

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Rulemaking 12-11-005
(Filed November 8, 2012)

**DECISION GRANTING PETITION
TO MODIFY DECISION 11-12-019
TO SUSPEND SAN DIEGO GAS & ELECTRIC COMPANY'S
CALIFORNIA SOLAR INITIATIVE COLLECTIONS REQUIREMENT FOR 2013**

1. Summary

This decision grants a petition for modification of Decision 11-12-019 filed by San Diego Gas & Electric Company (SDG&E) requesting an adjustment in the collections from its electric ratepayers to fund the California Solar Initiative (CSI). According to the new CSI revenue requirement adopted in this order, SDG&E may suspend collections for CSI from January 1, 2013 through December 31, 2013, and resume collections on January 1, 2014. CSI collections for years 2014 through 2016 shall be adjusted as set forth in this order to make up for the suspension of collections in 2013.

2. Background

By Decision (D.) 06-01-024 and D.06-08-028¹ the California Public Utilities Commission (Commission) established the California Solar Initiative (CSI), a program providing incentives for customer installations of solar distributed generation. The electric customers of the three large investor-owned utilities in California – Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) – contribute to the CSI program through their electric distribution rates. The Commission first adopted an annual revenue requirement for CSI in D.06-01-024. (D.06-01-024 at 6-7.) Table 1 in that order lays out a schedule of annual collections for each utility from 2006 through 2016, totaling \$2.5 billion.

Following the enactment of Senate Bill (SB) 1² setting forth CSI eligibility criteria and, among other things, limiting the program's funding source to electric ratepayers, the Commission modified its table of annual revenue requirements to conform to the new CSI budget of \$2.16 billion. (See D.06-12-033, Appendix A, Table 1.) In D.08-12-004, the Commission adjusted the annual CSI revenue requirements further in response to requests by SCE and SDG&E to temporarily suspend collections in 2009 due to a surplus of funds in those two utilities' CSI balancing accounts. Most recently, in D.11-12-019, the Commission again adjusted the revenue requirement to implement SB 585 (Stats. 2011, Ch. 312), which increased the cost limit of the CSI program by \$200 million. D.11-12-019 also granted SDG&E's request to suspend CSI

¹ References to D.06-08-028 are to the decision as modified by D.06-12-033, D.08-12-044, D.10-09-046, D.11-07-031, and D.11-12-019.

² Chapter 132, Statutes of 2006.

collections for the 2012 calendar year.³ The adjusted revenue requirements adopted in that order are shown below and are still in effect today.

**Table 1: Revised CSI Annual Revenue Requirements as adopted in D.11-12-019
(In Millions of Dollars)**

Year	PG&E	SCE	SDG&E	Total
Transfer from Self-Generation Incentive Program (SGIP) on 12/31/2006	\$0	\$104.6	\$37.2	\$141.8
2007	\$140	\$147	\$33	\$320
2008	\$140	\$147	\$33	\$320
2009	\$140	\$0	\$0	\$140
2010	\$43.75	\$110	\$25	\$178.75
2011	\$105	\$110	\$25	\$240
2012	\$120	\$110	\$0	\$230
2013	\$85	\$74	\$22.25	\$181.25
2014	\$85	\$74	\$22.25	\$181.25
2015	\$94	\$82	\$24	\$200
2016	\$94.45	\$81.1	\$24	\$199.55
Interest and Forfeited Funds	\$11.0	\$17.9	\$5.3	\$34.2
Total	\$1,058.2	\$1,057.6	\$251	\$2,366.8 ⁴

3. Petition for Modification

On October 5, 2010, SDG&E filed a petition for modification of D.11-12-019 to adjust the revenue requirement collection schedule for SDG&E adopted in that order. Specifically, SDG&E requests authority to: 1) temporarily suspend CSI revenue requirement collections from January 1, 2013 through the duration of the

³ D.11-12-019 at 11.

⁴ The numbers in the total row of this table are rounded, but actual collections by the three utilities would not exceed the actual numbers in row 15 of Table 2 of D.11-12-019.

calendar year; and 2) collect the amount suspended in 2013 between 2014 and 2016.

To support its petition, SDG&E contends that its ratepayers have contributed far in excess of the incentives and associated program administration expense costs to date, and this excess will likely continue. Given that initial funding for CSI was purposely set high in the early program years, solar projects are taking up to 24 months to complete, and performance-based incentives are paid out over a five-year period, this excess is not unexpected.

Specifically, SDG&E's customers paid \$153 million towards CSI through the end of 2012. In addition, the account has earned approximately \$6 million in interest payments since its inception. If 2013 collections are not suspended, SDG&E will collect another \$22.25 million. SDG&E states it has paid out only \$125 million in incentives and associated program administration expenses to date. SDG&E forecasts that it will pay out approximately \$12 million in additional CSI incentives and administrative expenses by the end of 2012. As a result, SDG&E estimates its CSI Balancing Account could have an over-collection of approximately \$22 million at the end of 2012, unless collections are modified. Given the \$22 million over-collection estimated for 2012 and SDG&E's estimated CSI expenditure of \$29 million in 2013, SD&E forecasts a temporary under-collection of \$7 million in the CSI Balancing account at year-end 2013. For this reason, SDG&E seeks to suspend 2013 collections from their electric customers until January 1, 2014, at which time SDG&E estimates CSI program spending in its service territory will approach equilibrium. SDG&E requests authority to collect the 2013 CSI revenue requirement between 2014 and 2016 by adding \$7.42 million to each of the years from 2014 - 2016.

According to SDG&E there will be no bill impacts in 2013 from this proposal. SDG&E predicts, however, bill impacts if its petition is not approved. Specifically, SDG&E estimates an increase of \$0.19 per kilowatt-hour (kWh) per month to \$0.61 kWh per month or about 0.2% for a winter bill depending on customer class. SDG&E states that if the petition is approved there will be an impact in 2014-2016 resulting from the requested incremental addition of \$7.42 million per year.

SDG&E contends its proposed collection schedule will leave the CSI program unaffected as SDG&E is not seeking any modification to the CSI program itself, and the reduced collections in 2013 will not impact program operation or incentive levels in any way. SDG&E maintains that the relief requested is consistent with the Commission's budget discussion in D.06-01-024, by providing for funding flexibility between program years in recognition of actual demand for funding.

SDG&E argues that by granting this petition, the Commission will provide needed rate relief to SDG&E's customers without otherwise impacting the incentive funds available to the CSI program. SDG&E believes it has shown adequate funds are available to fund anticipated CSI incentives in 2013 and future commitments. SDG&E points out that in the event of under-collection, SDG&E would pay incentives to the California Center for Sustainable Energy and receive balancing account protection.

SDG&E's petition was unopposed.

4. Discussion

In D.06-01-024, and later in D.06-12-033, the Commission established funding for CSI in such a manner that annual revenue requirements are high in early years and decline in later years, corresponding to higher CSI incentive

levels in the early years of the program. In addition, the Commission set a higher revenue requirement for CSI in the early program years to ensure adequate funds for administration, program launch, and because the pace of solar deployment in any given year was not known with certainty and would not be subject to annual limits. At the same time, the Commission noted that it would consider adjusting collections if the difference between program expenditures and the amounts collected in rates were substantial.⁵

The Commission has previously granted requests to temporarily suspend CSI collections as noted earlier. This is SDG&E's second request for such a suspension. Although SDG&E contends that there will be no bill impact in 2013 as a result of the temporary suspension in CSI collections requested by this petition, we note the suspension in SDG&E collections previously authorized for 2012 is the reason there will be no bill impact in 2013. According to SDG&E's petition, the utility's CSI Balancing Account is currently over-collected and it projects an over-collection of \$22 million by the end of 2012. SDG&E proposes a new collection schedule that would suspend 2013 CSI collections and spread them over future years, 2014 through 2016. This revised collection schedule should not impact program operation and is unopposed.

Similar to our reasoning in D.08-12-004, where we allowed SCE and SDG&E to temporarily suspend collections, and D.10-04-017, where we allowed PG&E to suspend collections and then follow a revised collection schedule, we will grant SDG&E's petition and allow it to suspend further CSI collections from January 1, 2013 to December 31, 2013, and then follow a revised collection schedule for years 2014 through 2016.

⁵ D.06-01-024 at 7.

In conclusion, we modify the revenue requirement schedule previously adopted in D.11-12-019 to adopt a revised column reflecting SDG&E's new collection schedule. The new CSI revenue requirement for SDG&E, which replaces the schedule previously adopted in D.11-12-019, is shown in the table below:⁶

**Table 2: Revised Annual CSI Revenue Requirements
(In Millions of Dollars)**

Year	PG&E	SCE	SDG&E	Total
Transfer from SGIP on 12/31/2006	\$0	\$104.6	\$37.2	\$141.8
2007	\$140	\$147	\$33	\$320
2008	\$140	\$147	\$33	\$320
2009	\$140	\$0	\$0	\$140
2010	\$43.75	\$110	\$25	\$178.75
2011	\$105	\$110	\$25	\$240
2012	\$120	\$110	\$0	\$230
2013	\$85	\$74	\$0	\$159
2014	\$85	\$74	\$29.67	\$188.67
2015	\$94	\$82	\$31.42	\$207.42
2016	\$94.45	\$81.1	\$31.41	\$206.96
Interest and Forfeited Funds	\$11.0	\$17.9	\$5.3	\$34.2
Total	\$1,058.2	\$1,057.6	\$251	\$2,366.8⁷

⁶ The table also shows the revenue requirements for SCE and PG&E, but this decision does not modify those columns.

⁷ The numbers in the total row of this table are rounded, but actual collections by the three utilities would not exceed the actual numbers in row 15 of Table 2 of D.11-12-019.

5. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

6. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Katherine Kwan MacDonald is the assigned Administrative Law Judge in this portion of the proceeding.

Findings of Fact

1. In D.11-12-019, the Commission adopted the currently effective annual CSI revenue requirement for each utility.
2. SDG&E currently has an over-collection in its CSI Balancing Account and it projects an over-collection of \$22 million by the end of 2012.
3. A suspension of the collection of CSI funds from SDG&E's electric ratepayers from January 1 to December 31, 2013 will prevent a rate increase to SDG&E's electric customers.

Conclusions of Law

1. SDG&E's petition should be accepted for consideration because it is based on recent information on the rate of solar installations in SDG&E's territory and the current economic climate.
2. It is reasonable for SDG&E to suspend collections of CSI revenue requirement from January 1 to December 31, 2013 due to SDG&E's current over-collection in its CSI Balancing Account.
3. The annual CSI revenue requirement for SDG&E, previously adopted in D.11-12-019, should be modified as set forth in Table 2 of this order.

O R D E R

IT IS ORDERED that:

1. The petition filed by San Diego Gas and Electric Company to modify Decision 11-12-019 is granted to allow San Diego Gas and Electric Company to suspend its California Solar Initiative collections from January 1, 2013 to December 31, 2013, and resume collections on January 1, 2014.

2. The San Diego Gas and Electric Company revenue requirement for the California Solar Initiative set forth in Table 2 of this order is adopted, replacing the schedule set forth in Decision 11-12-019.

3. Rulemaking 12-11-005 remains open.

This order is effective today.

Dated _____, at San Francisco, California.