

Decision 10-04-017 April 8, 2010

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)

**DECISION GRANTING PETITION
TO MODIFY DECISION 08-12-004
REGARDING PACIFIC GAS AND ELECTRIC COMPANY'S
CALIFORNIA SOLAR INITIATIVE COLLECTIONS**

1. Summary

This decision grants a petition for modification of Decision 08-12-004 filed by Pacific Gas and Electric Company (PG&E) requesting an adjustment in the collections from its electric ratepayers to fund the California Solar Initiative (CSI). According to the new CSI revenue requirement adopted in this order, PG&E may suspend collections for CSI from June 1, 2010 through December 31, 2010, and resume collections on January 1, 2011. CSI collections for years 2012 through 2016 shall be adjusted as set forth in this order to make up for the suspension of collections in 2010.

2. Background

In Decision (D.) 06-01-024, the Commission established the California Solar Initiative (CSI), a program providing incentives for customer installations of solar distributed generation. The electric customers of the three large investor-owned utilities (IOUs) in California – Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas &

Electric Company (SDG&E) – contribute to the CSI program through their electric distribution rates. The Commission first adopted an annual revenue requirement for CSI in D.06-01-024. (D.06-01-024 at 6-7.) Table 1 in that order lays out a schedule of annual collections for each utility from 2006 through 2016, totaling \$2.5 billion.

Following the enactment of Senate Bill (SB) 1¹ setting forth CSI eligibility criteria and, among other things, limiting the program’s funding source to electric ratepayers, the Commission modified its table of annual revenue requirements to conform to the new CSI budget of \$2.16 billion. (See D.06-12-033, Appendix A, Table 1.) Subsequently, in D.08-12-004, the Commission adjusted the annual CSI revenue requirements further in response to a request by SCE and SDG&E to temporarily suspend collections in 2009 due to a surplus of funds in those two utilities’ CSI balancing accounts. The adjusted revenue requirements adopted in that order are shown below and are still in effect today.

¹ Chapter 132, Statutes of 2006.

**Table 1: Revised CSI Annual Revenue Requirements as adopted in D.08-12-004
(In Millions of Dollars)**

Year	PG&E	SCE	SDG&E	Total
Transfer from Self-Generation Incentive Program (SGIP) on 12/31/2006	\$0	\$104.6	\$37.2	\$141.8
2007	\$140	\$147	\$33	\$320
2008	\$140	\$147	\$33	\$320
2009	\$140	\$0	\$0	\$140
2010	\$105	\$110	\$25	\$240
2011	\$105	\$110	\$25	\$240
2012	\$105	\$110	\$25	\$240
2013	\$70	\$74	\$16	\$160
2014	\$70	\$74	\$16	\$160
2015	\$70	\$74	\$12.8	\$156.8
2016	\$2	\$45.4	\$0	\$47.4
Total	\$947	\$996	\$223	\$2,166

3. Petition for Modification

On February 10, 2010, PG&E filed a petition for modification of D.08-12-004 to adjust the revenue requirement collection schedule for PG&E adopted in that order. Specifically, PG&E requests: 1) to temporarily suspend CSI revenue requirement collections from June 1, 2010 through the duration of the calendar year; and 2) to collect the amount suspended in 2010 between 2012 and 2016. According to PG&E, this will give its electric customers a rate decrease of \$61.25 million in 2010, without having any impact on the incentive funds available to, or the operation of, the CSI program in PG&E's service territory.

In its petition, PG&E cites to the challenging economic times and its five-tiered electric rate structure for residential customers. It explains that due to a decade-long freeze on lower-tier rates, upper-tier rates have increased

dramatically causing customers with high consumption to experience very high electric bills, especially in areas with high summer air-conditioning usage.

PG&E's petition to modify CSI collections is part of a comprehensive strategy to provide critical summer rate relief to customers this coming summer.

To support its petition, PG&E indicates that its electric ratepayers have contributed in excess of the incentives and associated program administration costs paid out for CSI to date, and this excess will likely continue through 2010. Given that initial funding for CSI was purposely set high in the early program years, solar projects are taking up to 24 months to complete, and performance-based incentives are paid out over a five-year period, this excess is not unexpected. Specifically, PG&E's customers paid \$420 million towards CSI through the end of 2009, and if 2010 collections are not suspended, PG&E will collect another \$105 million, for total CSI collections of \$525 million. PG&E forecasts that it will have paid out \$373 million in CSI incentives and administrative expenses by the end of 2010. As a result, PG&E's CSI Balancing Account could have an overcollection of approximately \$152 million at the end of 2010, unless collections are modified. For this reason, PG&E seeks to reduce 2010 collections by \$61.25 million, and adjust collections in 2012 through 2016 to collect the suspended amount at that time.

PG&E proposes a new CSI revenue requirement as follows:

**Table 2: PG&E's Proposed CSI Revenue Requirement
(\$In Millions of Dollars)**

Year	D.08-12-004 Collection Schedule for PG&E	Proposed Collection Schedule for PG&E
2007	\$140	\$140
2008	\$140	\$140
2009	\$140	\$140
2010	\$105	\$43.75
2011	\$105	\$105
2012	\$105	\$120
2013	\$70	\$85
2014	\$70	\$85
2015	\$70	\$85
2016	\$2	\$3.25
Total	\$947	\$947

According to PG&E, this new collection schedule will suspend collections from June 1 through December 31, 2010, and resume collections on January 1, 2011. This will permit greater equilibrium between program spending needs and program funds available, while decreasing customer electric rates by almost 1 percent in 2010. In addition, PG&E contends its proposed collection schedule will leave the CSI program unaffected as PG&E is not seeking any modification to the CSI program itself, and the reduced collections in 2010 will not impact program operation or incentive levels in any way.

The Commission's Division of Ratepayer Advocates (DRA) supports PG&E's petition as a means to align ratepayer collections for CSI with program expenditures. DRA notes that according to PG&E's petition, collections for CSI exceeded expenses by \$212 million at the end of 2009. It appears that PG&E's CSI Balancing Account will still contain approximately \$152 million at the end

of 2010. Thus, it appears that granting the petition will not alter or affect the operation of CSI in PG&E's territory.

Pursuant to Rule 16.4 of the Commission's Rules of Practice and Procedure (Rules), if more than one year has elapsed since the effective date of the decision, a petition for modification must state the reason the petition could not have been filed within one year. PG&E states its petition is based on recent information on the rate of solar installations in 2010 and the current economic climate. For these reasons, PG&E claims it could not have brought its petition to the Commission within one year of the effective date of D.08-12-004. PG&E's reason for filing beyond the one year deadline is reasonable and we will accept PG&E's petition for consideration.

4. Discussion

In D.06-01-024, and later in D.06-12-033, the Commission established funding for CSI in such a manner that annual revenue requirements are high in early years and decline in later years, corresponding to higher CSI incentive levels in the early years of the program. In addition, the Commission set a higher revenue requirement for CSI in the early program years to ensure adequate funds for administration, program launch, and because the pace of solar deployment in any given year was not known with certainty and would not be subject to annual limits. At the same time, the Commission noted that it would consider adjusting collections if the difference between program expenditures and the amounts collected in rates were substantial. (D.06-01-024 at 7.)

According to PG&E's petition, the utility's CSI Balancing Account is currently overcollected and it projects an overcollection of \$152 million by the end of 2010.

However, according to CSI expense reports submitted to the Commission's Energy Division, PG&E has \$133 million in pending incentive payments and another \$146 million in pending incentive requests, or "reservations." Therefore, PG&E's current overcollection will be used for these obligations and it must continue its CSI collections, although we are willing to consider adjusting the pace of these collections. PG&E proposes a new collection schedule that would shift \$61.25 million in collections from 2010 and spread them over future years, 2012 through 2016. This revised collection schedule should not impact program operation and is unopposed. Similar to our reasoning in D.08-12-004, where we allowed SCE and SDG&E to temporarily suspend collections, we will grant PG&E's petition and allow it to suspend further CSI collections from June 1 to December 31, 2010, and then follow a revised collection schedule for years 2012 through 2016.

In conclusion, we modify the revenue requirement schedule previously adopted in D.08-12-004 to adopt a revised column reflecting PG&E's new collection schedule. The new CSI revenue requirement for PG&E, which replaces the schedule previously adopted in D.08-12-004, is shown in the table below:²

² The table also shows the revenue requirements for SCE and SDG&E, but this decision does not modify those columns.

**Table 3: Revised Annual CSI Revenue Requirements
(In Millions of Dollars)**

Year	PG&E	SCE	SDG&E	Total
Transfer from SGIP on 12/31/2006	\$0	\$104.6	\$37.2	\$141.8
2007	\$140	\$147	\$33	\$320
2008	\$140	\$147	\$33	\$320
2009	\$140	\$0	\$0	\$140
2010	\$43.75	\$110	\$25	\$240
2011	\$105	\$110	\$25	\$240
2012	\$120	\$110	\$25	\$240
2013	\$85	\$74	\$16	\$160
2014	\$85	\$74	\$16	\$160
2015	\$85	\$74	\$12.8	\$156.8
2016	\$3.25	\$45.4	\$0	\$47.4
Total	\$947	\$996	\$223	\$2,166

5. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

6. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Dorothy J. Duda is the assigned Administrative Law Judge in this portion of the proceeding.

Findings of Fact

1. In D.08-12-004, the Commission adopted the currently effective annual CSI revenue requirement for each utility.

2. PG&E currently has an overcollection in its CSI Balancing Account and it projects an overcollection of \$152 million by the end of 2010.

3. A suspension of the collection of CSI funds from PG&E's electric ratepayers from June 1 to December 31, 2010 will provide a rate decrease to PG&E's electric customers during the peak summer electric usage season.

4. PG&E filed its petition more than one year from the date of the decision it seeks to modify.

Conclusions of Law

1. PG&E's petition should be accepted for consideration because it is based on recent information on the rate of solar installations in PG&E's territory and the current economic climate.

2. It is reasonable for PG&E to suspend collections of CSI revenue requirement from June 1 to December 31, 2010 due to PG&E's current overcollection in its CSI Balancing Account.

3. The annual CSI revenue requirement, previously adopted in D.08-12-004, should be modified as set forth in Table 3 of this order.

O R D E R

IT IS ORDERED that:

1. The petition filed by Pacific Gas and Electric Company to modify Decision 08-12-004 is granted to allow Pacific Gas and Electric Company to suspend its California Solar Initiative collections from June 1, 2010 to December 31, 2010, and resume collections on January 1, 2011.

2. The Pacific Gas and Electric Company revenue requirement for the California Solar Initiative set forth in Table 3 of this order is adopted, replacing the schedule set forth in Decision 08-12-004.

This order is effective today.

Dated April 8, 2010, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners