

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies,  
Procedures and Incentives for Distributed  
Generation and Distributed Energy Resources.

Rulemaking 04-03-017  
(Filed March 16, 2004)

**ASSIGNED COMMISSIONER'S RULING  
ADDRESSING FUNDING SHORTFALLS AND SETTING HEARINGS ON  
COST-BENEFIT METHODOLOGIES**

This ruling addresses possible funding shortfalls for the existing Self-Generation Incentive Program (SGIP), sets hearings on cost-benefit methodologies and addresses issues relating to the Governor's initiative to promote solar installations as discussed in a ruling issued November 29, 2004 in this proceeding.

**SGIP Funding for 2005**

A review of the SGIP program administrators' websites suggests the success of the SGIP program is leading to an exhaustion of funds allocated to the program for 2005. The Commission has stated its interest in promoting distributed generation through the SGIP as a way of diversifying and assuring the reliability of the state's energy resources. An interruption of the SGIP program that might occur because of funding lapses could compromise that objective and simultaneously result in uncertainty in markets for distributed generation projects. The Commission and the state have an interest in continuing the program and therefore its funding. Accordingly, I strongly encourage the utilities to apply future year funds to this year's projects. I understand that this

may create concerns related to the future status of program funding, specifically, that using 2006 or 2007 funds for 2005 installations may dictate early termination of the program or a suspension of the program in 2006. The Commission, however, intends to address the issue of additional program funding in the near future, as my November 29 ruling suggests. Use of future funding should be a stopgap measure until the Commission makes a decision on authorizing additional funding.

### **Hearings on Cost-Benefit Methodologies**

The Commission scheduled hearings on cost-benefit methodologies for November 2004 and subsequently took them off calendar, pending issuance of a report by Itron on related topics, and which might be useful to the Commission and the parties in the context of the hearings. I expect the Itron report to be issued in the immediate future. Accordingly, and with the consultation of the assigned ALJ, this ruling schedules hearings and testimony. Parties served opening testimony on October 4, 2004. The new schedule provides an opportunity to augment opening testimony to address issues in the Itron report, consistent with the ALJ's August 6, 2004 ruling.

Testimony augmented to recognize Itron Report	April 4, 2005
Reply testimony	April 20, 2005
Estimates of cross-examination	May 6, 2005
Hearings	May 11-13

All documents should be served electronically and may be served by regular mail except that the parties shall provide paper copies of all testimony to the Assigned ALJ and Valerie Beck of the Energy Division.

### **Solar Initiative**

In response to my ruling dated November 29, 2004, the parties filed comments on the Governor's Solar Initiative on December 15, 2004. The Commission's Energy Division staff and staff from the California Energy Commission intend to draft a joint report to the Commission on all related issues that will take into account the parties' comments. They plan to issue the report for comment in late March after which time I plan to work with the assigned ALJ to draft an order for the full Commission on all related issues. I expect the order to address the issue of declining rebates, which the Working Group has been considering pursuant to Decision 04-12-045. The Working Group held a public workshop on February 17, 2005 to collect input on how to formulate an exit plan and declining rebate strategy, among other issues. I recognize the Working Group's task to develop these strategies has been hampered by ambiguities related to DG cost effectiveness, SGIP funding, and program continuance past 2007. Given this complex situation, I refine the scope of the Working Group's task to submit a workshop report which addresses parties' comments, general principles the Commission should consider when devising declining rebates, and other issues raised at the workshop. The filing date shall be extended from March 16 to April 27, 2005. We expect to further consider the topics of exit strategies and declining rebates after we have made decisions on future program funding and program duration.

#### **IT IS RULED** that:

1. The schedule for review of cost-benefit methodologies in this proceeding is modified as set forth herein. The commission will conduct evidentiary hearings on cost-benefit methodologies beginning at 10:00 a.m. on May 11, 2005, in the

Commission Courtroom, State Office Building, 505 Van Ness Avenue,  
San Francisco, California.

2.The Working Group should submit a workshop report on April 15, 2005.

Dated March 7, 2005, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey  
Assigned Commissioner

**CERTIFICATE OF SERVICE**

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Assigned Commissioner's Ruling Addressing Funding Shortfalls and Setting Hearings on Cost-Benefit Methodologies on all parties of record in this proceeding or their attorneys of record.

Dated March 7, 2005, at San Francisco, California.

/s/ KRIS KELLER

Kris Keller

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.