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APPENDIX A

IREC's Proposal for a Pilot CleanCARE Program

CleanCARE—Investing in Communities

This proceeding seeks to examine potential rate proposals based on a set of principles for residential rate design. The first of those principles is that low-income and medical baseline customers should have access to enough electricity to ensure basic needs are met at an affordable cost. At the same time, the Commission seeks to base rates on marginal cost and cost causation principles and to encourage economically efficient decision-making.¹

To advance both of these sometimes-conflicting goals, IREC is proposing a new CARE rate option— CleanCARE - that would continue to provide low income and medical baseline customers with access to affordable renewable energy while providing a stronger connection between cost-causation and customer usage. Under CleanCARE, a portion of the funds allocated to the support of CARE customers would be invested in the development of shared distributed generation coupled with energy efficiency, energy storage and demand response. CARE customers electing the CleanCARE option would be allocated program shares that would offset a portion of their monthly bills, with the intent of bringing those bills to levels equivalent to customer bills under the broader CARE program. In this respect, the CleanCARE option would increase opportunities for low-income households to participate in renewable energy options while retaining the average rate levels and benefits of the current CARE program.

IREC believes that the CleanCARE program has significant potential to achieve the principles outlined in this proceeding. We believe that there is real value in examining a CleanCARE option as part of the rate design proposals resulting from this proceeding. IREC intends this proposal to be a starting point of discussion on the manner in which a CleanCARE program option would fit into the residential rate design proposals being developed in this proceeding, whether that rate design includes a shift towards time-of-use pricing, modification of the current tier structure, or modification of the CARE program in other ways.

How would CleanCARE work?

Currently, the CARE program provides discounted electricity and gas rates for approximately 3.3 million low-income enrollees. However, because the CARE program is structured as a direct discount, it does not provide a path for enrollees to participate in California's renewable energy programs, which are among the most successful in the country. The CleanCARE program option would provide an option to redirect a portion of the current CARE program cost toward renewable generation for the benefit of CARE customers.

Initial pilot program: CleanCARE could be introduced on a pilot basis at first. For example, it could begin with voluntary, limited enrollment in a particular region of the state

¹ November 26 Scoping Ruling, Appendix A, pg. 1

with high levels of participation in the current CARE program or large numbers of enrollees who have high energy usage. This framework would allow for identification of sites for the “in-community” renewables and focus outreach efforts on a particular region. Other means of creating a sample customer base for a pilot program could also be developed with input from interested parties.

Program Administration: Depending on program design, administrative costs may be relatively low. For example, the IOUs already have information on CARE enrollees’ location and energy usage which could be used to identify potential participants in the initial pilot program. Outreach efforts around the Energy Savings Assistance Program (ESAP) and/or initial CARE enrollment could be leveraged to keep enrollment costs low.

It is IREC’s understanding that California’s investor-owned utilities handle the administration of the CARE program in their respective service territories with partner organizations and contractors assisting in various capacities related to outreach, program delivery, enrollment and verification. At present, IREC is not aware of any serious issues with utility management of the CARE program. Accordingly, while administration of CleanCARE could be overseen by a number of different entities – third party developers, utilities, or a non-profit/NGO, we believe efficiencies in program delivery could be realized by maintaining CleanCARE as an offering within the broader CARE program managed by the state’s investor-owned utilities. However, we are open to discussing any alternative program delivery frameworks with interested stakeholders.

Shared distributed generation: The renewable distributed generation provided under CleanCARE could take the form of shared renewable generation of two types:

- Some percentage of facilities (e.g., 30 percent) would be smaller-scale generation (e.g., 30 – 100 kW) located within low-income communities and could include rooftop solar and small-scale wind.
- The remaining capacity would be larger-scale renewable generation (e.g., 100 kW – 20 MW) located in optimal locations on the electricity grid, as determined by the local distribution utility.

Utilizing shared renewable generation would allow for economies of scale on a programmatic basis by facilitating the installation of systems larger than those seen in on-site programs while also addressing the fact that many CARE enrollees are only in the CARE program for a relatively short period of time. A shared renewables option as the basis for CleanCARE would also complement California’s extremely successful Single Family Affordable Solar Homes (SASH) and Multi-family Affordable Solar Housing (MASH) programs by increasing program options for low-income CARE participants. CARE enrollees living in single-family homes would be able to choose between the SASH program and CleanCARE for example. Such an option could extend utilization of renewable energy to a broader range of low-income households, since some low-income homeowners may be unable to host a system for a variety of reasons. CleanCARE would provide an option for these families to participate in renewable energy.

Standard Retail Rates: CleanCARE enrollees would remain on their utility's standard residential rate structure instead of receiving discounted rates. Access to affordable electricity would be achieved by reduced overall energy *bills* rather than reduction in energy *rates*. This shift would be an important improvement over the current CARE program because it would provide CleanCARE participants with greater information concerning the cost of their energy consumption thereby increasing their ability to manage their energy costs directly based on consistent pricing signals over the longer term – both during enrollment in the CARE program and afterwards if the customer returns to non-CARE rates. Moreover, the CleanCARE program would better link rates with cost causation principles and would encourage participating customers to conserve. This is particularly important because many current CARE enrollees are only temporarily within the program but energy cost management decisions can continue to provide benefits after departing the program.

Clean Energy Package: A portion of the costs associated with the existing CARE program would be shifted into investment in a robust “clean energy package” under CleanCARE that would be designed to achieve an equivalent or better monthly bill for CleanCARE enrollees as compared to bills they would have received under the current CARE program. In order to achieve such bill savings for CleanCARE enrollees, the “clean energy package” would begin with targeted energy efficiency upgrades to lower the enrollee's overall energy consumption. Bill credits from shared renewable generation stemming from the program's investment in shared renewable generation such as solar, wind and/or biomass would further lower the enrollee's bill down to levels seen in the existing CARE program.

Clean energy package development: The concept of the “clean energy package” is intentionally left flexible enough to allow for development and offering of diverse packages of targeted measures that meet the needs of CleanCARE enrollees. This flexibility should allow for packages to include an appropriate mix of energy efficiency and renewable distributed generation to achieve cost-effective bill savings for enrollees while also using energy storage and demand response to drive grid benefits. Program administrators, or their agents overseeing the program would be required to identify target communities, assess their energy needs, and develop a plan to meet those needs within the program parameters. Our discussions with organizations working in low-income communities on energy issues show broad support for this idea of a stable, long-term funding mechanism designed to support investment in a holistic “package” of services for enrollees to meet their energy needs.

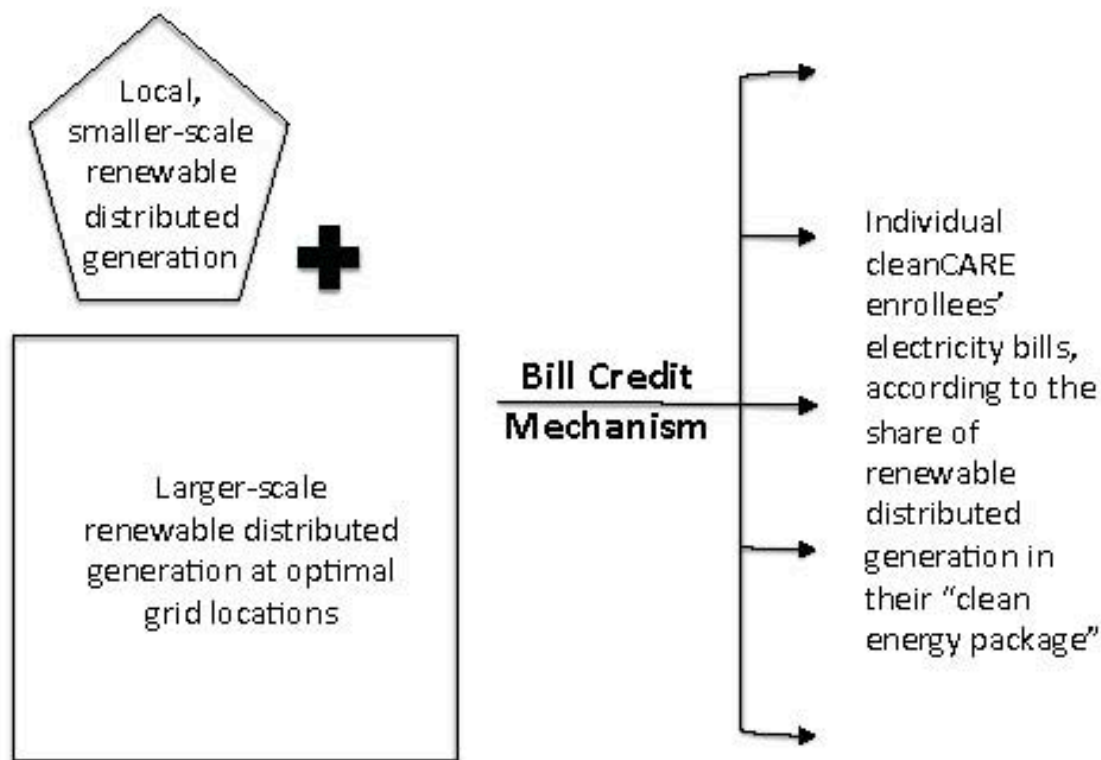
Funding the clean energy package: There are several options available to develop a funding mechanism for CleanCARE resources. Examples of ways to fund the installation of shared renewable DG include a feed-in tariff or a market-based mechanism, similar to the Renewable Auction Mechanism (RAM). Regardless of the mechanism chosen, however, it would be critical to ensure long-term funding for the “clean energy package,” such that an income stream would be locked in for a significant number of years (e.g., 10-20 years). Long-term funding of the CleanCARE program is essential because CleanCARE enrollees would not be “buying down” the upfront cost of their participation, as participants might in other renewable energy programs.

The ESAP could fund energy efficiency offerings and participation in ESAP could be coordinated with the CleanCARE program enrollment process to ensure CleanCARE enrollees receive energy efficiency upgrades to reduce their consumption prior to enrollment in CleanCARE. Similarly, coordination between CleanCARE and demand response programs targeted at residential customers, such as San Diego Gas & Electric Company's Summer Saver program, could be increased to drive overall program savings and grid benefits.

Each aspect of the "clean energy package" would contribute to CleanCARE's success.

- ✓ It should offer renewable distributed generation in a package tailored to an enrollee's individual situation.
- ✓ It should complement and be coordinated with existing energy efficiency programs funded within the CARE program consistent with California's loading order, which puts energy efficiency at the top of the resource stack.
- ✓ It should combine renewable distributed generation with energy storage and demand response in ways that achieve maximum benefits to both an enrollee and the electricity grid.
- ✓ It should promote investment in low-income communities including potential local employment opportunities via direct investment in shared renewable distributed generation within the enrollee's community.
- ✓ It should ensure that the entire package achieves California's longer-term climate and energy policy objectives, including supporting market growth for energy efficiency, renewable distributed generation and energy storage.

Bill Credit Mechanism: To mitigate the bill impacts of this transition, CleanCARE enrollees would receive energy efficiency improvements to lower their overall energy consumption and then a bill credit associated with the shared renewable DG developed under the program that would ensure that their electricity bills would be offset at the same level (or better) than they currently experience under the broader CARE program.



Moreover, to further address cost concerns, CleanCARE could be designed to unlock broader grid benefits by targeting areas of the grid identified by the local distribution utility as benefiting from renewable distributed generation and possibly energy storage. These benefits would flow to the local utilities' ratepayers as a whole.

Benefits of CleanCARE

The cornerstone of the CleanCARE program is that it would achieve the same beneficial bill impacts for enrollees as the current CARE program, and could empower program participants to achieve even better results. In addition, low-income customers enrolled in CleanCARE would be able to enjoy the benefits of renewable energy generation, which have typically had high-cost barriers to participation. Because enrollees would be served under their utility's standard retail rates, CleanCARE would more directly and continuously provide the same price signals as other customers, instead of masking those signals with below-cost rates. In the longer term, this should provide these customers the information about rates that they need to continue to make long-term decisions about energy conservation and efficiency. Finally, as part of installing shared generation in

CleanCARE enrollees' communities, CleanCARE could promote local, green jobs in these communities.

CleanCARE should also drive down rates for all California energy consumers as it represents a more efficient use of ratepayer funds for low-income assistance.

Importantly, if implemented quickly, development of CleanCARE resources would allow California to leverage the federal Investment Tax Credit, set to expire in 2016. This would result in a 30-percent reduction in the price of the renewable distributed generation used to serve the program along with an additional 20-percent reduction in cost via accelerated depreciation. Additionally, by installing renewable distributed generation at locations on the grid identified by utilities as benefiting from DG, CleanCARE would maximize grid benefits from the program, which in turn should help to drive down all energy customers' rates over time.

Beyond these benefits, the modifications to the CARE program embodied in CleanCARE are aligned with California's overall renewable energy goals. These include the Commission's loading order, the 33-percent Renewable Portfolio Standard and the Governor's 12,000-MW distributed generation goal.