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11-13-09
09:06 AM

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
REQUESTING COMMENTS ON THE IMPLEMENTATION
OF SENATE BILL 412 AND NOTICING WORKSHOP**

This ruling requests comments from parties regarding the implementation of Senate Bill (SB) 412 (Stats. 2009, Ch. 182), which amends the Public Utilities Code relating to the Self-Generation Incentive Program (SGIP). This ruling also notices a public workshop to be held at the California Public Utilities Commission (Commission or CPUC) Auditorium, State Office Building, 505 Van Ness Avenue, San Francisco, California, on January 7, 2010, at 9:30 a.m.

Background

On October 11, 2009, the Governor signed SB 412 into law to take effect in January 2010. SB 412 authorizes the CPUC, in consultation with the California Air Resources Board (CARB), to determine eligible technologies for the SGIP based on the requirement that they "achieve reductions of greenhouse gas emissions pursuant to the California Global Warming Solutions Act of 2006." SB 412 also extends the sunset date of the SGIP from January 1, 2012 to January 1, 2016.

The Commission created the SGIP as a peak load reduction program in Decision 01-03-073, in response to AB 970 (Ducheny, 2000). The SGIP has provided capacity-based incentives for a range of distributed generation (DG) technologies since 2001. Beginning January 1, 2008, the SGIP has been limited by statute to providing incentives for wind and fuel cell technologies only.

Implementation of SB 412

This ruling requests comments from parties on how the Commission might consider implementing the provisions of SB 412. SB 412 amends the statute relating to the SGIP and establishes greenhouse gas emissions reductions as a primary purpose of the SGIP. SB 412 authorizes the Commission to review eligibility and consider adding additional technologies to the program.

Since its inception in 2001, the SGIP has conducted a number of measurement and evaluation studies. These studies have provided useful information on past program performance and made recommendations for future program consideration. In responding to this ruling, parties should consider the results and recommendations of those measurement and evaluation studies, specifically the most recent Self-Generation Incentive Program Eighth Year Impact Evaluation released in July 2009 and the December 2007 Retention Study.¹

¹ A complete list of SGIP monitoring and evaluation studies, with links to the actual studies, can be found on the CPUC's website:

<http://www.cpuc.ca.gov/PUC/energy/DistGen/sgip/>

Parties should respond to the following questions regarding implementation of SB 412:

1. How do the new program requirements in SB 412 impact the existing SGIP? Should SGIP continue to offer technology differentiated incentives, or should the program consider a single incentive structure based on reductions in greenhouse gas emissions? What process should the Commission and CARB use to determine whether technologies meet the greenhouse gas emissions reduction requirement in SB 412?
2. Given SB 412, what new technologies should be considered for SGIP eligibility? Parties interested in proposing specific technologies for consideration should submit proposals in the format described in Attachment A to this Ruling. Proposals should pay particular attention to addressing how the technology meets the greenhouse gas emissions reductions requirement in SB 412. Parties representing the same or similar technologies should collaborate to develop joint proposals to avoid duplication.
3. What additional program modifications, if any, should be made to the SGIP in light of SB 412? Specifically, how should the Commission consider other public policy interests besides greenhouse gas emissions reductions in implementing SGIP? Public Utilities Code Section 379.6 (e) authorizes the Commission, in administering SGIP, to “evaluate other public policy interests, including, but not limited to, ratepayers, and energy efficiency, peak load reduction, load management, and environmental interests.” In an effort to align the incentives with these policy objectives, should the SGIP consider performance-based incentives, where projects are paid incentives based on actual production as opposed to an up-front, capacity-based incentive?

4. In light of the January 2016 sunset date for SGIP in SB 412, how should SGIP prepare to wind down? Should SGIP consider implementing a declining incentive structure to facilitate the transformation of DG markets so that DG technologies do not continue to rely on incentives beyond 2016? How might this declining incentive structure be designed?

Following the receipt of comments, Energy Division will hold a public workshop on Thursday, January 7, 2010 from 9:30 a.m. to 4:30 p.m. in the Commission Auditorium, State Office Building, 505 Van Ness Avenue, San Francisco, California. The workshop will consider the questions posed in this ruling and will be supplemental to comments submitted in response to this ruling.

Parties may file reply comments on January 18, 2010. Energy Division will submit a workshop report to the Administrative Law Judge, with a copy to the service list of this proceeding, containing recommendations for further action on the implementation of SB 412 based on the workshop and parties' comments.

Accordingly, **IT IS RULED** that:

1. Parties shall file and serve comments on the questions in this ruling no later than December 15, 2009.
2. Energy Division shall hold a workshop to discuss the questions in this ruling on January 7, 2010 at the Commission Auditorium, State Office Building, 505 Van Ness Avenue, San Francisco, California, at 9:30 a.m.
3. Parties shall file and serve reply comments no later than January 18, 2010.

4. Energy Division shall provide a workshop report to the Administrative Law Judge, with a copy to the service list of this proceeding, with recommendations for further action based on the workshop and comments.

Dated November 13, 2009, at San Francisco, California.

/s/ DOROTHY J. DUDA

Dorothy J. Duda
Administrative Law Judge

ATTACHMENT A
SGIP New Technology Eligibility Proposal
Format and Data Requirements

In response to question 2 of this ruling, parties may make proposals to add new technologies into the Self Generation Incentive Program. Proposals shall be included as an attachment to comments filed in response to this ruling. Proposals should follow the format described below, which is based on the program modification request format outlined in the SGIP Modification Guideline.²

Application Format

Program Modification Request proposals must follow the following general format requirements.

- 20 page limit not including the Program Modification Request form or any appendices.
- At least 12 pitch font.
- No page limit for appendices
- Headings of the proposal must follow the outline described in the following subsection.

Request to Add New Technology

The following outline specifies the order of information that each Program Modification Request for new technology additions. All proposals must have the Program Modification Request form attached to the front of proposal. The body of the proposal must contain all of the headings listed in the following outline. Applicants shall address each section of the proposal with substantive documentation supporting the eligibility of the proposed technology. The appendices should follow the body of the proposal or be submitted separately. The Applicant must provide an explanation for those sections that they believe are not applicable to their technology.

² The complete SGIP Modification Guideline is available on the websites of each of the SGIP Program Administrators. However, for proposals made in response to this ruling, there is no need for respondents to complete the full program modification request process.

1. Detailed System Description

Provide a detailed system description and picture or drawing of the proposed technology, listing all the required components necessary to generate electricity, relevant energy sources and a thermodynamic energy balance. Provide documentation on emissions characteristics and overall system efficiency. A detailed system description should include:

- Picture or Image of the Technology
- Detailed Description of the Power Generation Process
- Thermodynamic Energy Balance (Fuel Input Rate, Electric Power Output, Recoverable Waste Heat, Unrecoverable Waste Heat)
- List or Diagram of Major System Components including Ancillary Equipment
- Fuel Type & Sources
- Emission Characteristics
- Electric Conversion Efficiency
- Overall System Efficiency
- Expected Useful Equipment Life

2. Proposed Incentive Level

Indicate the incentive level that is being requested and provide justification. In addition, include a range of installed system costs (on a dollar per kilowatt basis), both average costs and minimum and maximum and with specific project examples included.

3. Projected Market Potential

Estimate the projected market potential (both number of sites/projects and output, both peak kW and energy kWh per year) for the application of this technology both in terms of customer classes and total potential in California. Provide estimates for these under two scenarios, one assuming no rebate and the other with the requested rebate amount. If applicable, estimate the total useable heat supply potential (MMBTU/year) of this technology for waste heat recovery applications.

4. *Commercial Availability*

Describe whether the technology is currently commercially available as defined in the program handbook (including a list of vendors), and what warranty provisions those vendors (including warranty period and component coverage) offer.

- History of Commercial Operation (per SGIP Handbook Section 2.5.15)
- Number and locations of installations.
- Vendors/Distributors
- Warranty Period & Coverage

5. *Certifications & Testimony*

Describe and include copies of any certifications or independent testimony done on the technology.

6. *Available Capacity Sizes & Range*

Justify that the technology will meet the 30 kW minimum (if applying for Level 1) and 5 MW maximum project size requirement. List the capacity sizes commercially available.

7. *Peak Load Reduction Potential*

Describe how this technology would aid in peak load reduction and the average expected generation profile.

8. *Waste Heat & Reliability Requirements (Level 3-N)*

Quantify how this technology meets the waste heat recovery requirement for Level 2 & 3-N and the reliability criteria (see Section 2.5.11 of the SGIP Handbook) for Level 3-N incentives.

9. *Renewable Fuel Operation*

If applying for Level 1 or Level 3-R incentives, explain how the technology would continue to operate on renewable fuel and not engage in fuel switching. For solar technologies, describe how the solar thermal energy input would be measured to calculate the percentage of non-renewable fuel use.

10. Greenhouse Gas Emissions Requirement

Quantify how this technology or technology group meets the greenhouse gas emissions reduction requirement in PUC §379.6. What additional technical or operating requirements, beyond those which currently exist for SGIP, are necessary to ensure that this technology or technology group meets the greenhouse gas emissions reduction requirement and that systems will continue to meet this requirement throughout their expected project life.

11. Miscellaneous Information

Include any statements or facts supporting the program rule change not covered in the previous sections.

12. Supplemental Appendices (no page limit)

If necessary, include any other facts or information not already covered, which should be considered by the Working Group in developing their recommendation on whether the proposed technologies should be adopted.

(END OF ATTACHMENT A)

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

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 list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated November 13, 2009, at San Francisco, California.

/s/ CRISTINE FERNANDEZ
Cristine Fernandez