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)

THE SOLAR ALLIANCE'S COMMENTS ON OCTOBER 13, 2011 RENEWABLE FIT STAFF PROPOSAL

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In accordance with the October 13, 2011 Administrative Law Judge Ruling (1) Issuing Staff Proposal, (2) Entering Staff Proposal and other Documents into the Record, and (3) Setting Comment Dates, the Solar Alliance[1] provides these comments on the elements of the Staff proposal for the implementation of Senate Bill (SB) 32 and related SB 2 1X amendments to Public Utilities Code Section 399.20.

I. INTRODUCTION

The Solar Alliance appreciates the Staff's efforts in putting together its Renewable Feed-In Tariff (FIT) proposal. The proposal goes a long ways towards assuring that the FIT program envisioned by SB 32 is implemented in an effective manner without any additional delay. The Solar Alliance's suggested modifications are made for the purpose of assuring that SB 32 is implemented in a way which will spur new development, eradicate unnecessary barriers to renewable facilities coming on-line, and provide SB 32 generators a rate for their power which truly reflects the costs that the electric corporations are avoiding by purchasing from SB 32 generators in lieu of other sources of power.

[1] The comments contained in this filing represent the position of the Solar Alliance as an organization, but not necessarily the views of any particular member with respect to any issue.

II. RESPONSE TO ELEMENTS OF STAFF'S PROPOSAL

A. Price

The Staff proposes that the price for all SB 32 contracts be set using the market clearing price of the RAM auction for each product category (baseload, peaking as-available, non-peaking as-available) adjusted for time of delivery factors.[2] The Solar Alliance is not adverse to a market-based pricing mechanism but is concerned at to whether the RAM program is the best price proxy for SB 32 generators given the RAM is for projects up to 20 MW, which tend to benefit from economies of scale and have lower prices than systems less than 3 MW, for which SB 32 is intended.[3] In this regard, the Solar Alliance submits that, where available, the SB 32 price should be set taking into account other market based prices for projects similar in size to SB 32. In Southern California Edison's service territory, the SCE SB 32 peaking as-available price should be set by averaging the market clearing price in the RAM with the selected projects in the already conducted RFOs for its solar PV program which is for projects generally in the 1 to 2 MW range.

The Solar Alliance recognizes that San Diego Gas & Electric does not currently have a solar PV program implemented and that Pacific Gas and Electric Company's PV program is for projects up to 20 MW, thus not allowing for readily available proxies in their service territories. However, with respect to PG&E the use of a weighted average price for the solar PV RFO combined with the market clearing price in the RAM auction, would provide a more comparable

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2 The Staff proposal also includes that the price paid to the FIT generator will be the executed contract price plus the project's share of the transmission costs for the particular RAM contract.

3 Parties who supported the use of the RAM as a proxy for the SB 32 program acknowledge that there would need to be an adjustment to the price to reflect differences in the "market price of electricity" for projects less than 3 MW versus RAM. *See, e.g.,* Interstate Renewable Energy Council Comments to Section 399.20 Ruling June 27,2011, R. 11-05-05 (July 21, 2011) at p. 10.

(footnote continued)

proxy than what Staff has proposed. With respect to SDG&E, the Solar Alliance is aware that there is a request pending at the Commission to combine the RAM solicitation with their PV Program. If the 5 MW limit for the MWs associated with SDG&E's PV program is maintained, then the SDG&E SB 32 peaking as-available price should be set by averaging the market clearing price in the RAM with the selected projects in the RFOs for its solar PV program which is for projects less than 5 MW.

The Solar Alliance would note that use of the above suggested proxies would eliminate concerns regarding the confidentiality of the RAM clearing price, specifically that if the price is released it might negatively impact the next RAM auction as participants would know the highest bid price which still secured a contract. If the RAM clearing price is not released or is averaged with additional data, the market would be left with a nontransparent price, making it less likely to impact the next RAM solicitation.

1. Locational Adder

The Staff proposal provides for generators located in high locational value areas ("hot spots") to receive an additional payment based on the generator's product category and the estimated avoided or deferred transmission and distribution costs and line losses calculated for the hot spot. The methodology for determining the "hot spots" on each IOU's distribution system has been formulated by E3. The Staff proposal then directs each IOU to identify hot spots on their distribution systems that cover a certain percentage of their load (SCE is directed to identify hot spots that cover 10% of its load, with PG&E and SDG&E having a smaller percentage of 5%). The staff proposal limits the locational adder to those in the hot spots. The

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The Staff proposal does not appear to account for this necessary adjustment. Program projects, which may be up to 20 MW in capacity.

Solar Alliance supports the E3 approach, but believes that it would be preferable to calculate two adders: a higher adder for projects in the hot spots, and a lower adder reflecting avoided distribution costs in all other "not hot" areas. The E3 presentation, at slide 26 of 32, suggests that there is some avoided distribution value even in "not hot" areas, and this should be recognized.

It is critical that there be a sufficient degree of transparency surrounding the IOUs' identification of the "hot spot" areas on their systems. Thus, while the Staff proposal directs the IOUs to identify hot spots that comprise of a specific percentage of their respective load, it does not provide a time frame for such determination. Accordingly, it is uncertain when such information would be made available to the market. Moreover it is unclear whether the hot spots, once determined, will change, and, if so, with what frequency. The Solar Alliance submits that the determination of hot spots must be given more definition so that the market can respond accordingly.

2. Price Adjustment

See Solar Alliance response to Question 7, below.

3. Interim FIT Price

The Staff has determined that it is not necessary to set an interim FIT price even with the expected time lag between the approved decision and setting the Renewable FIT price using RAM.[4] In this regard, the Staff notes that the existing FIT will still be available for interested developers which, according to the Staff, has "proven to attract program interest and

[4] The first RAM auction will close on November 15, 2011 and the IOUs will be offering contracts to successful bids on January 15, 2012. The IOUs will submit the executed RAM contracts to the CPUC in March and April 2012.

development." The Solar Alliance agrees with this element of Staff's proposal, provided that the price under the existing FIT program remains at the 2009 Market Price Referent.

The Commission is currently updating the MPR, with the draft results of such update recently released. Given that the market is already undergoing somewhat of a disruption as the transition is made from the current FIT regime under AB 1969 to implementation under SB 32, it seems unnecessary to exacerbate the disturbance by setting a new MPR price of the last few months of the current FIT mechanism.

B. Program Cap

1. Calculating the IOU Share of the Program Cap

The Staff proposes to retain the methodology established in Decision 07-07-027 for allocating the total program cap (750) among the three IOUs. As explained in the Solar Alliance's comments on the June 27 Ruling (at pp. 13-14), the Solar Alliance supports this position.

2. Program Cap Limit / Increasing Program Cap

For purposes of implementing the 750 MW cap under SB 32, the Staff opines that SB 32 amended the existing FIT program and did not create a new one. Accordingly, both existing contracts (executed pursuant to AB 1969) and new contracts will count toward the 750 MW cap. Having said that, however, the Staff opines that, based on the language in 399.15, the IOUs can raise the FIT program cap, but a planning process is necessary to evaluate the costs and benefits of increasing the program cap relative to other renewable procurement options and the total RPS program cost limitation. The Solar Alliance agrees with Staff's interpretation of the statute, and also agrees that the Commission is not prohibited from raising the FIT program cap. Furthermore, Commission precedent indicates that it has such authority and can execute it as part

of this proceeding. Accordingly, the Solar Alliance submits that the Commission should provide for an additional 750 MW to be available under the SB 32 program.

The Commission faced a comparable set of circumstances when it determined in Decision 07-07-027 to extend the provisions of AB 1969, originally established for the purpose of procuring RPS-generated electricity from certain water and wastewater customers, to other types of generators not provided for in the statute. Moreover, when doing such, the Commission increased the program cap of 250 MW provided in AB 1969 by an additional 228 MW.[5] The Commission should undertake similar action here.

The renewable goals of the state continue to grow, with the IOUs under a statutory mandate of 33 percent renewable by 2020. In conjunction with that goa1, the Governor is advancing 12,000 MW of distributed generation in the same timeframe. The Commission has previously determined that feed-in-tariffs are a relatively simple, transparent, efficient and cost-effective means of bringing smaller projects on line.[6] Accordingly, there is no need, as proposed by Staff, to undertake a planning process to evaluate the costs and benefits of increasing the program cap relative to other renewable procurement options and the total RPS program cost limitation. Resources being procured under the AB 1969 program are comparable to those being procured under other aspects of the RPS. Moreover, by using the RAM program as a means to set the price for SB 32 contracts, it can be assured that such comparability between SB 32 contracts and other renewable contracts is maintained.

Finally, by taking action now to increase the cap, the Commission saves itself from adding yet another proceeding to an already burgeoning list of renewable proceedings. The issue

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5 Decision 07-7-027, Finding of Fact No. 30.

6 Decision 07-07-027, at p. 45

has already been teed up in this proceeding, the parties have been afforded an opportunity to express / support their views on the record. It is not necessary, nor an efficient use of limited resources, to have parties address the same issue one year later.

The Staff proposal should be revised to provide for an additional 750 MW under the program.

C. Project Size Limit

In accord with the statutory language, the Staff proposal sets the size limit of participating generators at 3 MW, attesting that there is no basis for limiting the size below the statutory limit at this time. As set forth in the Solar Alliance's comments on the June 27 Ruling (at pp. 12-13), the Solar Alliance supports this position.

D. Product Categories

As noted above, the price for SB 32 contracts will be set for three products – baseload, peaking as-available, and non-peaking as-available. In order to recognize the full value of these products to the IOUs, the Staff proposes, consistent with the RAM program the IOUs should determine how much of each product category to contract with based on the product's value to the utility and the utility's need. The Staff, however, directs the IOU to allocate a minimum amount to each product category. The Solar Alliance agrees that as part of the IOUs planning process it will need to determine how much of each product category to contract with based on need and price. However, the Solar Alliance does not believe that a minimum amount need be allocated to each product category (i.e., no set asides).

If, however, the Commission rules that the IOUs must predetermine the amount in each product category, then such information must be made available to the market to ensure

appropriate response. Moreover, should such internal allocations change, the IOUs should be required to assure market awareness of those changes.

E. Contracts

The Staff proposes that all three IOUs utilize PG&E's contract for "projects up to 1 MW" (i.e., its AB 1969 contract) for all project sizes. The Solar Alliance supports the Staff proposal, but offers a few necessary changes to the contract as part of its response below.

1. Development Deposit

The Staff opines that a relatively high development deposit can help mitigate against contract failure, but acknowledges that a high development deposit can deter customers developing smaller projects (less than 1 MW) from participating in the program. In order to reconcile these contrasting points, the Staff proposes that the IOUs should require a $20/kW development deposit for projects less than 1 MW and a $50/kW development deposit for projects between 1 MW and 3 MW. The Solar Alliance agrees that a development deposit can mitigate against the execution of contracts by unviable projects. That said, the Solar Alliance questions the need for the $50/kW deposit for projects between 1 and 3 MW. The development deposit adopted as part of RAM program was $20/kW for all projects up to 5 MW. Staff has not presented any basis for why it would be necessary to have a higher deposit for projects participating in the SB 32 program. Accordingly, the Solar Alliance submits that the development deposit should $20 per kW for all projects participating in the SB 32 program.

2. Performance Standards

Section 399.20(j)(1) of the statutes requires the Commission to establish performance standards for any electric generation facility that has a capacity greater than one megawatt. The Staff proposes that the performance standard for projects over 1 MW should be 140% of

guaranteed energy production (GEP) over a two-year period for non-baseload facilities and 180% of the contract capacity over a two-year period for baseload facilities. The Solar Alliance supports this proposal, but agrees with SunEdison that the calculation of the GEP should include a degradation factors that takes into account the modest degradation PV panels undergo over their lifetime.[7]

3. Telemetry

The Staff proposal acknowledges the concerns raised by SunEdison regarding the high costs of telemetry requirements relative to the costs of a small project. Specifically, SunEdison proposed that the issue of telemetry be addressed in the distribution interconnection settlement process and that telemetry should not be required for projects less than one MW. SunEdison, however, also proposed that if telemetry is required, the contracts should specify the data needed, which should not exceed the CAISO's requirements. Staff agrees that the issue should be addressed in the interconnection settlement process, but given the uncertainty of the timing of that process proposes the use of SunEdison's alternative suggestion. The Solar Alliance supports the Staff's proposal, with one caveat. Namely that the developer be afforded the contractual right to effect installation of the contractually stated telemetry requirements rather than being required to have the IOU perform that service. Affording the developer that right can, more often than not, result in significant cost savings.

4. Transition from Existing FIT to Amended FIT

The Staff proposes that a project that does have an executed contract by the time that the new rules are adopted by the Commission would fall under those rules (not those applicable to

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[7] *See* SunEdison Reply Comments to Section 399.20 Ruling June 27, 2011, R. 11-05-005 (August 26, 2011), Attachment C.

the AB 1969 program). This would mostly impact developers that are developing projects under the CREST program. The Solar Alliance submits that developers should be subject to the rules of the program at the time that they apply.

F. Interconnection

The Staff submits that because it is proposing that the pricing mechanism for the Renewable FIT be set at the avoided cost of other renewable procurement, and thus is compliant with PURPA, that CPUC's Rule 21, which was established to interconnect QFs pursuant to PURPA, should also be used to connect SB 32 generators. The Staff, however, notes that the Commission is currently updating Rule 21, undertaking a settlement process to rectify several deficiencies in the rule. Given these circumstances the Staff proposes that generators can choose to apply for interconnection through either Rule 21 or the Wholesale Distribution Access Tariff (WDAT) "until new interconnection procedures under Rule 21 are in place."

Given what the Solar Alliance believes to be significant deficiencies in the current Rule 21 tariff, the Solar Alliance supports Staff's proposal to allow generators to choose to apply for interconnection through either Rule 21 or the WDAT while Rule 21 is being reformulated. Similarly, the Solar Alliance agrees that once new Rule 21 procedures have been approved by the Commission, then interconnections under the SB 32 program should utilize those procedures, with one caveat. Namely, if a developer has already commenced the WDAT process, and is moving through its various steps, then it should be "grandfathered in" rather than having to stop the WDAT process and commence interconnection procedures again under Rule 21.

G. Viability and Queue Management

In its March 7, 2011 Brief in this proceeding, the Solar Alliance addressed the need for project viability requirements and queue management to make sure that non-performers do not

languish interminably. Several other parties expressed a similar concern. The Staff agrees with the concerns raised and has proposed the following viability criteria

(1) Bid Fee: The Staff has proposed a $2/kW bid fee. The Solar Alliance is not necessarily opposed to such a fee, but it questions its use in the context of the SB 32 program. The use of the bide fee implies that the developer will be placed in a queue before signing its contract, and thus, in essence, the bid fee serves to help assure that only viable projects remain in the queue. If there is no queue, but the developer goes straight to a contract, then the bid fee is unnecessary as the developer will be required to pay the development deposit as discussed above.

(2) Interconnection: The Staff proposes that the project have gone through a System Impact Study or a Phase I study, or have passed the Fast Track screens. The Solar Alliance agrees with this criteria but notes that both a "System Impact" and a "Phase I Study" are WDAT concepts, but that the Staff Proposal allows for use of Rule 21 interconnections as well. Therefore, the Rule 21 equivalents to the System Impact and Phase I Studies should be included in these criteria.

(3) Site Control: The Staff proposes that the developer have 100% site control through (a) direct ownership, (b) lease or (c) an option to lease or purchase that may be exercised upon contract execution. The Solar Alliance agrees with this proposal.

(4) Development Experience: The Staff proposes that one member of the development team has (a) completed at least one project of similar technology and capacity or (b) begun construction of at least one other similar project. The Solar Alliance agrees with this proposal.

(5) Commercialized Technology: The Staff proposes that the project be based on commercialized technology with at least two installations in the world. The Solar Alliance agrees with this proposal.

(6) Online Date: The Staff Proposes that the project come on line within 18 months with one 6-onth extension for regulatory delays. The Solar Alliance agrees with this proposal.

(7) Seller Concentration: Staff proposes that there should be a seller concentration of 25% of an IOU's total capacity cap. While the Solar Alliance typically does not believe in seller concentration caps, we recognize that, in a fixed price system, it is not necessarily the market that determines a successful contract, but rather the timing of its application. Therefore, the Solar Alliance does not oppose the proposed seller concentration cap.

H. Program Location Restrictions

See the Solar Alliance's response to question 12 below.

I. Data Reporting

SB 32 requires an electrical corporation, having received a request for a tariff, to post, within ten days, a copy of the request on its internet web site. The Staff proposal recommends that this provision be implemented by requiring that the electric corporation to post the following data points: seller name; project name; status (e.g., operational, delayed); capacity (MW); expected GWh/yr; technology; price ($/MWh); vintage (e.g., existing, new); term (years); location (City); contract execution date; online date/contracted delivery date; and achievement of the commercial delivery date within 18 months (yes or no). The Solar Alliance supports this proposal.

J. Inspection

In order to ensure the safety and the reliability of the electric generation facilities, SB 32 requires that each owner of a facility provide to the electrical corporation on a bi-annual basis an inspection and maintenance report prepared by a California-licensed contractor. The Staff proposal recommends that a uniform reporting format be used and that parties submit such a uniform reporting format in their comments. The Solar Alliance supports the concept of a uniform reporting format. There has, however, been no opportunity for parties to get together to devise such a form prior to submission of these comments. If a party presents a recommendation for such form in its comments, the Solar Alliance will weigh in on reply.

III. PROPOSAL QUESTIONS

RAM Pricing

1. *How should the CPUC set the price if an IOU does not execute any contracts in one or more product categories? For example, the IOU could use the price from another one of its product categories.*

The Solar Alliance does not take a position on this issue, but reserves the right to respond to other parties' positions on reply.

2. *How should the CPUC adjust the transmission part of the total RAM price if the generator only has a Phase I or System Impact Study, since the results of these studies are usually an overestimate of actual transmission costs?*

While the Phase I or System Impact Studies generally result in an overestimate of actual transmission costs, they provide the only available source of numbers. Moreover the numbers are available to the developer thereby helping the developer determine what its contract price will be. Attempting to establish a methodology to adjust these numbers could result in exacerbating the problem, as the need for pricing transparency for the developer is of the utmost importance. While some of the estimates may be overestimated, some may also be

underestimated – but again, it is the only available number. To take a broad brush and simply decrease the estimate would be arbitrary and needlessly complicated.

Pricing Adders

3. *If the CPUC adopts the locational adder, what should the CPUC do to increase the probability that a distribution system upgrade will be deferred?*

The Solar Alliance recognizes that the provision of the locational adder to distributed generation projects leave open the possibility of double counting – i.e., the ratepayers pay for the potential deferment through the adder and, if not deferred again through the IOU revenue requirement. The Solar Alliance believes that this will require greater coordination between the utilities' distribution planners and their procurement staffs to ensure that DG development is fully reflected in distribution planning and revenue requirements, plus active oversight from the Commission.

Pricing Trigger

7. *Identify the strengths and weaknesses for each party's proposal listed in the staff proposal, and make a recommendation addressing the following issues*:

The Solar Alliance would recommend the following pricing trigger, which incorporates certain of the elements of the CalSEIA, Vote Solar and Clean Coalition proposals in its recommended automatic upward and downward triggers of program price.

Setting the initial price and initiating the program should commence a program "launch" period of 1 month. If less than 2 applications are received in that period by an IOU, then that IOU's program price should increase by 5%. If after the price increase the IOU receives 2 or more subscriptions in the following month, then that pricing should remain in effect until the IOU has reached 50% of its allocated share of program MWs. If after the price increase the IOU has does not receive 2 or more subscriptions in the following month, then the price should be

ratcheted up another 5%. This process continues until the IOUs receive 2 or more subscriptions in a single month, then, as stated above, the price remains in effect until the IOU reaches 50 percent of its allocated share of program MWs. At that point, in the same regressive manner as the CSI program, the price will begin to drop. In this regard, when the IOU reaches 50 percent of its allocated program share the rate will drop by 5 percent. The same process occurs when the IOU reaches 75 percent of its allocated program share.

The concept behind the Solar Alliance's proposal is to spur market activity. Once the new program has taken a foot hold and is prospering then, comparable to the regressive incentive levels under the CSI program, the amount of compensation can level off. The Solar Alliance would also add as qualifier to its proposal that transparency around the increases and decreases in price is essential. Thus, at the point in which an IOU is about to trigger a price change, it must notify the Commission and the Service List for this proceeding (in much the same way that the CSI program administrators notify the Commission when they reach a new incentive level) as well as posting the information on its program's webpage.

FIT Contract

8. *Do parties agree or disagree with the Agricultural Energy California Association's proposed modifications to PG&E's contract?*

The Solar Alliance agrees with the Agricultural Energy California Association's proposed modifications to PG&E's contract, with the exception of the revisions to Section 2.7 and 4.3.1 pertaining to the participation of generators who has previously received incentives under the CSI of SGIP programs. In this regard, as discussed below in response to questions 14 through 16 below, SB 32 should be viewed as an opportunity to spur new development and provide an additional source of renewable energy to be applied toward the state's RPS goal. Allowing generators operating under either the CSI or SGIP program to convert to the SB 32

program does not enhance the overall opportunity for the development of new renewable power in the state. Accordingly, the changes recommended by AECA to Sections 2.7 and 4.3.1 should be rejected.

9. *If you seek additional modifications to PG&E's contract or any other contract filed in the record, identify the term, proposed change, and rationale in a matrix format. To ensure your recommendation receives full consideration, provide documentation or attestation to support your rationale. In addition, if you propose a modification, you should state if the language is from a previously approved contract and provide the citation.*

The Solar Alliance agrees with SunEdison that Section 15 of the PG&E contract should be modified to allow the Seller, without PG&E's consent, to assign the agreement to any Affiliate or subsidiary in connection with financing of the project, and to collaterally assign the agreement to any party providing financing for the Seller's project.[8] Such general and collateral assignments are common and do not add risk to PG&E.

Resource Adequacy

10. *How should the CPUC implement PU Code § 399.20 (i), which states: "The physical generating capacity of an electric generation facility shall count toward the electrical corporation's resource adequacy requirement for purposes of Section 380?"*

First, the Solar Alliance notes that it supports Staff's rejection of the IOUs' proposal that all FIT generators must be deliverable in order to participate in the SB 32 program. As noted by Staff, in order for this to occur, the CAISO must complete a deliverability study for the applicant, which could take two years to complete and result in costly upgrades. Such costs and delay could readily kill a small project.

Second, with respect to Staff's inquiry as to how it should implement the requirements of PU Code Section 399.20(j), the Solar Alliance submits that the Commission should follow the

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[8] See SunEdison Reply Comments to Section 399.20 Ruling June 27, 2011, R. 11-05-005 (August 26, 2011), Attachment C

same path as they did with respect to the RAM program. Specifically the Commission provided that:

> The IOUs should require the seller to apply for a deliverability study. The seller should only be required to achieve full deliverability status in the instances where no additional upgrades for deliverability purposes are needed or if a seller can obtain full deliverability with no additional costs to the seller. The IOUs, however, should not be allowed to require full deliverability status as a condition precedent to achieving commercial operation.[9]

Additionally the IOUs were directed to "discuss this topic at the program forums and should work with staff to determine the appropriate procedural path to reevaluate this issue."[10]

The reality is that the issue of resource adequacy and the most cost effective way for the IOUs to meet their respective obligations is actively being discussed at both the Commission and the CASIO. While these issues are being sorted out and deliverability requirements are being reevaluated, the SB 32 program should be allowed to move forward using the same procedural vehicle as the RAM program

Implementing Strategically Located

12. *How should "strategically located" be defined and implemented?*

SB 32 provides that the project must be "strategically located and interconnected to the electrical transmission and distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers."[11] The Solar Alliance submits that this requirement can be simply defined for the purposes of the statute – any generator interconnected to the distribution system should fall within the parameters of "strategically located" for initial application to the program. Anything more specific is not necessary as the interconnection

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9 Resolution E-4414 (August 18, 2011), p. 16

10 *Id.*

11 PU Code § 399.20(b)(3).

process serves as a built in filter to ensure that a project will not be interconnected if it will have adverse impacts on the system. Thus, for example, Staff's proposal that "strategically located" means that "a project should not exceed the minimum load at the substation" as a means of "predetermining that the grid is adequate and that the generation will not adversely impact utility operation" is simply not necessary. If the proposed interconnection requires system upgrades that will be determined in the interconnection process.

Moreover, the Solar Alliance has grave concerns regarding Staff's proposal that would limit participation in the program to those generators located in the "hot spots" that the IOUs will develop for a certain percentage of their service territory's load. This proposal equates "strategically located" with "hot spot." The sole purpose of the "hot spot" determination is for assessment of the locational adder. A generator should not be precluded from participating in the program due to the fact that its facility is not located at a point on the distribution system that will result in T&D deferment.

CSI/SGIP/NEM Refund Options

14. *Over what time period should incentives be refunded? What is the rationale for your time period versus the alternatives presented in the record*?

15. *Which incentives should be refunded and why?*

16 *At what interest rate should incentives be refunded and why*?

While recognizing that the provision allowing for CSI or SGIP systems to participate in SB 32 is part of the statute, the Commission, the Solar Alliance continues to submit that, in determining a means, if any, to implement this portion of the statute, the Commission should bear in mind that it does not serve the goal of bringing new renewable resources on-line, would be administratively difficult and cumbersome to implement, and at least with respect to systems which have been have functioning under the CSI program, is in contravention of SB 1.With

respect to this latter point, it must be noted that facilities receiving incentives through the CSI program are not developed with a primary purpose of selling electricity to a utility. Rather, such a facility is designed to serve on-site load. Indeed, Section 27882(a)(1) of the Public Resources Code -- which SB 32 does not amend or supersede -- provides that one of the required criteria for receiving funding under the CSI is that the "solar energy system *is intended primarily to offset part or all of the consumer's electric load*." This is in direct conflict with SB 32's statutory requirement that the facility *be developed to sell* electricity to an electrical corporation. Given the conflicting statutory language, the Commission should approach this issue from the overarching state goal of increasing the availability and use of renewable power. SB 32 should be viewed as an opportunity to spur new development and provide an additional source of renewable energy to be applied toward the state's RPS goal. Allowing generators operating under either the CSI or SGIP program to convert to the SB 32 program does not enhance the overall opportunity for the development of new renewable power in the state.

Should, however, the Commission proceed to allow such generators to participate upon refund of the incentives received, then the incentives should be refunded in the same amounts over the same period in which they were received. Thus, a customer received monthly performance based incentives, would pay back those incentives over the same number of months it received them, at an average of the applicable commercial interest rate available during the time period between payment first received and last payment. Similarly, those who received a one time incentive payment under the Expected Performance Based Buydown, should be required to pay the incentive back in one lump sum.

Respectfully submitted this November 2, 2011 at San Francisco, California.

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By */s/ Jeanne B. Armstrong*
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VERIFICATION

I am the attorney for the Solar Alliance in this matter. Solar Alliance is absent from the City and County of San Francisco, where my office is located, and under Rule 1.11(d) of the Commission's Rules of Practice and Procedure, I am submitting this verification on behalf of the Solar Alliance for that reason. I have read the attached "The Solar Alliance's Comments on October 13, 2011 Renewable FIT Staff Proposal." I am informed and believe, and on that ground allege, that the matters stated in this document are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 2nd day of November, 2011, at San Francisco, California.

/s/ Jeanne B. Armstrong
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