



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for the California Solar
Initiative, the Self-Generation Incentive Program and
Other Distributed Generation Issues.

RULEMAKING 10-05-004
(Filed May 6, 2010)

**Reply of the California Center for Sustainable Energy (CCSE) to Responses
to CCSE's Petition for Modification of Decisions D.10-09-046, D.08-10-036,
D.11-07-031 and D.06-08-028 to Address California Solar Initiative General
Market Program Administration Budget Issues within CCSE's Program
Territory**

California Center for Sustainable Energy

September 14, 2012

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I. INTRODUCTION

In accordance with Rule 16.4(g) of the California Public Utilities Commission (CPUC or Commission) Rules of Practice and Procedure and Administrative Law Judge (ALJ) Dorothy J. Duda's e-mail of September 6, 2012, authorizing this filing, the California Center for Sustainable Energy (CCSE) respectfully submits this reply to responses to our Petition for Modification of Decisions (D.)10-09-046, D.08-10-036, D.11-07-031 and D.06-08-028 (Petition for Modification). In her e-mail of September 6, 2012, ALJ Duda granted CCSE's request to reply to various parties' responses to the Petition for Modification no later than September 14, 2012. As such, this reply is timely filed.

CCSE greatly appreciates the support of various stakeholders for our proposed modifications to address crucial California Solar Initiative (CSI) General Market (GM) program

administration and incentive budget issues within CCSE's program territory. Collectively, the requested modifications will help CCSE meet our predetermined overall CSI GM program megawatt (MW) goal, reduce any non-residential customer sector incentive budget shortfall, and alleviate CSI GM program administration budget issues in CCSE's program territory. In this reply, CCSE addresses the following issues raised in responses to the Petition for Modification:

- CCSE's Petition for Modification is compliant with the spirit and intent of Rule 16.4 of the CPUC Rules of Practice and Procedure.
- D.10-09-046 should be modified to provide Commission authorization to CCSE to combine the M&O and program administration budget subcategories within the CSI GM administrative budget and to transfer \$100,000 from CCSE's M&E budget subcategory to its program administration budget subcategory.
- D.08-10-036 should be modified to authorize reimbursement from the Multifamily Affordable Solar Housing (MASH) general program administration and Marketing and Outreach (M&O) budget, rather than the CSI GM program administration budget, for charges associated with the development and implementation of Virtual Net Metering (VNM) for MASH, and D.11-07-031 should be modified to clearly specify that any VNM costs incurred subsequent to the effective date of D.11-07-031 should be recovered independently from the CSI program, in the Investor Owned Utilities' (IOUs') future general rate cases.
- The Commission should investigate whether CCSE's requested modification of D.06-08-028 to direct San Diego Gas and Electric (SDG&E) to allocate CCSE's past, present and future CSI labor fringe and legal fees to SDG&E's general rate base, rather than to CCSE's CSI GM program administration budget, as consistent with the current practices of the CSI GM IOU PAs, would violate the

monetary limit for the CSI program set by Public Utilities Code (PUC) Section 2851(e)(1), and if found to be permissible, grant CCSE's requested modification.

- D.06-08-028 should be modified to remove the specific allocation of two-thirds of CSI MW for the non-residential customer sector in CCSE's program territory to allow for a greater allocation of MW to the residential sector because it will provide CCSE its best opportunity to meet our predetermined overall CSI GM program MW goal and the additional opportunity to come in under-budget for our program administration funds, while disbursing all of our allocated incentive funds.

II. CCSE'S PETITION FOR MODIFICATION IS COMPLIANT WITH THE SPIRIT AND INTENT OF RULE 16.4 OF THE CPUC RULES OF PRACTICE AND PROCEDURE.

In its response, SDG&E alleges that CCSE's Petition for Modification violates Rule 16.4(b) of the CPUC Rules of Practice and Procedure in that it fails to provide specific wording to carry out all of the requested modifications and Rule 16.4(d) in that it fails to support allegations of fact with declarations or affidavits affirming the truth of such alleged facts.¹ CCSE maintains that the Petition for Modification is compliant with the spirit and intent of Rule 16.4.

CCSE clearly delineated in the Petition for Modification each of the modifications sought to the particular Decisions and asked the Commission for specific redress. Section III of the Petition for Modification explicitly presents a summary of the relief requested, detailing each requested modification to D.10-09-046, D.08-10-036, D.11-07-031 and D.06-08-028.

Furthermore, in response to SDG&E's claim that the Petition for Modification fails to support

¹ *Response of San Diego Gas & Electric Company (U902M) to the Petition of California Center for Sustainable Energy (CCSE) for Modification of Decision (D.) 10-09-046, D.08-10-036, D.11-07-031 and D.06-08-028 to address California Solar Initiative General Market Program Administration Budget Issues within CCSE's Program Territory (SDG&E Response), September 4, 2012, pages 3-4.*

allegations of fact with declarations or affidavits, CCSE maintains that the information contained in the budget projection model is confidential and proprietary. Moreover, we assert that the information contained in our budget projection model is constantly evolving and changing; thus, entering this information into the record would necessitate continuous amendments to ensure this information is current and up-to-date. Additionally, Pacific Gas and Electric Company (PG&E) suggests in its response that the Commission request that CCSE share its budget projection model with the Energy Division and other CSI Program Administrators (PAs).² CCSE has shared its budget projection model and relevant data and outputs with Energy Division staff on several occasions and maintains that this is the best approach, given the constantly evolving state of the data input to the model and the confidential and proprietary nature of the information. Accordingly, CCSE's Petition for Modification is compliant with the spirit and intent of Rule 16.4 and should be considered by the Commission.

III. D.10-09-046 SHOULD BE MODIFIED TO PROVIDE COMMISSION AUTHORIZATION TO CCSE TO COMBINE THE M&O AND PROGRAM ADMINISTRATION BUDGET SUBCATEGORIES WITHIN THE CSI GM ADMINISTRATIVE BUDGET AND TO TRANSFER \$100,000 FROM CCSE'S M&E BUDGET SUBCATEGORY TO ITS PROGRAM ADMINISTRATION BUDGET SUBCATEGORY.

The majority of parties responding to the Petition for Modification generally support CCSE's requested modification of D.10-09-046 to obtain authorization from the Commission to combine the M&O and program administration budget subcategories within the CSI GM

² *Response of Pacific Gas and Electric Company (U 39 E) to Petition of the California Center for Sustainable Energy (CCSE) for Modification of Decisions D.10-09-046, D.08-10-036, D.11-07-031 and D.06-08-028 to address California Solar Initiative General Market Program Administration Budget Issues within CCSE's Program Territory (PG&E Response), September 4, 2012, page 2.*

administrative budget to allow these funds to be used at CCSE's discretion, while maintaining CCSE's individual Energy Division-approved M&O plan to ensure certain M&O activities continue as appropriate, and to transfer \$100,000 from CCSE's M&E budget subcategory to its program administration budget subcategory to ensure adequate program administration funds to carry out program completion.³

CCSE fully concurs with DRA's assessment that our requested modification is a "reasonable [way] to afford budget flexibility to CCSE that will enhance operation of the CSI program with little or no impact to ratepayers."⁴ Additionally, we agree with SEIA's assessments that "a situation in which CCSE will have funds to continue to market and evaluate the CSI [GM] program, yet have no funds to continue to process applications" is "nonsensical", and moreover that our "proposal ... will help to ensure that the CSI program in the San Diego area will not grind to a halt due to insufficient funds to process applications."⁵ We appreciate PG&E's general support for our proposal but contend that their proposed caveat that "the Commission should confirm that CCSE will have sufficient funds to meet any current and future projected M&O and M&E statewide obligations"⁶ before approving the requested modification is unnecessary. As previously presented in our Petition for Modification, CCSE fully intends to maintain its individual Energy Division-approved M&O plan to ensure certain M&O activities continue as appropriate.⁷ Logically, these certain M&O activities would include CCSE's statewide obligations. Moreover, regarding meeting

³ See PG&E Response at 2-3; *The Division of Ratepayer Advocates' Response to Petition of the California Center for Sustainable Energy (CCSE) for Modification of Decisions D.10-09-046, D.08-10-036, D.11-07-031 and D.06-08-028 to Address California Solar Initiative General Market Program Administration Budget Issues within CCSE's Program Territory* (DRA Response), September 4, 2012, page 1; *Response of the Solar Energy Industries Association to Petition of the California Center for Sustainable Energy for Modification of Decisions (D.) 10-09-046, D.08-10-036, D.11-07-031 and D.06-08-028* (SEIA Response), September 4, 2012, pages 4-5.

⁴ DRA Response at 1

⁵ SEIA Response at 4.

⁶ PG&E Response at 2-3.

⁷ *Petition of the California Center for Sustainable Energy (CCSE) for Modification of Decisions D.10-09-046, D.08-10-036, D.11-07-031 and D.06-08-028 to Address California Solar Initiative General Market Program Administration Budget Issues within CCSE's Program Territory* (Petition for Modification), August 3, 2012, page 10.

statewide M&E obligations, we note that the M&E budget is shared with the Commission's Energy Division and reiterate that Energy Division has indicated that \$100,000 of the M&E budget is available for transfer to CCSE's program administration budget;⁸ thus this transfer should not affect CCSE's ability to meet statewide M&E obligations in any way. Accordingly, CCSE's requested modifications of D.10-09-046 should be granted.

In addition, CCSE appreciates PG&E's recommendation that measures be adopted to increase the efficiency of CSI administration as a means to help CCSE and the other CSI PAs to reduce their program administration costs.⁹ CCSE reminds PG&E that it has worked diligently to improve the CSI application process with the other CSI PAs, Energy Division staff, and Commissioners. Many suggestions, in terms of simplification of the process and reduction of costs for processing applications, have been made; nevertheless, a consensus among the various CSI PAs has not yet been reached on the various proposals presented. CCSE wholeheartedly supports streamlining of the application process but reiterates its concern, as previously stated in its Response to PG&E Advice 4064-E, that should various proposals presented in PG&E Advice 4064-E be adopted by the Commission, valuable aspects of the review process will be lost, ultimately jeopardizing the integrity of the CSI program. CCSE realizes that there is a balance between efficiency and integrity of the program, and we will continue to work with the other CSI PAs, Energy Division staff, industry and Commissioners to achieve this balance.

IV. D.08-10-036 SHOULD BE MODIFIED TO AUTHORIZE REIMBURSEMENT FROM THE MASH GENERAL PROGRAM ADMINISTRATION AND M&O BUDGET, RATHER THAN THE CSI GM PROGRAM ADMINISTRATION BUDGET, FOR CHARGES ASSOCIATED WITH THE DEVELOPMENT AND IMPLEMENTATION OF VNM FOR MASH, AND D.11-07-031 SHOULD BE MODIFIED TO CLEARLY SPECIFY THAT ANY

⁸ *Id.* at 11.

⁹ PG&E Response at 2.

VNM COSTS INCURRED SUBSEQUENT TO THE EFFECTIVE DATE OF D.11-07-031 SHOULD BE RECOVERED INDEPENDENTLY FROM THE CSI PROGRAM, IN THE IOUS' FUTURE GENERAL RATE CASES.

The majority of responding parties find CCSE's requested modification of D.08-10-036 to authorize reimbursement from the MASH general program administration and M&O budget, rather than the CSI GM program administration budget, for charges associated with the development and implementation of VNM for MASH reasonable.¹⁰ We are pleased to see that the majority of responding parties support approval of this modification, and, accordingly, we urge the Commission to grant CCSE's requested modification of D.08-10-036. Regarding CCSE's additional requested modification relating to VNM cost recovery, i.e., modification of D.11-07-031 to clearly specify that any VNM costs incurred subsequent to the effective date of D.11-07-031 should be recovered independently from the CSI program, in the IOUs' future general rate cases, we wish to address the responses of PG&E and SDG&E.

First, CCSE appreciates PG&E's support for our "proposal that [GM VNM] implementation costs not be charged to the CSI program."¹¹ However, we respectfully disagree with PG&E's requested clarification that charges for work that continues on implementation and improvements of the MASH VNM program "continue to be paid through either the CSI [GM] administrative budget, or if CCSE's proposal is accepted, the MASH administration budget."¹² Rather, D.11-07-031 clearly states, "the utilities may seek recovery of implementation and setup costs for VNM in their future general rate cases."¹³ CCSE firmly believes that any additional implementation and setup costs for VNM incurred after the effective date of D.11-07-031, regardless of whether the costs are related to the MASH VNM or

¹⁰ See DRA Response at 1, SEIA Response at 5 (Footnote 5), and PG&E Response at 3.

¹¹ PG&E Response at 3.

¹² *Id.* at 3.

¹³ D.11-07-031, *California Solar Initiative Phase One Modifications*, July 14, 2011, page 18 and Ordering Paragraph 2 at 65.

GM VNM programs, should be charged to the IOUs' general rate cases, as ordered by the Commission in D.11-07-031.

Second, SDG&E, in its response, declares CCSE to be wrong in its contention that "any VNM costs related to the billing system development that are incurred subsequent to the effective date of D.11-07-031 (July 14, 2011)...be recovered independently from the CSI program, in the IOUs' future general rate cases."¹⁴ However, D.11-07-031 explicitly states, "the utilities may seek recovery of implementation and setup costs for VNM in their future general rate cases."¹⁵ It logically flows from this Commission order that any charges for implementation and setup for VNM incurred subsequent to the Decision would be required to be recovered in the IOUs' general rate cases. CCSE is simply requesting that the order in D.11-07-031 be clarified to explicitly specify the effective date of the Decision as the demarcation of the transition, and CCSE believes that the lack of an explicit date demarcation in D.11-07-031 has led to multiple interpretations.

Further complicating the situation is Resolution E-4481's Findings and Conclusions 4, and its related interpretations, as relied upon by SDG&E in its response. SDG&E incorrectly argues that "the Commission stated its expectation that initial VNM billing system development was to be completed by July 31, 2012 and directed the energy utilities to seek recovery of any charges incurred therefor *after* July 31, 2012 in future [general rate cases]."¹⁶ In fact, Findings and Conclusions 4 does not specify the date of July 31, 2012, but instead, states that "[i]t is assumed that these systems are fully automated or will be fully automated by *July 2012* and that there will be no further costs."¹⁷ By failing to provide an explicit date, the Resolution's use of "by July 2012" is left open to multiple interpretations. While SDG&E has inferred this to mean July 31, 2012, a plain reading of this language could lead one to interpret

¹⁴ SDG&E Response at 6.

¹⁵ D.11-07-031 at 18 and Ordering Paragraph 2 at 65.

¹⁶ SDG&E Response at 6, citing to Resolution E-4481, Findings and Conclusions 4.

¹⁷ Resolution E-4481, Findings and Conclusions 4, *emphasis added*.

this to mean no later than July 1, 2012. Irrespective of these conflicting interpretations, either date would improperly allow for a full year's worth of VNM implementation and setup costs to be charged to the CSI GM program, or the MASH program should the Commission grant CCSE's requested modification of D.08-10-036, despite the fact that D.11-07-031 declared "the utilities may seek recovery of implementation and setup costs for VNM in their future general rate cases"¹⁸ a full year prior to the cut-off provided in Resolution E-4481. Furthermore, SDG&E mistakenly assumes "the Resolution acknowledges and subsequently ignores the exact requested modification concerning the transition in VNM cost responsibility...."¹⁹ CCSE provided comments in response to the draft Resolution, and we do not believe that the failure of the Commission to address this modification in Resolution E-4481 was intentional but merely an oversight. Nevertheless, CCSE firmly believes that any determination of an appropriate transition date would have to be addressed in a modification of D.11-07-031, rather than the resulting Resolution E-4481. Accordingly, CCSE appropriately has sought modification of D.11-07-031.

CCSE has simply requested that the order in D.11-07-031 be clarified to explicitly specify the effective date of the Decision as the demarcation of the transition from IOU VNM development and implementation being solely an expense borne by the CSI GM program administration budget, or as proposed in our Petition for Modification, an expense borne by the MASH general program administration and M&O budget, to one borne by each IOU's respective general rate base. The effective date of D.11-07-031 is the most appropriate transition date because D.11-07-031 clearly states: (1) "VNM should not be limited to those who receive CSI incentives"; and (2) "[t]he expanded VNM concept can apply to any DG technology that receives a full retail rate credit under net energy metering."²⁰ Accordingly, it rationally flows from these findings of the Commission that the CSI GM and MASH programs

¹⁸ D.11-07-031 at 18 and Ordering Paragraph 2 at 65.

¹⁹ SDG&E Response at 6, citing to Resolution E-4481 at 34.

²⁰ D.11-07-031 at 17.

should no longer be charged for VNM implementation and setup costs because D.11-07-031 provided for VNM's wider applicability to all multi-tenant and multi-meter customers in the residential, commercial, and industrial sectors, irrespective of DG technology. Therefore, the effective date of D.11-07-031 should mark the transition from IOU VNM development and implementation being solely an expense borne by the CSI GM program administration budget, or as requested in our Petition for Modification, an expense borne by the MASH general program administration and M&O budget, to one borne by each IOU's respective general rate base. Accordingly, CCSE's requested modification to D.11-07-031 should be granted.

V. THE COMMISSION SHOULD INVESTIGATE WHETHER CCSE'S REQUESTED MODIFICATION OF D.06-08-028 TO DIRECT SAN DIEGO GAS AND ELECTRIC (SDG&E) TO ALLOCATE CCSE'S PAST, PRESENT AND FUTURE CSI LABOR FRINGE AND LEGAL FEES TO SDG&E'S GENERAL RATE BASE, RATHER THAN TO CCSE'S CSI GM PROGRAM ADMINISTRATION BUDGET, AS CONSISTENT WITH THE CURRENT PRACTICES OF THE CSI GM IOU PAS, WOULD VIOLATE THE MONETARY LIMIT FOR THE CSI PROGRAM SET BY PUC SECTION 2851(E)(1), AND IF FOUND TO BE PERMISSIBLE, GRANT CCSE'S REQUESTED MODIFICATION.

DRA and SDG&E both oppose CCSE's requested modification of D.06-08-028 to direct SDG&E to allocate CCSE's past, present and future CSI labor fringe and legal fees to SDG&E's general rate base, rather than to CCSE's CSI GM program administration budget. DRA contends that "[g]ranted this request would likely cause a violation of the authorizing legislation for the CSI program, which established a \$2.36 billion funding limit for the [IOUs'] portion of the overall CSI budget."²¹ SDG&E contends that "the recovery of CCSE's CSI GM PA fringe labor and legal costs through SDG&E's [general rate case] proceeding would create

²¹ DRA Response at 2, citing to PUC Section 2851(e)(1).

an incremental cost burden to SDG&E ratepayers in excess of their currently allocated portion of the total CSI program cost, which is capped by PUC Section 2851(e)(1)."²²

CCSE requested this modification to level the playing field and allow for SDG&E's ratepayers to receive comparable CSI program benefits to those received by PG&E and SCE ratepayers. It is our understanding that the CSI GM IOU PAs, PG&E and SCE, currently recover all of their CSI GM PA fringe labor expenses and all legal labor and expenses related to CSI GM program administration via their general rate bases, rather than via their CSI GM program administration budgets, resulting in PG&E and SCE having disproportionately larger CSI GM program administration budgets than CCSE. CCSE understands that PUC Section 2851(e)(1) imposes a monetary limit for the CSI program, which may not be exceeded; nevertheless, we contend that recovery of CSI GM PA fringe labor expenses and legal labor and expenses related to CSI GM program administration via the IOUs' general rate bases may not in fact violate the imposed monetary limit, as PUC Section 2851(e)(1) and its creating legislation, Senate Bill (SB) 1 (Stats. 2006, Ch. 132), are silent as to what exactly constitutes direct program expenses. We therefore encourage the Commission to determine whether CSI GM PA fringe labor expenses and legal labor and expenses may be considered to be direct program expenses capped by PUC Section 2851(e)(1), and if found not to be, to grant the requested modification to level the playing field and allow for SDG&E's ratepayers to receive comparable CSI program benefits to those received by PG&E and SCE ratepayers.

SDG&E's assertion that it "has reviewed CCSE's CSI GM PA fringe labor charges and all legal costs and expenses related to CSI GM program administration that were accrued to date and estimated through 2020"²³ is correct, as CCSE responded to SDG&E's August 13, 2012 Data Request for this information; however, SDG&E's conclusion that these expenses are "significant" is unfounded, and its claim that "[p]ursuant to the Non-disclosure Agreement

²² SDG&E Response at 7-8, citing to PUC Section 2851(e)(1).

²³ *Id.* at 8.

that SDG&E was required to execute, SDG&E cannot provide details on CCSE's cost estimates in this response"²⁴ is erroneous. CCSE's accrued and forecasted fringe labor charges and legal costs and expenses amount to approximately \$1.7 million for the life of the CSI program. CCSE contends that this amount is not significant, contrary to SDG&E's conclusion, given the total cost of the program. Nevertheless, the issue at hand should not be determined by the actual amount of fringe labor expenses and legal labor and expenses or whether or not that amount is significant; the issue at hand is one of fairness and of providing a level playing field for ratepayers from one CSI program territory to another. Moreover, the proper place for SDG&E to question the amount of CCSE's fringe labor expenses and legal labor and expenses would be in response to CCSE's invoices to SDG&E; however, to date, SDG&E has yet to question any invoice as to either CCSE's fringe rate or any legal expenses, although it certainly has the authority to do so. Furthermore, SDG&E's claim that "the third party administrative arrangement already places SDG&E customers at a financial disadvantage"²⁵ and its suggestion that "IOU program administration is more efficient than third party administration"²⁶ is inappropriate and outside the scope of this proceeding.

SDG&E also expresses concern over the timing of our requested modification²⁷ and notes that we have "had the consistent ability to request additional allocations of administrative funding from the Commission."²⁸ CCSE has repeatedly requested flexibility between the administrative budget subcategories for the CSI GM program on the record in this proceeding, and furthermore, we have previously warned the Commission of the potential for a program administration budget shortfall within our program territory.

Lastly, CCSE contests SDG&E's skepticism that CCSE will convert the additional infusion of program administration funds, should this request be granted, "into a tangible

²⁴ *Id.* at 8, Footnote 7.

²⁵ *Id.* at 9.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.* at 10.

benefit for CSI participants, let alone other ratepayers.”²⁹ CCSE reminds SDG&E that we are a nonprofit organization whose mission is “to foster public policies and provide programs, services, information and forums that facilitate the adoption of clean, reliable, renewable, sustainable, and efficient energy technologies and practices.” Thus, to suggest that CCSE would not utilize any additional program administration funds to ensure efficient, comprehensive, streamlined administration of the CSI program within our program territory is nonsensical.

Notwithstanding the Commission’s determination of the legality of directing SDG&E to allocate CCSE’s past, present and future CSI labor fringe and legal fees to SDG&E’s general rate base, CCSE supports DRA’s recommendation that “to the extent CCSE incurred any costs on behalf of PG&E and/or SCE, such costs should be shared among the three PAs’ CSI program administration budgets.”³⁰ CCSE notes that it has incurred legal labor and expenses on behalf of PG&E and SCE in defending Complaint Case No. C.11-03-009, filed by Pacific Home Remodeling, a solar contractor removed from the CSI program by a joint decision of the CSI Working Group, including PG&E and SCE as CSI PAs. On July 12, 2012, SCE and PG&E refused to share in the costs of defending this complaint, although the decision to remove the contractor was made jointly by the PAs.³¹ CCSE therefore respectfully requests that the Commission direct PG&E and SCE to share in the costs of defending Complaint Case No. C.11-03-009.

VI. D.06-08-028 SHOULD BE MODIFIED TO REMOVE THE SPECIFIC ALLOCATION OF TWO-THIRDS OF CSI MW FOR THE NON-RESIDENTIAL CUSTOMER SECTOR IN CCSE’S PROGRAM TERRITORY TO ALLOW FOR A GREATER ALLOCATION OF MW

²⁹ *Id.* at 9.

³⁰ DRA Response at 2.

³¹ See July 12, 2012 letter from Annette Gilliam, SCE, to Terry Clapham, CCSE, attached as Attachment 1, and August 1, 2012 email from Andrew Yip, PG&E, to Terry Clapham, CCSE, confirming that the letter represents the opinions of PG&E as well as SCE, attached as Attachment 2.

TO THE RESIDENTIAL SECTOR BECAUSE IT WILL PROVIDE CCSE ITS BEST OPPORTUNITY TO MEET OUR PREDETERMINED OVERALL CSI GM PROGRAM MW GOAL AND THE ADDITIONAL OPPORTUNITY TO COME IN UNDER-BUDGET FOR OUR PROGRAM ADMINISTRATION FUNDS, WHILE DISBURSING ALL OF OUR ALLOCATED INCENTIVE FUNDS.

While DRA and PG&E expressed support for CCSE's requested modification of D.06-08-028 to remove the specific allocation of two-thirds of CSI MW for the non-residential customer sector in CCSE's program territory to allow for a greater allocation of MW to the residential sector, several parties expressed concerns with the requested modification, including PG&E, SCE and SEIA.

SEIA argues that the requested modification "is counter to both the [statewide] structure of the CSI program and its overall market transformation goals."³² We respectfully disagree. The design of the program structure for the CSI program was directed at the installation of 1750 MW of solar photovoltaics (PV) statewide coupled with the overarching goal of achieving market transformation for the solar PV industry. The Commission provided in D.06-08-028, "[i]f... one [customer] class is achieving its MW targets and facing precipitous incentive reductions, [the Commission] will reassess whether to reconsider the allocation of MW goals between the residential and non-residential sectors."³³ Thus, if the specific allocation of MW goals between the residential and non-residential customer sectors needs to be revised to achieve the program goals of 1750 MW of installed solar PV and market transformation for the solar PV industry, the Commission may do so. SEIA and SCE both also express concern that the MW allocations should remain consistent across the state.³⁴ D.06-08-

³² SEIA Response at 2.

³³ D.06-08-028, *Opinion Adopting Performance-Based Incentives, and Administrative Structure, and other Phase One Program Elements for the California Solar Initiative*, August 24, 2006, pages 99-100.

³⁴ SEIA Response at 2; *Response of Southern California Edison Company (U338-E) to the Petition of the California Center for Sustainable Energy (CCSE) for Modification of Decision (D.) 10-09-046, D.08-10-036, D.11-07-031 and D.06-*

028 does not require that the specific allocation of MW goals between the residential and non-residential customer sectors must be consistent across all program territories within the state. The situation faced by CCSE is unique to our program territory; the specific allocation of two-thirds of CSI MW for the non-residential customer sector in actuality is doing a disservice to the residential customer sector in CCSE's program territory, and moreover, to CCSE's CSI GM program as a whole, in that it in effect prohibits an allocation of CSI MW greater than one-third to the residential sector. In that the specific allocation of MW goals between the customer sectors in CCSE's program territory will prevent CCSE from reaching our program goals, the Commission may elect to revise the specific allocation for CCSE's program territory alone. Nevertheless, CCSE does not oppose SCE's request that any removal of the specific allocation of MW goals for the non-residential customer sector be limited to CCSE's program territory until the other PAs have the opportunity to perform their own analyses of the impact such a change would have in their own respective program territories.³⁵

SEIA and SCE both also express concerns that the CSI program in CCSE's program territory could be heavily dominated by the residential customer sector, rather than providing sufficient opportunity for participation by the non-residential customer sector.³⁶ We reiterate our contention that the Commission intended for the allocation of one-third of CSI MW for the residential customer sector to be a minimum allocation, rather than a maximum allocation. Again, in setting this specific allocation, the Commission reasoned that it was "prudent to reserve a portion of CSI funds specifically for the residential [customer sector]" and found that "the simplest and most reasonable method [was] to reserve one-third of total CSI funds for [the] residential [customer sector]."³⁷ Regrettably, over the course of the program, we have found that this specific allocation in actuality is doing a disservice to the residential customer

08-028 to address California Solar Initiative General Market Program Administration Budget Issues within CCSE's Program Territory (SCE Response), September 4, 2012, page 3.

³⁵ SCE Response at 3.

³⁶ SEIA Response at 3; SCE Response at 3.

³⁷ D.06-08-028 at 99.

sector in CCSE's program territory. Rather than protecting this sector as originally intended by the Commission, it inhibits a greater allocation of MW to the residential customer sector. Removal of the specific allocation would allow incentive funds allocated specifically for the non-residential customer sector to be opened up to both residential and non-residential projects. Both customer sectors would have equal opportunity to participate in the program. Furthermore, while we appreciate PG&E's understanding of our desire to reduce our budget shortfall and more easily meet program MW goals through this requested modification, we respectfully disagree with its recommendation that the modification be limited to incentive Step 10.³⁸ CCSE's non-residential CSI program is presently stagnant in incentive Step 8, with no evidence that this sector will be picking up anytime soon. Removal of the specific allocation of MW goals within incentive Step 8 of CCSE's non-residential CSI program will offer CCSE its best opportunity to meet our predetermined overall CSI GM program MW goal and provide CCSE with the additional opportunity to come in under-budget for our program administration funds, while disbursing all of our allocated incentive funds. Moreover, considering that the stagnation of non-residential CSI applications in the San Diego region is contrary to what the Commission envisioned would take place, and to address the concerns of SEIA regarding the lagging commercial solar market in CCSE's program territory,³⁹ CCSE recommends that the Commission investigate potential inhibitors to the non-residential solar PV market within this region while allowing residential projects the opportunity to continue participating in the program.

We firmly believe that modification of D.06-08-028 to remove the specific allocation of two-thirds of CSI MW for the non-residential customer sector in CCSE's program territory to allow for a greater allocation of MW to the residential sector should allow CCSE to achieve its predetermined overall CSI GM program MW goal, while minimizing the chance of any non-residential customer sector incentive budget shortfall and helping to alleviate CSI GM

³⁸ PG&E Response at 4.

³⁹ SEIA Response at 3.

program administration budget issues in CCSE's program territory. We urge the Commission to grant this request.

VII. CONCLUSION

CCSE appreciates the opportunity to address the concerns of other parties expressed in the responses to our Petition for Modification. CCSE respectfully requests that the Petition for Modification be granted in its entirety, as expeditiously as possible. By granting the relief requested, the Commission will ensure authorized CSI GM administrative budget funds are appropriately distributed among the administrative budget subcategories, expenses are charged to the appropriate CSI program account or non-program funding source to provide sufficient funding of the CSI GM program administration budget, and the specific allocation of two-thirds of CSI MW for CCSE's non-residential customer sector in CCSE's program territory is removed to allow for a greater allocation of MW to the residential sector, which, in turn, should allow CCSE to meet its predetermined overall CSI GM program MW goal, reduce any non-residential customer sector incentive budget shortfall, and help alleviate CSI GM program administration budget issues in CCSE's program territory.

Respectfully Submitted,

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