrees with the separation of responsibilities between the administrators and the CPUC as the oversight agency. We agree that the existing SGIP Working Group should not be used for program oversight. To the extent

that a structure similar to the SGIP Working Group is put in place for the CSI, we respectfully request that the meetings of that administrator group be open to the public and the minutes of those meetings be posted publicly. We see no reason for coordination of operations to be closed to public review. For example, industry participants and stakeholders could contribute vital information about education, marketing and outreach opportunities and should be encouraged to do so.

The Draft Decision states that stakeholder meetings and workshops will be set up to specifically address program design elements. Specifically, we propose that the ALJ hold quarterly stakeholder forums to solicit administrative and operational input for streamlining the interim and long-term programs. These quarterly forums would serve a function similar to the CEC's Residential New Construction Component program advisory group proposed by joint staff in the Appendix A to the Draft Decision.

PV Now supports all of the following program design elements:

1. Establishing viable incentive levels and allowing for market segment incentive differentiation, including:
 - a. Setting the initial incentive level in January, 2006 at \$2.80 per watt for new reservations;
 - b. Decreasing that rebate by \$0.25 per year on average;
 - c. Providing the ALJ with authority to modify that level by up to 10% per year;
 - d. Providing the ALJ with authority to set incentive levels that differ by market segment;

2. Establishing a transparent incentive level change process that responds to market conditions, including:
 - a. Creating a market trigger mechanism to drop rebate levels as market penetration reaches specified installation volume milestones;
 - b. Allowing the ALJ to order funding acceleration by drawing up to 15% of the budget from the subsequent funding period;
3. Providing a set-aside of 10% of funds to be used for low-income and affordable housing projects, provided that these funds are made available to other program participants if not encumbered by November 1 of each year;
4. Providing a maximum of 10% of funds for administrative purposes to cover all costs of administration, including program monitoring and evaluation as well as education, marketing and outreach efforts by the utilities and third party administrator(s);
5. Employing third party administration for a part or all of the CSI;
6. Exploring further in workshops and meetings program design details intended to optimize program performance such as:
 - a. Design of sensible performance-based incentive models that support growth in customer demand;
 - b. Setting energy efficiency eligibility requirements for existing and new construction;
 - c. Evaluating impacts of federal tax credits on customers' decision to invest in solar projects;

- d. Maintaining the application fee for CSI applications;
- e. Evaluating the options and opportunities offered by changes to metering requirements;
- f. Considering augmented incentives for low-income and affordable housing projects for as much as 25%;
- g. Establishing low or no-cost financing for some or all market segments, for example for low-income and affordable housing projects, or in combination with rebates or performance-based incentives;
- h. Employing web-based administrative solutions to facilitate quick and transparent transactions for applications and other activities which would allow applicants, evaluators and administrators ready access to project and program data and reports in a manner that protects customer confidentiality;
- i. Considering up to a 5% set-aside for RD&D focused on promising solar power technologies and market development strategies.

B. PV Now Proposes to Address The Following Items in Workshops and Public Meetings

PV Now believes that the Commission, in collaboration with the CEC, has appropriately set forth the scope and foundation elements of the CSI. As proceeding participants move forward to develop the detailed implementation rules, protocols and guidelines, we understand that the Commission will seek stakeholder involvement in workshops and meetings. We identify below several items where focused discussions

will be useful and propose some questions to consider:

1. Market Trigger Mechanism for Dropping the Rebate Level

- a. How should measurement of installation volume be measured, for example, upon rebate payment or upon receipt of application for rebate payment?
- b. With what frequency will data be available to assess the installation volume and will that frequency vary by administrator?
- c. What mechanism will be used to communicate with installers, customers and other stakeholders about the pending achievement of another installation volume target?
- d. Will the rebate level change across the market segment all at once or will volume targets be set statewide?
- e. How will administration occur to prevent customers, installers and other program participants from being confused about the rebate level near the time of the rebate level shift?
- f. How can the benefits of volume-driven rebate changes be balanced with the market-assuring planning certainty of calendar-driven rebate changes?

2. Process for Rebate Level Adjustments Outside of the 10% Boundary

- a. What process should be used to adjust the rebate level for a market segment up or down by more than 10%, for example due to the expiration of the expanded federal investment tax credit for solar power?

3. Establishing Administration and RD&D levels by Year
 - a. Should administrative budgets vary by year along with the collection levels or be steady across the program period, e.g., up to 10% of collections annually or capped at \$25,000,000 per year?
 - b. Should RD&D budgets vary by year along with the collection levels, vary in line with another metric or be steady across the program period?
4. The CSI Program Guidebook
 - a. What parts of the SGIP handbook are relevant or irrelevant to a solar-only program?
 - b. How should the ERP Guidebook be used to as a foundation for articulating the rules and requirements of the CSI program?
5. Energy Efficiency CSI Eligibility Requirements
 - a. What method of energy efficiency audit would be necessary to qualify customers as eligible for CSI rebates? For example, would online residential audits, like those used by California utilities qualify?
 - b. How have other solar power programs in the U.S. or other countries integrated energy efficiency eligibility requirements into their incentive programs?
 - c. How could builders approach meeting energy efficiency hurdles exceeding the new Title 24 requirements?
 - d. How can the desirable links between PV and energy efficiency be made without market distortions, e.g., rewarding the inefficient at the expense

of those who have already performed audits or efficiency implementation, or causing PV customers to miss rebate timing because of audit-induced schedule delays?

6. Advanced Meters and Time-variant Net Metering Design

- a. How will advanced meter deployment be staged over time by utility?
- b. How are customers currently using optional tariffs under net metering and what value are they achieving with those rate designs?
- c. What optional or mandatory dynamic rate design is under consideration by the Commission and when will the Commission rule on those rates?
- d. What is the goal of dynamic rates for net metered customers? For example, within the total resource plan, is peak load reduction more valuable than total peak energy delivery?
- e. Given the objective to bring large quantities of solar power into the resource mix, how will near term changes in rate design relate to the long-term role of solar power on the utility network?

C. Proposed Changes to the Draft Decision

Section II of the Draft Decision includes references to the project size eligibility levels of the SGIP and the ERP. PV Now believes that these references are incorrect. The ERP funds projects that are less than 30 kW in size. The Draft Decision states in several places that the ERP funds projects equal to 30 kW or less in size. PV Now respectfully requests that the Commission reflect the appropriate eligibility limits of each program in the Final Decision.

Section II of the Draft Decision discusses historical SGIP and ERP funding levels and resulting solar power demand in units of capacity. PV Now requests that the Final Decision represent an apples-to-apples comparison of total funding encumbered and the corresponding solar power capacity of each program both installed and reserved with the capacity metric and date of the statistics referenced (for example, dc, ac or PTC). PV Now also requests that the total funding reflect a true sum of those figures rather than a rough estimate which may be overstated by \$200 million or more.

Section II of the Draft Decision erroneously refers to the current incentive level as being \$2.80 per kilowatt rather than \$2.80 per watt. We respectfully request a correction of this statement both in the body of the decision and in Conclusion of Law 6 as set forth in Appendix A to these comments..

We also request that Conclusion of Law 3 be changed as set forth in Appendix A to these comments to align CSI incentive eligibility with net metering eligibility in Public Utilities Code section 2827(b)(2).

III. CONCLUSION

PV Now congratulates the Commission and the CEC on its joint proposal to achieve the 3000 MW objective of the CSI. In order to optimize the opportunity offered Californians by the CSI, we request that the Commission make the modest adjustments to the Draft Decision we propose herein.

Respectfully submitted this January 3, 2006, at San Francisco, California.

GOODIN, MACBRIDE, SQUERI,
RITCHIE & DAY, LLP
Michael B. Day
Joseph F. Wiedman
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: mday@gmsr.com
Email: jwiedman@gmsr.com

By /s/ Joseph F. Wiedman
Joseph F. Wiedman

Attorneys for PV Now

Appendix A

Findings of Fact

1. Development of solar technologies is consistent with state policy and will provide California with a clean and reliable source of disbursed energy. Because the industry and related markets are still not well-developed, an incentive payment program, such as the one envisioned by SB 1, the Governor and the staff report attached in Appendix A, will benefit California.

2. The existing CEC and Commission solar incentive programs, the ERP and the SGIP, are similar except that they provide incentives to different-sized projects and are funded by different utility rates.

3. There is no reason to continue the implementation of all or part of the solar incentives in the SGIP if the Commission adopts a CSI program.

4. A ten-year commitment by the state to provide incentives for solar installations may provide a signal to manufacturers and other industry participants that encourages innovation and development.

5. All solar energy technologies have the potential to reduce demand for fossil fuels and investments in more traditional energy resources.

6. SDREO has proposed a way to implement a solar water heating rebate program in our energy efficiency docket and has extensive experience administering the SGIP in the San Diego region.

7. Federal tax credits may affect solar energy investments that may obviate the need for a full CSI rebate for some projects. The record should be augmented to provide adequate information about the likely impact of federal tax credits on decisions to invest in solar projects.

8. Low-income customers are the least likely to be beneficiaries of the CSI program because they are least likely to make investments in solar projects and

because solar technology appears to be less cost-effective than other energy resource options.

9. Performance-based incentives may motivate better investments in and maintenance of solar projects than capacity-based incentives, although the record in this proceeding should be developed to design a sensible performance-based incentive program.

10. The Commission's method for changing incentive levels under the SGIP has not been consistently responsive to changing markets.

11. The SGIP has consistently received more applications for rebates than there has been funding available at its previous incentive levels and at the 2005 level of \$3.50/kW.

12. Where the demand for rebates exceeds supply, it is reasonable to assume the incentive levels are higher than they need to be to motivate investment.

13. Application fees may reduce the number of project applications that are ultimately not pursued, and thereby reduce administrative costs and the waiting lists for project rebates.

14. Some projects may need smaller rebates or none if they are provided with financing at low cost or no cost. The record of this proceeding, however, does not yet provide adequate information about whether financing is needed and how a financing program should be designed.

15. Motivating solar investments in affordable housing and by low-income customers may require higher incentive payments than those adopted for other types of customers.

16. Energy efficiency improvements tend to be more cost-effective than solar installations. The record in this proceeding is not adequate to adopt a rule that would require energy efficiency retrofits as a condition of receiving solar incentive payments.

17. Making an energy efficiency audit a condition of receiving incentive payments for solar projects installed on existing buildings may motivate some energy efficiency improvements at those sites.

18. Additional metering requirements for solar installations may permit rate design that improves cost-effectiveness and appropriately recognizes the value of solar electricity production. The record in this proceeding does not permit the adoption of additional metering requirements at this time.

19. Education, marketing and outreach will improve the number and nature of solar investments in California.

20. Program evaluation and monitoring for the CSI program, including the pilot solar water heating program, should be overseen by the CEC and/or the Commission staff. The utilities shall issue a request for proposal (RFP) for program evaluation consulting and should contract with consultants selected by the CEC and/or Commission staff, who will be responsible for all other contract decision-making and management.

21. The SGIP Working Group would not be an appropriate agent for overseeing the CSI.

22. The SGIP manual provides a reasonable foundation for articulating the rules and requirements of the CSI program.

23. RD&D may assist in tailoring the CSI to promote the development of a robust, self-sustaining solar industry.

Conclusions of Law

1. The Commission has no authority to delegate program decision-making to the CEC.

2. The CSI should provide incentives to all types and sizes of qualifying solar installations. The CSI program should be separate from the SGIP and all solar elements of the existing SGIP should be incorporated into the CSI.

3. The CSI should offer incentives to any solar technology with a capacity rating of **not more than** ~~less than~~ one MW. Solar water heating incentives should be provided only as part of a closely monitored pilot program as set forth herein.

4. SDG&E should be ordered to invite SDREO to administer a pilot program providing rebates for investments in solar water heating in SDG&E's territory, as set forth herein.

5. Allocation of CSI program costs should be decided in ratemaking proceedings that resolve cost allocation issues.

6. Initial CSI incentive levels for solar PV and concentrated solar should be set at \$2.80 per **kilowatt** in 2006, and should be scheduled to be reduced every 12 months or when certain MW targets are met, consistent with the recommendations in Appendix A.

7. The ALJ, in consultation with the Assigned Commissioner and staff, should have the authority to modify incentive payments by up to 10% a year and to bifurcate rebate levels according to project size and type following a showing by CEC and/or Commission staff to justify such changes, as set forth herein.

8. In cases where funding is or would be exhausted before the end of the funding cycle and following consultation with the CEC and Commission staff, the ALJ, in consultation with the Assigned Commissioner, should have the authority to order the utilities to fund the CSI in the current period with up to 15% of the budget allocated to the subsequent funding period.

9. To motivate solar investments by low-income customers and affordable housing projects, 10% of the annual funding should be set aside for their use. The Commission should also consider augmented incentives for such projects.

10. Incentive payments for solar installations in new structures should be contingent on the builder having met energy efficiency standards and structures with energy efficiency metrics that exceed 10% of standards should qualify for augmented incentives to be determined later in this proceeding.

11. Incentive payments for solar installations in existing structures should be contingent on the completion of an energy efficiency audit.

12. The Commission staff and the CEC staff should oversee the development of a CSI program manual that is based on the SGIP manual with the program modifications we adopt herein.

13. The assigned ALJ and the staff of the Commission and the CEC should work cooperatively to develop a record on the outstanding program issues identified in Appendix A.

14. The Commission should allocate up to 5% of total annual program budgets to RD&D.

INTERIM ORDER

IT IS ORDERED that:

1. The staff report attached as Appendix A to this decision is adopted as set forth herein.

2. Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas), and Southern California Edison Company (SCE) shall implement the program described in the staff report and adopted herein.

3. The assigned administrative law judge, in consultation with the Assigned Commissioner, shall proceed to develop a record and propose resolution of all outstanding issues identified in the staff report in Appendix A.

4. PG&E, SCE, SDG&E, and SoCalGas shall allocate the funds adopted herein to the California Solar Initiative and collect those funds in distribution rates in appropriate ratemaking proceedings.

This order is effective today.

Dated _____, at San Francisco, California.

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION AND SUMMARY	1
II. DISCUSSION OF THE PROPOSED DECISION	3
A. PV Now Supports the Major Program Design Elements Discussed in the Draft Decision	3
B. PV Now Proposes to Address The Following Items in Workshops and Public Meetings	6
C. Proposed Changes to the Draft Decision.....	9
III. CONCLUSION	10

WARNING: This section retains the original formatting, including headers and footers, of the main document. If you delete the section break above this message (which is visible ONLY in Normal View), any special formatting, including headers and footers for the Table of Contents/Authorities section will be lost.

If you delete the section break above the Table of Contents/Authorities, you will overwrite the headers and footers of the main document with Table of Contents/Authorities headers and footers.

To delete the Table of Contents/Authorities, begin your selection at the section break above the TOC/TOA section and continue through the end of this message.

CERTIFICATE OF SERVICE

I, Jan Van Dusen, certify that I have on this 3rd day of January 2006 caused a copy of the foregoing

**COMMENTS OF PV NOW ON THE INTERIM ORDER ADOPTING POLICIES
AND FUNDING FOR THE CALIFORNIA SOLAR INITIATIVE**

to be served on all known parties to R.04-03-017 via e-mail to those listed with e-mail on the CPUC service website, and via U.S. mail to those without e-mail service. I also caused courtesy copies to be hand-delivered as follows:

President Michael R. Peevey
California Public Utilities Commission
505 Van Ness Avenue, Room 5218
San Francisco, CA 94102

ALJ Kim Malcolm
California Public Utilities Commission
505 Van Ness Avenue, 5th Floor
San Francisco, CA 94102

I declare under penalty of perjury that the foregoing is true and correct. Executed this 3rd day of January 2006 at San Francisco, California.

/s/ Jan Van Dusen _____

Jan Van Dusen