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**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 08-03-008
(Filed March 13, 2008)

**PETITION OF PACIFIC GAS AND ELECTRIC
COMPANY (U 39 E) TO MODIFY DECISION 08-12-004
CONCERNING CALIFORNIA SOLAR INITIATIVE
COLLECTIONS IN 2010**

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February 10, 2010

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I. INTRODUCTION

Pursuant to Rule 16.4 of the Commission’s Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) hereby submits this petition to modify D.08-12-004 (“PFM”). These are challenging economic times. This fact is further exacerbated under the current five-tiered electric rate structure for residential customers, created by Assembly Bill 1X in 2001 at the height of the energy crisis. Due to the subsequent, nearly decade-long, freeze on lower-tier rates, upper-tier rates have increased dramatically to over 47 cents per kilowatt-hour (kWh), causing customers with upper-tier consumption to experience very high electric bills, especially in areas like the Central Valley with sustained periods of hot summer temperatures. This PFM is part of a comprehensive strategy designed to help customers by providing critical summer rate relief and easing the financial burden of high bills this coming summer, particularly for households who currently face extremely high rates for upper-tier consumption and significant month-to-month volatility in bill amounts. This rate relief is in the best interest of customers especially in this difficult economic period.

Therefore, PG&E asks the Commission for two things in this PFM. The first is a modification to D.08-12-004 to allow PG&E to reduce its California Solar Initiative (“CSI”) collections from PG&E’s electric customers in 2010 by granting PG&E the authority to temporarily suspend collection of its otherwise required CSI revenue requirement for the duration of calendar year 2010 in time to reduce electric rates effective June 1, 2010. Second,

PG&E requests that this amount instead be collected between 2012 and 2016. Such a change would provide rate relief to customers and when coupled with other revenue requirement reductions to be presented to the Commission in other filings, would provide tangible bill savings for customers during the hotter summer months.

PG&E fully support the goals of the CSI program and will continue to work closely with the Commission and industry stakeholders to ensure ongoing success of the CSI program. Suspension of the collection of this revenue requirement in the manner described in this PFM would provide a rate decrease to PG&E's electric customers in 2010 of over \$60 million. This proposal will have no impact on the incentive funds available to, or the operation of, the CSI program in PG&E's service territory. Therefore, in order to provide the greatest benefit to customers before the hot summer months, PG&E also requests that this change be approved by the CPUC by May 6 in order to be reflected in rates effective June 1. For this reason, PG&E suggests that the time to respond be shortened to 20 days from the 30 days ordinarily provided by Rule 16.4(f).

II. DISCUSSION

A. Background

Pursuant to D.06-01-024 and D.06-08-028, as modified by D.06-12-033, PG&E implemented the CSI program in its service territory. PG&E's electric customers contribute to the CSI program currently through electric distribution rates as adopted by the Commission (D.06-01-024, OP4). In 2008, the CPUC granted a joint petition filed by Southern California Edison (SCE) and San Diego Gas and Electric Company (SDG&E) to adjust the collection schedule for those utilities, and adopted a new overall collection schedule for the CSI in D.08-12-004. This decision ruled that further adjustments in the CSI collection schedule could be made and should be presented to the Commission via a Petition to Modify. In accordance with D. 08-12-004, PG&E submits this PFM to modify its CSI collection schedule.

The CPUC has approved a California Solar Initiative Balancing Account ("CSIBA"), where PG&E records revenues and expenses attributable to the CSI program. The CSIBA

includes an interest component whereby the net activities of the funds collected and spent earn interest on a monthly basis. To date, the revenue collected and credited to the CSIBA is greater than the solar incentives and associated program administration costs paid out and charged to the CSIBA pursuant to the operation of the CSI program in PG&E's service territory. To address this situation in favor of PG&E's electric customers, PG&E recommends that the Commission allow PG&E to temporarily suspend collection of the 2010 CSI funds from its electric customers from June 1 to December 31, 2010.

B. The Commission Should Modify PG&E's Timing Of Collecting CSI Funding From Electric Customers To Provide Rate Relief

PG&E respectfully petitions the Commission to allow PG&E to temporarily suspend collection of the 2010 CSI funds from its electric customers effective June 1. PG&E's electric ratepayers have, to date, contributed in excess of the incentives and associated program administration expenses paid with the likely prospect that the difference between collections and incentives will continue. D.06-01-024 and D.08-12-004 established the initial funding schedule for the CSI program in such a manner that the annual CSI budgets are relatively high in the early years and decline in later years as incentive levels fall. In addition, given that larger solar projects are taking upwards of 24 months to complete and performance based incentives are paid over a five year period, it is not unexpected that collections are outpacing incentives related to the CSI program.

Specifically, PG&E customers paid \$420 million to the CSI program through the end of 2009. In 2010, absent approval of this Petition, customer collections will increase by another \$105 million, for a potential collection total of \$525 million. However, between the start of 2007 and the end of 2009, PG&E has paid out \$208 million in incentives^{1/} and associated program administration expenses, and currently forecasts spending another \$165 million in incentives and administrative expenses in 2010, for a total of \$373 million. From a cash flow perspective, without the suspension, by year end 2010, PG&E will have collected \$525 million and spent

^{1/} Detail of the expenses can be found in PG&E's Semi-Annual CSI Expense report filed January 29, 2010.

only \$373 million, for an overcollection of approximately \$152 million in the CSIBA at the end of 2010. However, given that current annual spending levels are greater than the authorized budget of \$105 million scheduled to be recovered in 2011, PG&E only seeks to reduce current collections by \$61.25 million. Based on current annual authorized funding and program spending projections, PG&E could suspend the authorized CSI revenue collections in 2010 for seven months and still support all current and projected program incentives with existing and future customer-contributed funds on hand with no effect to the ongoing success of the CSI program.

In order to better match the timing of CSI program collections from customers with actual program costs, PG&E proposes to suspend collection of the 2010 CSI funding from its electric customers from June 1 through December 31, 2010, which would permit greater equilibrium between program spending needs and program funds available. The current collection schedule as authorized in D.08-12-008 and PG&E's requested change to that schedule are in the table below (all figures in millions):

Year	D.12-08-004 Collection Schedule for PG&E	Proposed Collection Schedule for PG&E
2007	140	140
2008	140	140
2009	140	140
2010	105	43.75
2011	105	105
2012	105	120
2013	70	85
2014	70	85
2015	70	85
2016	2	3.25
Total	\$947	\$947

As this table shows, PG&E is seeking a temporary suspension of a portion of the 2010 CSI revenue requirement, seven months at \$8.75 million per month, for a 2010 total reduction of \$61.25 million. PG&E would resume CSI collections on January 1, 2011 as outlined in the table above and proposes to collect the amounts not collected in 2010 by increasing collections in 2012-2015 by \$15 million each year, with the remaining \$1.25 million to be collected in 2016. Consequently, by the end of 2016, the full \$947 million as authorized in D. 08-12-004 will have been collected in support of the CSI program.

PG&E submits that the proposed decrease to its customer rates in 2010 is in the best interest of its electric customers, especially in these challenging economic times. This request to suspend CSI collections will result in a decrease of almost one percent to customer electric rates and when coupled with other forthcoming proposals that would reduce revenue requirements, it would provide customers with tangible bill savings during the hotter summer months.

In addition, residential households who consume in the upper tiers are experiencing great hardship due to the very steeply tiered electric rate structure currently in place. In order to reduce rates for upper-tier consumption, PG&E is currently evaluating a number of alternative rate structures, and has been discussing them with residential stakeholders. These alternative rate structures will provide noticeably lower bills for households with upper-tier consumption, and help mitigate high summer bills, particularly in areas with large summer cooling demands. These combined changes, if approved by the Commission before summer, will help provide valuable customer assistance in the form of lower customer bills at this critical time.

C. This Proposal Leaves The CSI Program Unaffected

In making this request, PG&E recognizes and supports the strides made under the CSI program to increase solar installations in California. Furthermore, PG&E recognizes that CSI program participation has met or even exceeded those levels of participation determined in the initial CSI program design. For this reason, PG&E is not suggesting in this PFM that any other changes be made to the CSI program itself, including incentive levels, program characteristics, or CSI program operations that would impact either program administrators or program applicants.

PG&E's specific rate relief proposals are consistent with the discussion contained in both D.06-01-024, Section III, and D.08-12-008, which contemplated that CSI revenue collections be adjusted based on program expenditure rates, and that such adjustment proposals be presented to the Commission by a Petition for Modification.

By granting this Petition, the Commission will provide needed rate relief to utility customers especially during the hotter summer months when electric bills seasonally increase, but in so doing will not otherwise impact the incentive funds available to the CSI program, which PG&E has shown to be more than adequate to fund anticipated CSI incentives in 2010 and projected future commitments. In addition, PG&E receives balancing account treatment of CSI program collections and incentives paid through the CSIBA. As a result, even in the highly unlikely event that incentive payments exceeded CSI funds temporarily, PG&E would continue paying out the incentives and finance the undercollection until it was recovered through rates.

The granting of this Petition for Modification will neither alter nor affect in any way the operation of the CSI program in PG&E's service territory. In fact, PG&E recognizes that its administration of the CSI program has resulted in customer reservations that have exceeded the pace outlined for the program. The program participation has been rapid in comparison to the expectation during the design phase of the program. For the reasons described, the Commission should grant PG&E's request for rate relief for its customers.

D. This Petition For Modification Could Not Have Been Presented To The Commission Within One Year Of The Effective Date Of D.08-12-004

Pursuant to Rule 16.4, if more than one year has elapsed since the effective date of the decision, a petition for modification must state the reason that the petition could not have been presented within one year. In 2008, SCE and SDG&E presented the CSI overcollection issue to the Commission at which time PG&E did not join in that Petition. However, as PG&E explained at the time, there was a difference among utilities, in that SCE and SDG&E had substantial sums which they transferred from the Self-Generation Incentive Program to the CSI, and PG&E had no such transfers. However, as requested, PG&E has continued to monitor CSI collections and

expenditures. This Petition is based on more recent information on the rate of solar installations, the 2010 forecast of expenditures and the current economic climate. For this reason, this petition could not have been brought to the Commission within one year of the effective date of D.08-12-004.

III. SUMMARY AND CONCLUSION

This proposal will have no impact on the funds available or the success of the CSI program, but will provide rate relief to customers at a time when it is needed. As such, the Commission should approve this Petition for Modification expeditiously so that a decision can be rendered no later than May 6 in order to implement immediate rate relief effective June 1. As stated above, specifically for PG&E's CSI suspension request, there will remain sufficient funds available to provide incentives for CSI projects and meet program administration needs in PG&E's service territories in the future. The Commission should approve PG&E's request to temporarily suspend collections of its June-December 2010 CSI authorized revenue requirement of \$61.25 million and allow for recovery of this amount in 2012-2016.

Respectfully submitted,

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By: _____ /s/
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February 10, 2010

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is 77 Beale Street, San Francisco, California 94105.

On February 10, 2010, I served a true copy of:

**PETITION OF PACIFIC GAS AND ELECTRIC COMPANY
(U 39 E) TO MODIFY DECISION 08-12-004
CONCERNING CALIFORNIA SOLAR INITIATIVE
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- [XX] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.08-03-008 with an e-mail address.
- [XX] By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to those parties listed on the official service list for R.08-03-008 without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 10th day of February, 2010, at San Francisco, California.

/s/

PATRICIA KOKASON