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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)

**ASSIGNED COMMISSIONER'S RULING
ESTABLISHING PROGRAM EVALUATION PLAN
FOR THE CALIFORNIA SOLAR INITIATIVE**

This ruling establishes an evaluation plan for the California Solar Initiative Program (CSI Program Evaluation Plan). The plan identifies the legislative reporting obligations, delineates the program data and reports for program review, and establishes a budget and a schedule for publishing the reports. The plan largely implements the recommendations of the Energy Division (as attached to the June 3, 2008 assigned Administrative Law Judge ruling) with some modifications based on the parties' June 17, 2008 comments and their June 24, 2008 reply comments. The CSI Program Evaluation Plan is attached to this ruling as Appendix A. The CSI Program Evaluation Plan is the first step in creating an evaluation process for the CSI. As indicated in the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judges (Scoping Memo), after establishing the evaluation plan, our next steps will be to implement the plan and use the results for our first review of the CSI program in a later portion of this rulemaking.

Background

In Decision (D.) 06-01-024, the Commission established the CSI and determined that it would implement a program evaluation process by which it would review CSI program results and consider recommendations for program changes. In that same order, the Commission directed the utilities and the San Diego Regional Energy Office (now California Center for Sustainable Energy or CCSE) to file a proposed evaluation outline and schedule so that the utilities and CCSE could issue requests for proposals (RFPs) for program evaluation contractors to be selected and managed by Commission staff.¹ Later, in Rulemaking (R.) 06-03-004 and its scoping memo, the Commission stated its intent to evaluate program effectiveness in Phase II of the proceeding. Moreover, Senate Bill (SB) 1 added Section 2851(c)(3) to the Public Utilities Code which requires the Commission to submit to the Legislature by June 30, 2009, and every year thereafter, an assessment of the CSI program's success, including numbers of installations, incentives awarded, capacity of installed systems, program costs, total electrical system benefits, environmental and reliability benefits, and effects on peak demand.

In D.06-08-028, the Commission indicated that the first evaluation would take place in a new rulemaking in 2009, after two years of experience with the program, and that the new rulemaking would determine the elements of the program that should be included in the review.

¹ See D.06-01-024, Appendix A for requirements to file a proposed outline and evaluation schedule for approval by the assigned Commissioner or assigned Administrative Law Judge.

On March 13, 2008, the Commission issued R.08-03-008 to continue the work on the CSI. The Scoping Memo in R.08-03-008 set a new schedule and scope for CSI program evaluation. Specifically, the Scoping Memo stated that the Commission would review the program evaluation outline and schedule filed jointly by the utilities and CCSE in compliance with D.06-01-024 and would develop a Program Evaluation Plan to gather data for the report to the Legislature in June 2009 and for the program review that we intend to conduct later in that rulemaking.

In R.08-03-008 the Commission also stated that it intends to draw from the program evaluation experience in both Self-Generation Incentive Program (SGIP) and energy efficiency as guidance for the CSI Program Evaluation Plan.

Pursuant to the Scoping Memo, on June 3, 2008, the assigned ALJ issued for comment "The Energy Division's Program Evaluation Proposal." The Energy Division's proposal incorporates the joint motion filed by the program administrators (PAs) and reflects the Commission decisions and other events that have occurred in the proceeding since the motion was filed.

On June 17, 2008, the Division of Ratepayer Advocates (DRA), The Solar Alliance and the California Solar Energy Industries Association (Joint Solar Parties), The CCSE, Southern California Edison Company (Edison), San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), and The Utility Reform Network (TURN) filed comments. On June 24, 2008, Edison, PG&E, SDG&E, and Joint Solar Parties filed reply comments. These comments provided valuable insight into the design of the CSI Program Evaluation Plan.

CSI Program Evaluation Plan

The CSI Program Evaluation Plan proposed by the Energy Division is reasonable, consistent with Commission guidance in D.06-01-024 and should be implemented with the following clarifications and modifications, which are incorporated into the plan attached to this ruling as Appendix A.

First, the CSI program Evaluation Plan should clarify the roles of the project coordinator and any independent consultants, the Commission staff, and the program administrators (PAs) and establish reimbursement guidance for their services. The PAs will issue RFPs for a CSI project coordinator and other elements of the M&E plan as appropriate. The Commission staff will select the winning proposals and will be responsible for all other contract management issues. The Energy Division staff will work with PAs to ensure accuracy of data and preserve confidentiality of customer data, which would eliminate the need for the PAs to review reports prior to publication. However, PAs will have an opportunity to comment on the reports after publication and as part of the public review process. The consultants and Commission staff will perform the program evaluation work. The PAs will be reimbursed from the CSI program general administration fund, while the consultants will be paid from the CSI monitoring and evaluation budget.

Second, with regard to parties' suggestions to augment the database with additional information, while it may be reasonable to require some additional information (to the extent that it is useful and not unduly burdensome to collect), it is not clear how some of the suggested information would support the monitoring and evaluation activities. We have made significant progress in creating a program database that could be used as a tool for program assessment. We also have required performance monitoring and reporting services attached

to CSI customer meters and have established protocols for “performance data providers” (PDPs) to report solar system output information from customers’ meters to the PAs for performance-based incentive (PBI) payment purposes. We are continuously developing our database and our data accuracy and we anticipate that they will improve substantially in the months ahead. Thus, instead of prescribing specific data collection, the Energy Division should convene workshops, as necessary to discuss the scope of the evaluation and address data needs and methodologies as well as overall plans for individual studies with all stakeholders and PAs.

Third, the parties’ recommendations regarding the content of individual reports and studies should be included in the CSI Program Evaluation Plan as described below:

- The Quarterly CSI Staff Progress Reports should clearly indicate the levels of incentives reserved during each time period and the level of incentives actually paid out to eligible projects. Furthermore, these reports should include a summary the status of various major requests received from industry stakeholders at solar Program Forums or from other formal communications.
- The Annual Program Assessment, in assessing the cost of the program, should distinguish the actual incentive costs, various administrative costs, and the private costs of system installation. Another useful inquiry that the Commission staff should include in the Annual Program Assessment is the extent to which different demographics and types of businesses participate in the CSI. While we do not require individual household, or commercial net income from participants, this data could nevertheless inform such an inquiry. Therefore, such information should be collected from participants. However, income and financial information are sensitive and should be obtained through a

survey from willing participants rather than through the application process.

- To ensure that we have sufficient data to support meaningful Impact Evaluations, net generation output meters on a representative sample of CSI customer participants should be installed. The Energy Division will work with the PAs to implement this requirement. Additionally, until the cost-benefit methodology is developed, the Impact Evaluations will not rely on criteria that depend on such methodology. Furthermore, in evaluating the impacts of solar installations on distribution feeder lines and on transmission reliability, the Impact Evaluations should consider the geographic location of the solar installations with respect to local transmission constraints and transformer capacity constraints.
- The Retention and Performance Studies should evaluate actual performance data and system characteristics in order to validate the assumptions in the Expected Performance Based Buydown Calculator.
- The Market Transformation Studies should reference the program goals specified by SB 1, D.06-01-024, and Public Resources Code § 25780 and should gauge the success of market transformation with respect to these program goals. Where possible, these studies should rely on component cost data provided by CSI incentive applicants and should thereby reduce the amount of required market research. The macro market studies should include the following additional items:
 - Analyze the appropriateness of the incentive levels as related to all costs associated with participating in the CSI program. This will include the relative level of incentives per kilowatt (kW) of installation costs.

- Examine the effects on the solar marketplace, *e.g.*, any change in the cost of solar equipment and any market disruption resulting from the step changes.
- Assess regional differences in the solar marketplace on both the supply and demand side.
- Identify and assess the different business models operating in the solar marketplace.
- The Administrator Comparative Assessments in the Process Evaluations should provide specific quantitative analyses. The assessments should measure PA effectiveness through normalized metrics that apply to all PAs, such as normalized overhead costs. However, these assessments will take into account the distinct institutional structures of the various PAs.
- The Commission will not undertake any Cost-Effectiveness Study until after the development of the appropriate cost-benefit analysis methodology as described in the Scoping Memo. Moreover, as stated in the Scoping Memo, the Commission will coordinate the Cost-Effectiveness Studies with the California Energy Commission's 2008 study so as to avoid duplication of efforts and to ensure proper examination of the cost-benefit methodologies. Any need for a hearing on the cost benefit study will be addressed after the completion of the study.
- The items under the Net Energy Metering Cost/Benefit Study should be amended to reflect the statutory mandate for reporting on both costs *and* benefits.
- The Energy Division's Program Evaluation Plan should provide an outline and details for the Financial Audit Reports; the reports will include a financial audit of each PA's CSI accounting records for the relevant year.

Fourth, a list of market studies and evaluation tasks and related budgets should be submitted through an advice letter to the Energy Division. This process will allow for extensive stakeholders' input and more thorough examination of budgeting details. CCSE may file an Advice Letter with the director of Energy Division for this purpose.

Finally, the budget for program evaluation should be modified to reflect funding for the project coordinator.

IT IS RULED that: The Energy Division's proposal for California Solar Initiative Program Evaluation Plan has been changed to comply with modifications made here in and attached to this ruling as Appendix A is approved and should be implemented by the Energy Division and the Program Administrators.

Dated, July 29, 2008, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

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 July 29, 2008, at San Francisco, California.

/s/ LILLIAN LI

Lillian Li