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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 10-05-004 (Filed May 6, 2010)

OPENING COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON CALIFORNIA SOLAR INITIATIVE PHASE II AND III ISSUES

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I.

INTRODUCTION

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (Commission) and the *Administrative Law Judge's Ruling Granting Motion of the Interstate Renewable Energy Council (IREC) and Requesting Comment on California Solar Initiative Phase II and III Issues* dated December 14, 2011 (Ruling),[1] Southern California Edison Company (SCE) respectfully submits *Opening Comments of SCE on California Solar Initiative (CSI) Phase II and III Issues* (Opening Comments).

In a ruling dated July 26, 2010,[2] issued by Administrative Law Judge (ALJ) Ebke for ALJ Duda, parties were asked to submit recommendations on the level of priority and the timing of the various items addressed in the Staff Proposal included as Attachment A to that ruling and

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1 Opening comments and proposals on Phase II and Phase III issues listed in the Ruling are due no later than January 24, 2012, and reply comments are due no later than February 3, 2012. *See* Ruling, Ruling 3, p. 9.

2 *Administrative Law Judge's Ruling Setting Prehearing Conference and Requesting Prehearing Conference Statements on Staff Proposal for California Solar Initiative Program Modifications*.

to identify any other issues that parties wished to consider in the CSI proceeding. Subsequently, in a ruling dated November 9, 2010 (Scoping Memo),[3] Assigned Commissioner Peevey and ALJs Duda and Ebke identified the broad categories of issues within the scope of this proceeding and the process to address the issues. The rulemaking was divided into three phases, Phase I of which is complete.[4] The Ruling asks for comments on the Phase II and Phase III issues identified in the Scoping Memo and two additional issues identified in the Ruling. SCE supports many of the Staff Proposals Recommendations. Specifically, SCE supports the following sections of the Staff Proposal:

- Section 3.10: Eligibility of Multiple Expected Performance Based Buydown (EPBB) Projects
- Section 3.15: Warranty Requirements
- Section 3.16: 5 Percent Metering Accuracy Standards for Performance Monitoring and Reporting Service (PMRS) Meters
- Section 4.3: Measurement and Evaluation (M&E) Plan Annual Review
- Section 4.4: M&E Expenditures and Reimbursement Requirement
- Section 6.2: Single-Family Solar Housing (SASH) Workforce Development Benefit

SCE has concerns regarding certain sections of the Staff Proposal and explains these concerns below. In SCE's Opening Comments, SCE references the applicable Staff Proposal section numbers, as required by the Ruling, and provides its position on each issue.

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3 *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judges, and Request for Comment on Phase I Issues.*

4 *California Solar Initiative Phase One Modifications,* Decision (D.) 11-07-031, dated July 14, 2011.

II.

DISCUSSION OF PHASE II ISSUES

A. Section 2.6: Net Energy Metering (NEM) Billing Costs and Billing Simplification

Staff Recommendation:
Since NEM billing is both expensive and difficult to understand, the utilities should be required to take steps to improve the comprehensibility of NEM billing reports, as well as reduce the costs of NEM billing. The utilities should be required to meet a specified benchmark for NEM billing costs, such as the lowest per-bill cost found in the study. The utilities should report to the Commission on the efforts undertaken to simplify NEM bills and streamline the delivery of NEM bills.

SCE is concerned that further simplifying and improving the billing system may be too costly for the constrained CSI program budget. As such, SCE proposes that, if the Commission orders the IOUs to proceed with improving the NEM billing system, funding should come from another source that will not impact SCE's ability to effectively administrator the CSI program.

Before undertaking the effort of further simplifying and improving the NEM billing/report, SCE proposes that the investor owned utilities (IOUs) conduct a focus group within each of their service territories to help identify and understand the customers' concerns with NEM billings/costs. Thereafter, the IOUs can share ideas and focus group feedback to help determine how to improve the comprehensibility of the NEM billing. This will help ensure that SCE is well informed about customer-identified NEM billing/cost deficiencies and concerns prior to making new changes to simplify NEM bills and streamline delivery.

B. Section 3.5: Program Administrator Reporting Requirements

Staff Recommendation:
The general market Program Administrators should be required to submit to the Commission a consolidated report on a periodic basis about the progress achieved under the general market program. (The [Multi-family Affordable Solar Housing (MASH)] and SASH programs are already required to submit reports.) The periodic report should summarize program progress (data), recent program changes, recent[Marketing and Outreach (M&O)] activity, recent M&E activity, status of incentives reserved and paid, and should identify programmatic issues that should be

brought to the attention of the Commission. For example, the report could identify required program changes, especially areas where the Program Administrators have been unable to implement a Program Handbook change.

The Commission should require that the semi-annual Expense Reports be submitted via Advice Letter so that the Energy Division has to review and approve the expense report information. The purpose of this process is mainly to ensure that the information is presented in a clear and consistent manner that can be used for later analysis.

The Commission should provide the Energy Division with parameters for approving or rejecting the expense reports. Any rejections could only be made via a Resolution in response to an Expense Report advice letter filing.

SCE generally supports the Staff Proposal's recommendation regarding PA reporting requirements. SCE supports the Staff Proposal's recommendation to submit a consolidated report within the general market program and proposes to streamline and/or consolidate the numerous reports currently being submitted to the CPUC, not simply create an additional report. SCE recommends that the PAs jointly work with the Energy Division (ED) to review all the existing reports and develop a more consolidated and streamlined reporting requirement that will continue to provide sufficient transparency of useful program data, while reducing reporting costs.

Furthermore, the Staff Proposal's recommendation to require the PAs to submit the semi-annual Expense Report via advice letter should be re-considered. The CSI PAs and the ED Staff have spent several years making sure that a standardized template is used to report costs in a timely and consistent manner. This should be sufficient for reporting purposes. Adding the advice letter submission requirement creates an additional program cost and may result in unnecessary program delays associated with the advice filing process.

C. Section 3.7: Design Factor for Calculating Payment to EPBB Projects

Staff Recommendation:
The cap of the EPBB design factor should be reconsidered for the purposes of calculating incentives to be paid to customers on an individual project basis.

> *The potential budgetary impact of this recommendation is likely very small, but the system performance outcome of this recommendation could be very large. In addition, this recommendation would allow system owners to be automatically educated about the value of a high performing system. This recommendation would seek to align the EPBB portion of the program with the Commission's overall goal to pay incentives based on performance. The cap on EPBB incentives may be deterring contractors from truly optimizing systems. The actual design factor (even if greater than 1) could be used for the purposes of calculating the progress towards the [megawatt (MW)] steps, thus addressing any concerns that this approach may have on the budget certainty. The [Performance Based Incentive (PBI)] part of the program already allows for the actual design factor and tracks MWs accordingly. Any pending projects that have not filed an [Incentive Claim form] by the date of Commission action on this recommendation should be eligible for the uncapped design factor EPBB incentive.*
>
> *The Commission may wish to proceed with this Recommendation only after further examination of its potential budgetary impact. The staff notes that net energy metering serves the same general purpose of providing an ongoing encouragement for customer's to maximize the energy output of their solar systems.*

SCE recommends that the Commission retain the existing EPBB design factor cap. SCE is currently looking for ways to decrease administrative costs as incentives are being rapidly subscribed. Removing the EPBB design factor cap for all pending projects will require additional program administration costs to modify PowerClerk and California Solar Statistics (CSS), and make changes to the CSI Handbook and customer communications. While the financial impact to the administrative budget may be comparatively small to program changes of the past, each new program change further depletes an already constrained administrative budget. The Staff Proposal does not identify upon which information it is relying to determine that the "system performance outcome of this recommendation could be very large." The ED should engage in additional analysis to determine whether the administrative impact to the PAs will actually result in large improvements for customers and contractors, who theoretically are not trying to optimize their solar energy system under the current program rules.

D. Section 3.12: Coordination of CSI Program Application Process with Utility Interconnection Application

Staff Recommendation:
To increase overall efficiency of both the utilities and the contractors processing CSI and interconnection paperwork, the utilities should move expeditiously to extend their CSI processing systems to incorporate interconnection and vice versa. The cost of interconnection processing should not generally be charged to the CSI program, but the CSI program's administrative budget could bear some of the costs of technology system upgrades to allow the two departments – the CSI Program and the utilities' interconnection departments – to more efficiently share information and reduce application processing time for applicants. To the extent that these expenses have already occurred, they can be paid for by the CSI program. The Program Administrators should be required to track any expenses incurred towards the goal of interconnection-program streamlining.

SCE recognizes the value of having a more integrated process between the CSI application process and the utility interconnection application process. SCE also recognizes that the CSI program will statutorily terminate in 2016, while the utility interconnection application process will likely continue indefinitely. SCE proposes that the PAs and IOUs explore ways to coordinate these two application processes to create a more streamlined customer experience while balancing against incurring any significant costs to modify a process that will only be in place for the next four years.

E. Section 3.13: Public Reporting via CSS

Staff Recommendation:
While the approximate cost of developing the website has been approximately $200,000 to date, the Program Administrators have concerns about paying for the development of the California Solar Statistics website out of their administrative budget. However, the project is highly valuable as a real-time means of monitoring the program. It furthermore helps policy makers monitor the program, solar contractors monitor the market, and it helps consumers by providing real-time pricing information based on actual program data. Funding the California Solar Statistics website could conceivably be justified out of the administrative budget, marketing and outreach budget, or evaluation budget.

The Program Administrators should continue to develop and refine public *reporting using the California Solar Statistics website. The Program Administrators should fund the development of public reporting out of the marketing and outreach budget. The Program Administrators should strive to make the public reporting website as user-friendly as possible—useful to both solar researchers as well as consumers.*

As part of public reporting, the Energy Division should work with the Program Administrators to ensure that the site presents consumer friendly information about solar project costs, as part of the program's efforts to help put downward pressure on price through the exposure of pricing data. Public reporting should also include data broader than CSI, to the extent that data is easily available to be integrated to the site.

SCE supports funding the development of public reporting out of the CSI M&O budget rather than from the administrative budget. The SCE General Market administrative budget is already constrained and costs for the CSS website continue to be charged to the administrative function. Depleting the administrative budget does not make sense for a tool that is largely beneficial to entities other than the PAs in fulfilling their program administrative obligations. As the Staff correctly notes, CSS is a popular tool for the press, industry, stakeholders, contractors, and consumers. SCE agrees that, because CSS is a public reporting tool that helps put downward pressure on solar pricing and also informs customers about what costs they can expect to incur when purchasing a system, the tool is more properly paid for out of the CSI GM M&O Budget.

The Staff also recommends that CSS should be used for reporting of data broader than CSI, to the extent that it can be easily integrated into the site. The CSS website is already replete with CSI data, and it is unclear what information the Staff proposes to include that extends beyond the CSI program. SCE recommends that the CSI program funds be limited to CSS data that are the result of the CSI program. If the Commission determines that CSS should include data beyond CSI data, then the funding to provide such data should come from a source other than the CSI Program budget.

F. <u>Section 3.14: Tax Exempt Documentation for Non-Profit Agencies</u>

Staff Recommendation:
The Commission should remove the requirement that tax-exempt entities must provide a certification annually that demonstrates their tax exempt

status. The Commission should maintain a requirement that non-profit system owners notify the Program Administrators if tax-exempt status is forfeited (e.g. if a system owner changes to a commercial entity), and that if this occurs, the Program Administrator could change their payment to the commercial PBI payment levels if the project was suddenly eligible for the federal investment tax credit. Program Administrators would review non-profit eligibility if a PBI non-tax project seeks to change the PBI incentive recipient.

SCE agrees with the Staff Proposal to remove the requirement that tax-exempt entities provide an annual certification of their tax exempt status and to maintain a requirement that these entities notify their PA if they forfeit their tax-exempt status. This modification will help to minimize the administrative costs associated with verifying the tax-exempt status.

G. Section 4.5: Scope of CSI M&E Studies

Staff Recommendation:
In order to provide sound policy guidance, all future M&E efforts should look at solar through the most comprehensive lens possible while coordinating as necessary with the California Energy Commission. The CSI Program's evaluation studies should, whenever possible and appropriate, look at the cumulative effects of all solar installed in the investor-owned utility territories. As possible and as appropriate, the CSI Program should clearly indicate the originating program. For example, it would not be appropriate to ask an SGIP solar installation customer about their experience with CSI Program rules. The Commission should affirm that M&E efforts legitimately focus on all solar installations in the investor-owned utility areas, if appropriate, and not just CSI program solar installations.

The CSI M&E program should be the primary vehicle for evaluation studies related to solar performance and impact, even if the solar system was originally installed under the SGIP program. The SGIP program should no longer fund studies related to solar.

The scope of the revised CSI Program M&E has already been adopted by the Commission in its letter dated May 20, 2011, approving SCE Advice 2567-E, Pacific Gas and Electric Company Advice 3825-E and the California Center for Sustainable Energy Advice 16 (Joint M&E Advice). Pursuant to the Joint M&E Advice, the adopted CSI Program M&E will estimate the impacts of customers' solar photovoltaic (PV) systems installed through other programs in the IOUs' service territories including the Emerging Renewables Program, the New

Solar Homes Partnership Program, and the Self Generation Incentive Program (SGIP). These impact evaluations will be jointly funded by CSI and SGIP. As such, SCE recommends that the Commission clarify that the scope of the CSI M&E will comport with the approved Joint M&E Advice.

H. Section 6.5: SASH Program Manager Contract Administration

> *Staff Recommendation:*
> *The Commission should allow SCE to recover administrative costs of administering the SASH program from its administrative budget for the general market program.*
>
> *The Commission should endorse the quarterly pre-payment of SASH program expenses out of the SASH balancing account.*
>
> *The Commission should request semi-annual reports from SCE on the progress of SASH to avoid future concerns about the administration of the program or contract.*

SCE supports the recommendation to allow SCE to recover its costs of administering the SASH program from the administrative budget for the CSI Program. However, SCE does not agree with the Staff Proposal requiring SCE to provide semi-annual reports on the progress of SASH because it would duplicate efforts that GRID Alternatives already makes in its quarterly Program Status Report that it submits to the ED and that the Commission publishes on its CSI website.[5] Moreover, GRID is in the best position to provide program information for the SASH program that is directly under its control.

I. Section 6.8: Megawatt Goals of MASH and SASH Solar Programs

> *Staff Recommendation:*
> *The Commission should adjust the SASH and MASH program MW target goals within the overall CSI program goals to correspond to the achievable MWs as authorized in those program decisions. The Commission should acknowledge that the low-income programs are not going to provide 190 MW towards the overall CSI goal.*

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5 http://www.cpuc.ca.gov/NR/rdonlyres/148B6AE7-2FF7-457C-BB75-98BE836C33BE/0/2011Q3SASHREPORT.pdf

> *Rather than adjust the general market program goals, budget and incentive step table to make up for the MWs not achievable by the low-income programs, the Commission should decrease the total MWs expected to be attained by the overall CSI program. The new goals should be 1,750 MW from the general market program and 50 MWs from the two low-income programs. Alternatively, the Commission might want to adjust the 1,750 MW goal for the general market program to capture the higher effect that high performing systems are having on the grid. The Commission could do this by evaluating the overall program goal as a MWh goal and a peak-hour capacity factor goal, not just a MW goal.*

D.08-10-036 and D.07-11-045, which created the MASH and SASH programs, respectively, did not include MW goals. Although multiple Commission reports refer to targeted MASH and SASH MW of solar generation, the Commission has set no official MW goals in any Commission decision. The Commission originally presumed that the low income programs could achieve approximately 10 percent of the overall CSI MW goal, or 190 MW, because 10 percent of the overall CSI budget was set aside for low income programs pursuant to AB 2723.[6] The Staff Proposal appropriately seeks to correct the previous assumptions about the amount of MW of solar generation that the low-income programs are expected to install.

The Staff Proposal states that, as currently authorized, the SASH program could reasonably be expected to achieve between 12 and 15 MW of solar generation installed and that, as currently authorized, the MASH program could reasonably be expected to achieve between 20 and 35 MW.[7] The Staff then proposes to establish a goal of the sum of the highest reasonable expected MW on installed solar generation for both the MASH and SASH program, which is 50 MW. Striving to reach the highest range of MW for the MASH program (i.e., 35 MW) is not justified by current data, which is current as of December 2011. Currently, the MASH program is forecast to achieve approximately 28 MW on a statewide basis.[8] Although the Commission in D.11-07-031 adopted a lower MASH incentive amount than originally adopted in D.08-10-036,

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6 AB 2723 (2006) requires that no less that 10% of CSI funds be used for low-income residential housing.

7 Staff Proposal, July 26, 2010, p. 70.

8 http://www.gosolarcalifornia.ca.gov/affordable/mash.php and http://gosolarcalifornia.org/affordable/MASHSemi-AnnualProgressReport_Feb_2011.pdf

the MASH program is nearly fully subscribed at the original, higher incentive amounts. The majority of these projects at the higher incentive amounts are expected to be completed in 2012 or early 2013. SCE urges the Commission to establish the goal at 28 MW, which is supportable by currently available data. If the Commission seeks to set a higher goal for the MASH program than the currently available data supports, then the Commission should revisit whether it is logical to make a mid-course correction by transferring budget from the SASH program to the MASH program, which will achieve more MW for low income customers at a lower cost to ratepayers.

III.

DISCUSSION OF PHASE III ISSUES

A. Section 3.11: Revising the Application Processing Program Application Database and Confidentiality

Staff Recommendation:

PowerClerk Functionality
Although the current mode of collaborative consultation on Powerclerk development is generally satisfactory, Energy Division should be authorized, when it considers it necessary, to order Program Administrators to make modifications on the CSI Program database, i.e. spend money on the database changes if the Energy Division thinks the changes will improve the outcome of the program, enhance oversight, and/or help with evaluation of the program.

Data Confidentiality
The Program Administrators should be expressly allowed to maintain customer confidentiality and not release all data fields related to each CSI project, i.e. the status quo of Powerclerk public data export should be maintained.

However, there should be some access to confidential program data for research purposes. The Program Administrators should be ordered to evaluate targeted opportunities for solar research and collaboration with third parties – one of the benefits of the program is the data that it provides researchers. The Program Administrators should be asked to *spend some of their administrative resources collaborating with solar research organizations as part of their duties as administrators.*

SCE disagrees with authorizing ED to order the PAs to make modifications to the CSI Program database. As mentioned in the Staff Proposal, ED staff has actively participated in the discussions around the development of Power Clerk on a weekly basis for the past several years.[9] Discussions are collaborative, with changes made after reaching consensus regarding potential operational and administrative impacts and costs. Through this process, the PAs are best able to manage changes to the program database actively, which is charged to the administrative budget, and to limit costs before such changes are made. SCE is concerned that, if this process is altered, changes could potentially be ordered before fully understanding both the operational and administrative impacts that would occur. Considering the programs already constrained administrative budget, SCE recommends that the PAs continue to manage the technical services contract for PowerClerk and only make changes after consensus among the ED and the PAs has been reached.

SCE agrees with allowing the PAs to maintain customer confidentiality and not to release all data fields related to each CSI project. This policy is consistent with D.11-07-056, which ordered protection of the privacy and security of customer usage data in the Smart Grid Rulemaking (R.08-12-009).[10] SCE reaffirms its policy and fiduciary duty to maintain the confidentiality of its customer data.

SCE disagrees that it is necessary to spend additional CSI Program funds to collaborate with solar research organizations. This sort of effort would be resource intensive and is unnecessary, since the CSI program already dedicates substantial funding and resources to the M&E and research, development and design efforts. These research efforts combined with the CSI-funded public reporting database, CSS, provide the CSI PAs, the Commission, and the solar community with innovative and publically available research and data. Further support of

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9 Staff Proposal, July 26, 2010, p. 41.
10 R.08-12-009

research outside of these efforts would be redundant and would require shifting resources away from the CSI research priorities specified in the revised CSI M&E plan (Advice 2567-E) that SCE submitted on behalf of the CSI General Market PAs and that was approved on May 20, 2011.

B. Section 7.2: Gas Program Rate Collections

> *Staff Recommendation:*
> *The Commission should amend D. 10-01-022 OP 16 to state that the utilities should each establish a balancing account to record actual annual expenditures for the gas-displacing CSI-Thermal Program.*

SCE requests that this recommendation, if approved, should be clarified to remove SCE from this requirement explicitly.

IV.

DISCUSSION ON ADDITIONAL ISSUES

A. Whether to Allow Applicants with Third-Party Ownership Arrangements to Participate in the SASH Program

> *Staff Recommendation:*
> *The Commission should lift the prohibition in D.07-11-045 on solar energy systems with third-party ownership arrangements from participating in the SASH program.*

SCE disagrees with the Staff Proposal's recommendation. The SASH incentives are extremely high and in many cases cover 100 percent of the solar energy system costs for low-income, single-family participants. The original program design included a significantly higher incentive to help cover much of the upfront costs for low-income customers. The third-party ownership model in the CSI GM program has offered one solution for many customers wanting to install solar systems, but who are not capable of making a significant upfront payment. However, the third party ownership model appears to have also created transaction fees and financing costs that ultimately increase the total cost of solar to the end user who is unable to financially purchase a system. The significantly higher SASH incentives have worked to keep the cost for low-income customers to a minimum because these customers' incentives are directly benefitting customers without any third party transaction profit that may be passed on to low income customers. In addition, due to very robust SASH incentives, depreciation, and tax credits that are already available, it is unclear whether third party owners would seek to exploit the low income market and create windfall profits for their own investors. For these reasons, SCE does not agree that including a third-party ownership model is appropriate for SASH without very significant assurances that the advantages of a third party ownership model to create "gap financing" outweighs the disadvantages of low-income customers being subjected to long-term higher costs and the long term financial risk that is associated with entering a third-party ownership agreement.

B. Whether to Limit Single-Family Residential CSI Incentives to 20 kW of Installed Capacity

> *Staff Recommendation:*
> *Due to CSI budget constraints, the Commission should consider a new limitation on incentives paid to CSI residential systems. Incentives would be limited to the first 20 kW of installed capacity for single-family residential solar energy systems. Systems could still be sized larger than 20 kW, but the applicant would receive incentives only up to a capacity of 20 kW for a single-family residential systems.*

SCE supports this limitation on incentive payments to preserve the funds remaining in the CSI Program.

V.

CONCLUSION

SCE respectively submits its Opening Comments on the Phase II, Phase III, and additional issues and looks forward to working with the other parties to enhance the CSI Program.

Respectfully submitted,

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