

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	Rulemaking 11-05-005 (Filed May 5, 2011)
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**CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION
REPLY COMMENTS TO SECTION 399.20 RULING, DATED JUNE 27, 2011**

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In accordance with the Administrative Law Judge's Ruling Requesting Comments on Implementation of New Portfolio Content Categories for the Renewables Portfolio Standard ("RPS") Program, issued on July 12, 2011 in this proceeding ("ALJ Ruling"), the California Solar Energy Industries Association (CALSEIA) provides the following reply to parties' opening comments on the issues and questions raised in the ALJ Ruling.

I. Use Rule 21 to Interconnect Small-Scale Generating Facilities to the Distribution System.

Work led by the Commission's Energy Division staff to update Rule 21 is progressing, but this process-reform effort may not be completed before the end of 2011. CALSEIA supports Southern California Edison's request that the Commission inform the investor-owned utilities whether it intends to have them use Rule 21 after this reform work has been completed.

CALSEIA agrees with the California Farm Bureau, Solar Alliance, CLEAN Coalition and others that the Commission should designate Rule 21 as the expedited process for interconnecting small-scale renewable generation to the distribution grid.

The investor-owned utilities have asked to use their wholesale distribution access tariffs, not Rule 21. For distribution-system interconnections, CALSEIA urges the Commission to use the Rule 21 process, because the wholesale distribution access tariffs are FERC-jurisdictional tariffs.

By specifying Rule 21 as the feed-in tariff's expedited interconnection process, the Commission, not FERC, retains its rate-making authority regarding whether distribution-system upgrades are included in a utility's rate-base. It is possible that using wholesale distribution access tariffs could lead to FERC determining need for distribution-system upgrades rather than the Commission.

In addition, CALSEIA supports using the Rule 21 process rather than wholesale distribution access tariffs, because Rule 21 enables small-scale generators -- that interconnect to the distribution system -- to avoid time delays associated with the opening and closing of cluster-study windows.

II. Compensate Small-Scale Renewable Generators for the Beneficial Values They Provide.

Pacific Gas and Electric noted in its opening comments that “[CALSEIA] proposes pricing based on a CALSEIA study that was excerpted, but never entered into the record.”¹ CALSEIA corrected this deficiency by including “Implementing the Feed-In Tariff for Small-Scale Solar Photovoltaic in California as Authorized by SB 32 (2009, Negrete-McLeod, D-Chino)” as Attachment A to its opening brief. This study was performed by Dr. Lori Smith Schell of Empowered Energy using her proprietary model.

The purpose of this study was to identify and quantify the positive attributes of distributed generation in general and those of rooftop solar photovoltaic installations in particular. The

¹ Page 4

calculations from Dr. Schell's model suggest prices for small-scale distributed generation below which ratepayers would be indifferent.

PG&E also criticized the CALSEIA-sponsored study, because:

“CALSEIA failed to provide a copy of the assumptions and workpapers underlying [the] study that it relied on, so parties are unable to review and comment on the assumptions used in the study and the conclusions reached. Thus, parties cannot comment on the data sources used by CALSEIA without first having the opportunity to review CALSEIA's study.”²

Dr. Schell first presented her model to the Commission in 2005 at a hearing under Proceeding R. 04-03-017. CALSEIA recommends the Commission refresh the record by holding a public workshop at which Dr. Schell³ would explain the assumptions, sources of information, and calculations used to produce the study's value-based prices. For comparison purposes, the workshop might also present results⁴ from cost of generation models for different types of small-scale distributed renewable energy facilities. This workshop would, thereby, show both sides of the same “coin”: the value-based and cost-base prices for small-scale distributed generation.

III. Discover Feed-In Tariff Prices Using Quarterly Price Offers and Adjustments

In CALSEIA's opening brief regarding implementation of SB 32, it recommended the following approach to discover price:

"CALSEIA also recognizes that the Commission would want to and should monitor market response to the Feed in Tariff and therefore we recommend that the Commission review the market response and, if necessary, make

² Pages 14-15

³ Dr. Schell is unavailable to attend a workshop between September 12 and October 5, 2011.

⁴ The results must be recent so that they reflect current costs for solar PV modules.

adjustments to ensure that the program is resulting in the construction and connection of new distributed renewable generation. We recommend prices that are neither in the highest or lowest values to provide flexibility to the Commission to adjust the rates based on market response.

In addition, CALSEIA recognizes that there may be substantial market response to this new market opportunity, therefore CALSEIA also proposes that the MWs available through this Feed in Tariff be made available in quarterly tranches which will facilitate the Commission's ability to make adjustments to the price by either increasing or decreasing the rate based on market response.

CALSEIA suggests that if any single calendar quarter is oversubscribed, the Commission should automatically reduce the rate by 10% for the following calendar quarter. Conversely, the Commission should leave the rate unchanged if it finds that there is little or no market activity. But CALSEIA also cautions the Commission must also enforce a 12-month completion date in order to minimize the submission of speculative projects."⁵

In its program implementation proposal⁶, Southern California Edison proposed a similar process a similar process for discovering a feed-in tariff price. Specifically, SCE recommended the following:

"...[P]ricing... be set at a market price that will be available to eligible generation facilities on a first-come, first-served basis and adjusted upwards or downwards based on market response. More specifically, SCE will first offer power purchase agreements ("PPAs") at an initial price on a first-come, first-served basis up to a cumulative procurement target. This initial price will be adjusted up or down on a monthly basis based on the subscription level of the market from the previous month.

For example, if the program is unsubscribed, the price will be increased in the second month; if the program is fully-subscribed or over-subscribed, the price will be decreased in the second month."

CALSEIA encourages the Commission consider this approach. Quarterly solicitations, rather than monthly ones, would likely reduce program-administration complexity.

⁵ CALSEIA Opening Brief Comments Submitted under R. 08-08-009 on March 7, 2011, pages 9 - 10.

⁶ See "Southern California Edison Company's Program Implementation Proposal pursuant to Section 399.20 Ruling dated July 27, 2011," page 2 at <http://docs.cpuc.ca.gov/efile/RESP/141335.pdf>.

IV. Start Small, because Small-Scale Distributed Generation Provides Unique Benefits to California's Economy and Environment

CALSEIA continues to urge the Commission to implement the feed-in tariff in phases, starting with projects 1 MW or smaller. Although the price-per-attribute must still be set under this proceeding with input from all parties, the range of possible environmental and economic attributes of small-scale renewable energy facilities has been listed in previous Commission proceedings and elsewhere.⁷

V. Provide Transparency in the Market Created by the Feed-In Tariff

CALSEIA continues to urge the Commission to improve the market for distributed generation by increasing public availability of data resulting from the feed-in-tariff program's implementation. The California Solar Initiative's public database is a ready model for the feed-in tariff program.

Signed by:



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⁷ For example, *The Potential Benefits of Distributed Generation and Rate-Related Issues That May Impede Their Expansion: A Study Pursuant to Section 1817 of the Energy Policy Act of 2005*, U.S. Department of Energy, February 2007, <http://www.ferc.gov/legal/fed-sta/exp-study.pdf>,