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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)

ADMINISTRATIVE LAW JUDGE'S RULING ALLOWING COMMENT ON PRELIMINARY REVISED PROPOSED DECISION ON A COST-BENEFIT METHODOLOGY FOR DISTRIBUTED GENERATION

This ruling provides parties an opportunity to comment on a preliminary revised proposed decision containing a cost-benefit methodology for Distributed Generation (DG). A proposed decision on this topic was first released in September 2005 in Rulemaking (R.) 04-03-017, parties filed comments at that time, but the proposed decision was later withdrawn from the agenda.

This ruling sets aside submission of the DG cost-benefit record, initially developed in R.04-03-017 and now transferred to R.08-03-008, in order to take further comment from parties on substantive changes to the original proposed decision. The document attached to this ruling represents preliminary revisions to the proposed decision, which parties may now review and comment on in advance of a proposed decision appearing on the Commission's agenda. This ruling also takes official notice of several reports and documents provided to Commission staff after the previous submittal date for this matter on July 12, 2005. The comments received in response to this ruling will help the

Administrative Law Judge (ALJ) finalize a proposed decision on this topic for the Commission's agenda.

Background

In R.04-03-017, the Commission held hearings on a DG cost-benefit methodology and a proposed decision was issued by ALJ Kim Malcolm on September 6, 2005. Comments were filed on the proposed decision in September 2005, but the proposed decision was subsequently withdrawn from the Commission's agenda in order to coordinate the work on a cost-benefit methodology with the Commission's work in other related proceedings, such as the avoided cost rulemaking (R.04-04-025) and the energy efficiency rulemaking (R.01-08-028 and related proceedings). Competing priorities surrounding the implementation of the California Solar Initiative (CSI) in R.06-03-004 prevented the Commission from focusing efforts on finalizing a DG cost-benefit methodology until now. In opening R.08-03-008, the Commission incorporated the prior record of R.04-03-017 into this new CSI/DG rulemaking, and the matter was transferred to ALJ Dorothy Duda.

Comments Requested

Before I finalize a rewrite of the proposed decision initially circulated in September 2005, I will allow parties an opportunity to review the attached revised draft and provide comments.¹ The proposed decision has been revised throughout in response to the comments received when it was first circulated in

¹ In other words, parties should note that the Appendix 1 of this ruling is not yet a "proposed decision" as defined in Rule 14.1 of the Commission's Rules of Practice and Procedure, but is a preliminary version of a proposed decision that the ALJ is seeking comment on before finalizing.

September 2005 and based on new developments since that time, mainly Commission decisions and reports on the Self Generation Incentive Program (SGIP). In addition, given the time that has passed since the original proposed decision was issued for comment, there could be new parties who want to comment on the substance of this decision.

Many minor changes to the proposed decision provide clarity, improve the flow of the document, and correct typographical errors. In addition to the many minor revisions and clarifications throughout this draft, there are several major sections that were rewritten with a different substantive outcome, either supported by the existing record, recent Commission decisions, or the reports and documents which are officially noticed by this ruling. By this ruling, I draw parties' attention to the sections that have had major revisions in order for parties to comment accordingly. The following sections of the draft proposed decision contain major substantive rewrites:

3.2 - Development of Avoided Costs in R.04-04-025. Revised to note the Commission's adoption of updated avoided costs in Decision (D.) 06-06-063.

3.3 - Defining DG. Revised to decline to adopt a new definition of DG.

3.4 - Assigning Specific Values to Adopted Variables. Same revisions as Section III.B above.

4 - Developing Cost-Benefit Models According to Perspective. Revised descriptions of the four tests in the SPM, including the addition of the Program Administrator Cost Test.

5.1 - Utility and Program Administrator Costs. Revised to rely on actual administrative and interconnection costs.

5.2 - Line Losses. Updated based on D.07-09-040.

5.3 - T&D Investment Deferrals. Revised to clarify different treatment for "customer-side DG" versus "grid-side DG."

5.7 - Market Transformation Effects. Revised based on D.06-01-024, Senate Bill 1, and Itron's February 2007 report entitled "Solar PV Costs and Incentive Factors." (The report can be accessed at the link provided later in this ruling.)

5.10 - Environmental Values. Revised to clarify adoption of the Itron Framework method for valuing environmental benefits using the E3 environmental adder and updated avoided costs from D.06-06-063.

5.13 - Electric and Natural Gas Avoided Costs. Revised to note D.06-06-063.

5.14 - Net Metering. Revised to include costs and benefits of net metering in the cost-benefit methodology.

6 - Program Monitoring, Measurement, and Evaluation. Revised to provide guidance to Energy Division to ensure cost-benefit work for CSI and SGIP is performed on a timely basis, and for CSI, in accordance with the CSI Program Evaluation Plan set forth in July 29, 2008 ruling in R.08-03-008.

The Summary, Findings of Fact, Conclusions of Law, and Ordering Paragraphs of this draft proposed decision are also revised accordingly. Attachment A of the draft decision is also revised to reflect the revisions in the decision, including the addition of the Program Administrator Cost Test.

When filing comments on the preliminary revised proposed decision attached to this ruling, parties should respond to the suggested language in the decision by either noting factual, technical, or legal areas with the draft based on the existing record, and provide specific citations to exhibits, briefs, or comments that support their position from the existing record. If parties intend to rely on new information, not previously admitted to the record, they must file a motion along with their comments requesting acceptance of the new information or evidence into the record.

Official Notice

By this ruling, I take official notice of the following documents that I relied on to draft the suggested revisions to the decision that are reflected in the attached draft. These documents will be added to the record by the exhibit numbers noted below.²

1. Exhibit 39: "CPUC Self-Generation Incentive Program: Solar PV Costs and Incentive Factors," prepared by Itron, Inc., February 2007.
2. Exhibit 40: "CPUC Self-Generation Incentive Program: Preliminary Cost-Effectiveness Evaluation Report," prepared by Itron, Inc., September 14, 2005.
3. Exhibit 41: "CPUC Self-Generation Incentive Program: Fifth Year Impact Evaluation," prepared by Itron, Inc., March 2007.
4. Exhibit 42: "CPUC Self-Generation Incentive Program: Sixth Year Impact Evaluation," prepared by Itron, Inc., August 30, 2007.
5. Exhibit 43: "SGIP Market Transformation Effects Evaluation Methodology: Discussion Draft," prepared by Energy and Environmental Economics, Inc., May 5, 2007.
6. Exhibit 44: "Cost-Benefit Analysis of the Self-Generation Incentive Program," prepared by TIAX LLC for the California Energy Commission (CEC), released by the CEC November 2008.

² Due to the length of these documents, they will not be attached to this ruling, but the ALJ has placed the originals in the record of this proceeding with all other exhibits. Parties may access these documents as follows:

The first five documents, Exhibits 39 through 43, can be found on the Commission's website at: <http://www.cpuc.ca.gov/PUC/energy/DistGen/sgip/>

The sixth document, Exhibit 44 (the TIAX Report), is available on the CEC website at: http://www.energy.ca.gov/2008_energypolicy/documents/index.html

Service List

I will serve today's ruling on the original service list for R.04-03-017, as well as the on the service list of the current Rulemaking 08-03-008, to ensure that any parties that were involved in the earlier rulemaking have notice of the preliminary revisions to the proposed decision on a DG cost-benefit methodology. If any parties from R.04-03-017 are not yet involved as parties in R.08-03-008, they should contact me at dot@cpuc.ca.gov or 415-703-2800 to discuss how to be added as a party to this proceeding.

IT IS RULED that:

1. Submission of the record pertaining to distributed generation cost-benefit issues is set aside to allow parties to provide comments on the preliminary revised proposed decision attached to this ruling as Appendix 1.
2. Parties may file comments on the preliminary revised proposed decision attached to this ruling no later than February 25, 2009.
3. Parties may file reply comments no later than March 9, 2009.
4. Official notice is taken of the documents listed in the Official Notice Section of this ruling.
5. This ruling shall be served on the service lists of Rulemaking (R).04-03-017 and R.08-03-008.

Dated February 3, 2009, at San Francisco, California.

 /s/ DOROTHY J. DUDA
Dorothy J. Duda
Administrative Law Judge

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service lists in Rulemaking (R.) 08-03-008, and R.04-03-017.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service lists I will use to serve the Notice of Availability of the filed document are current as of today's date.

Dated February 3, 2009, at San Francisco, California.

/s/ ANNA TOY

Anna Toy