BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED
01-06-11
04:59 PM

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)

RESPONSE OF BLOOM ENERGY, INC. TO PACIFIC GAS AND ELECTRIC COMPANY'S MOTION ON BEHALF OF ALL THE SELF GENERATION INCENTIVE PROGRAM ADMINISTRATORS REQUESTING A TEMPORARY SUSPENSION OF THE PROGRAM

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January 6, 2011

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I. Introduction

In accordance with Rule 11.1(e) of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission" or "CPUC"), Bloom Energy, Inc. (Bloom) submits this response to the motion filed by the Pacific Gas and Electric ("PG&E") on behalf of all the Self Generation Incentive Program (SGIP) Administrators Requesting a Temporary Suspension of the Program.

The Program Administrators (PAs) of the Self Generation Incentive Program submitted a motion seeking approval to temporarily suspend awarding any new SGIP applications, effective December 22, 2010, until the decision implementing Senate Bill (SB) 412 (Stats. 2009, Ch. 182) is approved by the Commission and takes effect. The timing of the final decision is unknown, and could take several months depending on CPUC workload.

Although Bloom continues to support the inclusion of other DG technologies in SGIP, Bloom Energy strongly disagrees with this motion for three main reasons: (1) the negative impact on customers and ratepayers who have made investment decisions to install Distributed

Energy Resources (DER) technologies and now would not be able to access funds that they have contributed to, (2) the negative market, job, and economic impact for DER technology companies, and (3) policy history and current policy goals do not support such a motion. A suspension in the SGIP would be detrimental both to customers who plan to install DER projects, and to DER technology companies who have expanded their presence in California through expansion of operations, manufacturing, and production facilities based on growth enabled by the SGIP. The success of the SGIP is not a reason to halt its continuation, even temporarily. After years of underutilization, the SGIP is now meeting the stated policy goals of the program, which calls for support and further investment in a program that is meeting its expectations.

Program Delay Detrimental to Customers

Any type of delay or interruption in administering the SGIP would adversely affect customers participating or planning to participate in the program. Customer decisions to install a DER technology come at the end of a long process, often not occurring until a company's CEO, CFO, COO and Chief Sustainability Officer sign off on a project. The decision to participate in the SGIP can take up to 18 months for a customer. Customers ready to install DERs, or on the cusp of making the decision to install DERs, have already completed long sales and budgeting cycles for SGIP supported DER technologies in California. Bloom and its customers have relied on a degree of continuity and stability in the SGIP. Substantial resources have been committed by Bloom and its customers for projects which were low-risk based on previously published waitlists and 2011 funding levels. Approval of the motion will certainly cause the cancellation of at least some of these projects, resulting in the loss of substantial investments in project

development and engineering. A program delay works against one of the guiding principles of the SGIP, creating market transformation for clean DER technologies.

Program Delay Detrimental to the California Economy

Based on the available SGIP funds reported by the PAs and the Public Utilities Commission (PUC), Bloom has been making customer commitments and ramping up its operational presence in California. Bloom has signed contracts, scheduled installations, and has recently expanded its manufacturing footprint in California. Over the past year, Bloom Energy has increased its California employee base by over 70% to satisfy demand for its DER technology. This motion, if enacted, will cause an avoidable and unnecessary disruption in our business planning at a time when California's unemployment rate is over 12% and we strive to create new jobs in this burgeoning clean technology sector. The PUC has been an advocate for maintaining regulatory certainty for renewable and cleantech policies to avoid such pit-falls. Recognizing the significant impact that stopping a program in mid-stream has on market transformation, Bloom asks that this motion be given thorough review as the economic impacts will be serious.

Policy Precedent

The California Solar Initiative (CSI) has been a tremendously successful program that has shown significant positive results in market transformation. SGIP garnered similar success during its infancy when solar installations were the majority of the program and the solar market transformed. In fact, given the immense success of the SGIP, the CPUC did not choose to halt the program, rather the CPUC issued a decision (D. 05-12-044, issued Dec 16, 2005) investing

an additional $300 million for investment in solar projects on top of the yearly budget of $125 million. In Decision 05-12-044, the CPUC stated that the CPUC and CEC,

> "solar incentives programs have consistently encumbered their expected funding allocations, requiring additional funds to be transferred to the programs. Together, these programs have allocated almost $1 billion in solar incentives, funded through utility rates. The complementary objectives of these existing programs are to add clean energy to peak demand resources, to reduce risk by diversifying the state's energy portfolio, and reduce the demand for transmission and distribution system additions. Significantly, the benefits of solar technologies also motivate us to transform the existing market in a way that makes solar products cost-effective without incentives." (D.05-12-044, p.3)

In the program years leading up to this decision, solar installations skyrocketed as the solar market matured and even more policies were put in place to support solar growth, culminating in the success of the program and the creation of CSI. After spending nearly $1 billion on solar as of the Decision 05-12-044, the CSI was established by D.06-01-024 to meet growing demand, providing an additional $2.8 billion in incentives for solar.

Then, as now, is the time to further invest in the new market for distributed energy resources as the market is proving itself to be viable for these additional technologies. As enumerated in the citation above, SGIP supported DER technologies succeed in meeting the objectives of "add[ing] clean energy to peak demand resources, to reduce risk by diversifying the state's energy portfolio, and reduce the demand for transmission and distribution system additions." Additionally, DER technologies reap additional rewards beyond solar PV, such as; much higher capacity factors, delivering more megawatt hours per investment dollar; providing a

base-load resource that can meet resource adequacy needs; and further expanding the options of DG beyond intermittent resources to always-available production.

In the 2010 program year installation numbers dramatically increased for renewable SGIP projects, so much so that the PA budgets for renewable projects have been exhausted[1]. The SGIP continues to reap rewards for the state by meeting the goals of distributed generation to increase the reliability of the electricity grid. Now is the time to continue the funding and implementation of the program and to seek similar policy directives that were taken on behalf of solar. Rather than disrupting the program, we should take a lesson from the investments made in solar and make further investments at a time when market transformation is happening and the program is creating jobs and building an economy around clean-tech developments.

Conclusion

This motion could cause current DER customers with executed contracts and no SGIP reservations to cancel projects, and cause such financial indecision that no new contracts would be signed during this period of uncertainty. This could ultimately cause delays in planned cash flows and subsequently work against business planning for DER technology companies and the very goals of the SGIP. This would have a deleterious impact on our state at a critical time when we are on the cusp of proving that clean-tech is good for our environment and our economy.

Furthermore, the ability to make changes to the SGIP retroactive to December 22, 2010 decreases the transparency of the program by subjecting financial decision makers to both

[1] PG&E Motion, p. 2, Table "Available Funding for Incentives" states that all PAs have awarded all Level 2 funds and have 'wait lists' for 2011 funds. The PAs have the authority to use Level 3 funds but as of yet have not done so, slowing the installation of cleaner renewable projects at the detriment to the state's renewable energy policy goals.

project timing and funding uncertainty. The timing of such an ex-post change is particularly harmful in this instance as it covers a period that is typically associated with making final capital-budgeting decisions for the upcoming fiscal year. If the commission for some reason agrees with the motion to suspend applications, despite all of the aforementioned negative repercussions, the suspension should not occur until January 1, 2011 to attempt to limit market disruption as much as possible.

Bloom Energy understands the need to support new technologies in the SGIP through SB 412 implementation. However, abruptly stopping the program until SB 412 is implemented will unnecessarily hinder customers and DER technologies and will negate much of the progress already made in developing market transformation for clean DER technologies.

The PAs motion highlights that as of January 1, 2011, there is $165 million in available SGIP funds. Bloom Energy supports the suggestion made by PG&E in their reply comments to the Staff Proposal (PG&E Reply Comments on Staff Proposal, p.17), that if we move Level 3 funds to Level 2 SGIP can meet project demand and there will be sufficient funds to satisfy the intent of SB 412. Bloom Energy respectfully requests there be no delay in the administration of SGIP.

Dated January 6, 2011

Respectfully submitted,

/s/

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Certificate of Service

I hereby certify that I have this day served a copy of "Response to the Motion filed by the Pacific Gas and Electric Company ("PG&E") on behalf of all the Self Generation Incentive Program (SGIP) Administrators Requesting a Temporary Suspension of the Program" on all known parties to R.10-05-004 by transmitting an e-mail message with the document attached to each party named in the official service list. Parties without a valid e-mail address were mailed a properly addressed copy by first-class mail with postage prepaid.

Executed on January 7, 2011 at Sunnyvale, California.

/s/

Josh Richman

R.10-05-004
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