

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 04-03-014
(Filed March 16, 2004)

**REPLY COMMENTS OF THE VOTE SOLAR INITIATIVE ON
THE INTERIM ORDER ADOPTING POLICIES AND FUNDING
FOR THE CALIFORNIA SOLAR INITIATIVE**

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The Vote Solar Initiative is a project of the Tides Center, a not-for-profit 501(c)(3) organization.

Vote Solar's mission is to help state and local governments implement large-scale and cost-effective solar projects and bring solar energy into the mainstream.

Pursuant to Rule 77.2 of the Commission's Rules of Practice and Procedure, The Vote Solar Initiative respectfully submits the following comments on the Interim Order Adopting Policies and Funding for the California Solar Initiative ("proposed decision" or "PD") mailed to parties on December 13, 2005.

Vote Solar congratulates the Commission for articulating a plan for installing 3,000 MW of solar systems on homes and businesses across the state. The Commission has developed the record it needs to support such a plan, while recognizing that many details still need to be worked out through the workshop process. The solar industry requires market certainty to make the investments necessary to meet the Commission's goal of a self-sufficient solar industry by 2017, and that is what an approved decision will provide.

The Commission correctly states that reduced costs are a primary objective of the CSI. If the Commission were to postpone a final decision on the CSI while parties work out the details of the program in 2006, the solar industry would hesitate to make critical investments necessary to reduce costs. As the Commission states: “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 development¹”. The Commission is making the right move by committing to a ten-year program, and then working out the details during a designated transition year.

The Commission lays out a concrete plan for achieving the objective of 3,000MW of solar across the state. Despite allegations that the CSI “would provide billions of dollars in incentives to achieve 3,000 MW of “installed capacity,” irrespective of the performance²” the Commission has already stated its intent to move towards performance based incentives to avoid such an issue. The Commission rightly states that a performance-based incentive will promote “effective design and installation, as well as efficient operation and maintenance.³” There is a well thought out strategy for achieving the goals of the CSI and we commend the Commission for proposing a bold and visionary plan.

Investing in the Future

Some parties argue that the California Solar Initiative is an unwise investment because solar is not currently cost effective. As SCE states: “SCE cannot uncritically support an unnecessarily

¹ Interim Order, page 10, Findings of Fact 4.

² SCE Opening Comments, page 2.

³ Interim Order Appendix A, page 19.

precipitous commitment of \$2.5 Billion in additional ratepayer funds for the long-term extension of a solar program that has not yet proven to be cost-effective.⁴ However, the Commission already admits that “solar technologies may not be as cost-effective as other clean alternatives”, and submits this as a rationale for investing in the California Solar Initiative. We agree with the Commission’s decision to support solar technologies that are not yet cost-effective, but have the potential to yield great benefits to the state when the California Solar Initiative has successfully reached the target of 3000MW.

Benefits

The numerous benefits of distributed solar power have been well covered throughout this proceeding. It is the prospect of these benefits being multiplied many times over with the development of a self-sufficient solar industry that motivates the Commission to invest in the California Solar Initiative. The transmission and distribution benefits of solar energy has been a point of contention among the parties, and PG&E requests that the Commission remove the statement that solar projects “reduce the demand for transmission and distribution system additions.”⁵ However, SDG&E implies that distributed solar yields transmission and distribution benefits, by stating that the program should “include a performance incentive structure that is geared to reduce the costs of installations and **promote the maximum T&D benefit**”⁶. Obviously, a PBI cannot maximize T&D benefits if none exist. Therefore, we encourage the Commission to retain the current language regarding transmission and distribution, as the CSI should be tailored to maximize the T&D benefits of distributed solar.

⁴ SCE Opening Comments, page 1.

⁵ PG&E Opening Comments, page 11.

⁶ SDG&E/SoCalGas Opening Comments, page 6.

Wage Requirements

The State Building and Construction Trades Council argues that solar installers should receive prevailing wages because the “money raised from ratepayers to support the solar program, like money raised from an income tax, sales tax, or property tax, is public money.⁷” However, this is not the case. Taxes levied at the state and local level, collect money from the general population and then allocate it in a way that may have no relevance to the residents it was collected from. CSI funding, on the other hand, will be collected from the ratepayers of the IOUs and then distributed to those very same customers. Furthermore, any ratepayer is eligible to apply for a solar rebate, which is inherently different from how taxes are collected and allocated. Clearly there is a distinction between public money like taxes and the ratepayer collections that will be used to fund the CSI.

Ensuring high quality installations that produce kW and kWh for decades to come is an absolute priority of the California Solar Initiative. However, prevailing wage is not the mechanism by which quality is assured. Instead the Commission should continue with the strategy it has already developed of implementing a performance-based incentive that pays solar owners for production. The PBI will ensure that high quality systems are installed and maintained over the long run. Furthermore, incentives are only given for systems that are installed using installers who have a C-46 license, which is the other mechanism for ensuring quality installations.

⁷ SBCTC Opening Comments page 4

Lastly, the IOUs administer many other programs under PUC order that do not have prevailing wage requirements. There is no reason why solar should have an arbitrary requirement for prevailing wages when other CPUC programs do not.

Conclusion

Vote Solar commends the Commission for proposing and supporting a visionary solar program that will make solar a cost effective solution to our energy requirements. We look forward to participating in the workshop process and achieving the goal of 3,000MW of solar installed throughout the state.

Respectfully Submitted on this January 9, 2006 at San Francisco, CA.

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By _____
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CERTIFICATE OF SERVICE

I, JP Ross, am over the age of 18 years and employed in the County of San Francisco. My business address is 182 Second Street, Suite 400, San Francisco, CA 94105.

On January 9, 2006, I electronically served the within document: REPLY COMMENTS OF THE VOTE SOLAR INITIATIVE ON THE INTERIM ORDER ADOPTING POLICIES AND FUNDING FOR THE CALIFORNIA SOLAR INITIATIVE to each of the parties of record in this proceeding and hand delivered one (1) original and four (4) copies to the Commission.

Executed on January 9, 2006, at San Francisco, California.

JP Ross

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