BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewable Portfolio Standard Program

Rulemaking 11-05-005 (Filed on May 5, 2011)

THE DIVISION OF RATEPAYER ADVOCATES' OPENING COMMENTS ON SB 32 FIT STAFF PROPOSAL

MATT MILEY

Attorney for the Division of Ratepayer Advocates

Division of Ratepayer Advocates California Public Utilities Commission 505 Van Ness Avenue San Francisco, CA 94102 Phone: (415) 703-3066 Email: mm2@cpuc.ca.gov

NIKA ROGERS

Analyst for the Division of Ratepayer Advocates

Division of Ratepayer Advocates California Public Utilities Commission 505 Van Ness Avenue San Francisco, CA 94102 Phone: (415) 703-1529 Email: nlr@cpuc.ca.gov

November 2, 2011

TABLE OF CONTENTS

I.		INTRODUCTION	1
П.		DRA'S PREFERRED PRICE MECHANISM FOR SB 32 / FIT	1
III.		DRA'S CONCERNS WITH THE STAFF PROPOSAL	2
IV.		DRA'S RESPONSE TO SPECIFIC QUESTIONS IN THE STAFF PROPOSAL	4
	A.	RAM PRICING	4
	B.	PRICING ADDERS	5
	C.	PRICING TRIGGER	9
	D.	FIT CONTRACT	12
	E.	RESOURCE ADEQUACY	12
	F.	IMPLEMENTING STRATEGICALLY LOCATED	13
	G.	CSI/SGIP/NEM REFUND OPTIONS	14
V.		CONCLUSION AND SUMMARY OF RECOMMENDATIONS	14

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewable Portfolio Standard Program

Rulemaking 11-05-005 (Filed on May 5, 2011)

THE DIVISION OF RATEPAYER ADVOCATES' OPENING COMMENTS ON SB 32 FIT STAFF PROPOSAL

I. INTRODUCTION

The Division of Ratepayer Advocates (DRA) hereby submits these Opening Comments addressing issues set forth in Administrative Law Judge Regina DeAngelis's October 13, 2011 Administrative Law Judge's Ruling (1) Issuing Staff Proposal (2) Entering Staff Proposal and Other Documents into the Record and (3) Setting Comment Dates (October 13, 2011 Ruling).

II. DRA'S PREFERRED PRICE MECHANISM FOR SB 32/FIT

DRA continues to support the Net Surplus Compensation (NSC) rate as the preferred pricing mechanism for the SB 32/FiT program. The NSC rate is the combination of two components; the default load aggregation point (DLAP) or "brown power" price and a renewable attribute or "renewable energy credit" (REC) payment that accounts for the environmental attributes associated with energy produced from renewable resources. For details of DRA's NSC rate proposal, see DRA's reply comments, dated August 26, 2011.¹

¹ Division of Ratepayer Advocates' Reply Comments to Section 399.20 Ruling Issued June 27, 2011. 554929

DRA's preferred NSC rate is akin to Southern California Edison Company's (SCE) Market Price (MP) FiT proposal, which is also composed of a DLAP price and REC payment. DRA therefore supports SCE's MP FiT price proposal, which includes a price adjustment mechanism to alter the tariff price upwards or downwards based on the amount of subscription and market demand. DRA urges the Commission to adopt either the NSC rate or the MP FiT pricing mechanism for the SB 32/FiT program because both pricing mechanisms adhere to the ratepayer indifference clause of §399.20 (d)(3), are a market price for energy (§399.20 (d)(1)), and allow for public access to the tariff rate.

III. DRA'S CONCERNS WITH THE STAFF PROPOSAL

In implementing the SB 32/FiT program, the Commission's primary objectives should be to ensure that the success of the program does not compromise the ratepayer indifference clause of §399.20 (d)(3),² and that any assumed avoided costs resulting from program implementation can be accurately recorded, accounted for, and quantified through upfront standards and mechanisms. DRA disagrees with the Staff Proposal to derive the SB 32/FiT tariff price from each of the Investor Owned Utilities' (IOUs') Renewable Auction Mechanism (RAM) market clearing prices. The Staff Proposal would utilize the market clearing prices from each of the three product categories (baseload, peaking as-available, and non-peaking as-available) and adjust these base prices for time of delivery (TOD). If the project is located in a designated "hot spot,"³ the developer will receive an additional payment or locational adder to account for avoiding transmission, distribution, and line losses. DRA is concerned that the final levelized cost of such a tariff would exceed the current market value for comparable renewable projects available to the IOUs through other renewable procurement programs.

 $[\]frac{2}{10}$ "The commission shall ensure, with respect to rates and charges, that ratepayers that do not receive service pursuant to the tariff are indifferent to whether a ratepayer with an electric generation facility receives service pursuant to the tariff." (PU Code §399.20(d)(3).)

 $[\]frac{3}{2}$ The Staff Proposal defines "hot spots" generally as "areas where distribution and transmission system upgrades can be deferred if new generation is located in that area." (Staff Proposal, p. 7.) 554929

DRA's concerns with the Staff Proposal and program parameters are highlighted in the summary below. In order to keep costs to a minimum, the below issues should be resolved before implementation of the SB 32/FiT. DRA addresses these concerns in more detail along with its recommendations, in the responses to the specific Staffs Proposal Questions.

- The Energy Division (ED) Staff Proposal Guiding Principle #2 states that one objective of the FiT Program is to "[c]ontain costs and ensure maximum value to the ratepayer and utility." As currently presented, the Staff Proposal lacks a clearly defined mechanism that would be in place to prevent excessive costs to both the IOUs and ratepayers.
- 2. The Staff Proposal undermines the RAM program by offering participants a SB 32/FiT tariff price that equates to the RAM clearing price plus a locational adder for being located in a designated "hot spot." As discussed below under section "A. RAM Pricing," the Staff Proposal never clarifies why the RAM clearing price alone does not represent a suitable price for the SB 32 program nor what differentiates the shortlisted RAM bids from SB 32 projects with regards to transmission and distribution deferrals.
- 3. DRA opposes the use of a locational adder to augment the price of the SB 32/FiT contracts. As discussed below under section "B. Price Adders," DRA is concerned with instituting a locational adder payment before it has been properly vetted by parties as this payment amount will likely outweigh the cost savings associated with potential transmission and distribution deferrals.
- 4. The Staff Proposal fails to address the issue of daisy chaining i.e., the breaking up of larger projects into multiple smaller projects that individually qualify for an SB 32 tariff. DRA emphasizes that the final SB 32/FiT program must include contract provisions that would prevent

developers and sellers from gaming the program in this manner. Without proper restrictions or limitations on daisy chaining – especially for projects located in designated hot spots – this could quickly lead to increased program costs, administrative burdens for the IOUs, and the marginalization of potential SB 32 projects. To counter this, DRA recommends that the Commission limit a developer to one project per interconnection point to avoid gaming the SB 32 tariff.

IV. DRA'S RESPONSE TO SPECIFIC QUESTIONS IN THE STAFF PROPOSAL

DRA provides its response and recommendations to the Staff Proposal Questions below and organizes its responses as set forth in the October 13, 2011 Ruling.

A. RAM Pricing

DRA finds that the Staff Proposal would ultimately undermine the RAM program by rewarding a higher contract or tariff price to SB 32 participants over RAM participants for the perceived avoided transmission and distribution upgrades from SB 32 projects. This may impact future RAM auctions and encourage smaller project developers (less than 3 MWs in size) to forgo participating in the RAM auction in favor of a guaranteed tariff and potential locational adder payment under the Staff Proposal. In general, the Staff Proposal fails to account for the fact that shortlisted RAM bids that will be used to set the SB 32 base clearing price represent the market price for renewable energy projects 20 megawatts (MW) and under. The Staff Proposal never clarifies why this clearing price alone does not represent a suitable price for the SB 32 program, nor what differentiates the shortlisted RAM bids from SB 32 projects with regards to transmission and distribution deferrals. According to the Staff Proposal, "even if RAM projects are located in a hot spot, the RAM price will likely not reflect this value since the generator determines the RAM price based on the project's costs instead of its avoided costs. In

addition, most RAM projects will likely not be located in a hotspot."⁴ DRA is troubled by the fact that this Staff Proposal language is not supported with any evidence or analysis to support these conclusions.

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 CPUC should not use the clearing price from one category to account for another category, nor require the IOUs to procure a minimum amount from each product category. Instead the CPUC should set the price based on DRA's NSC rate proposal or SCE's MP FiT proposal.

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?

Since the cost of the CAISO Phase I or System-Impact Study for interconnection is embedded in the RAM clearing price, the easiest way to resolve the double counting issue would be to limit the award of a locational adder payment to those projects not located within a designated hot spot.

B. Pricing Adders

As stated above, DRA opposes the adoption of a locational adder payment for developers to account for potential transmission and distribution deferrals. Due to the size limit of the SB 32/FiT projects (less than 3 MWs), the limited size of the program, and the concentration of actual subscriptions at a particular hot spot, the amount of locational adder payments awarded to developers in a hot spot will likely outweigh the cost savings associated with potential transmission and distribution deferrals. Most importantly, DRA notes that the Staff Proposal to freely allocate locational adder payments to all projects located in a hot spot runs the risk of violating Staff Proposal

⁴ Staff Proposal, p. 11.

Guiding Principle #2 which is to "[c]ontain costs and ensure maximum value to the ratepayer and utility." Although Staff is proposing project viability mechanisms to ensure the tariff is only offered to highly viable projects, the program as proposed lacks any additional cost containment mechanisms to protect ratepayers. Other than the minimum project viability criteria, the only discretion a utility has to deny a tariff is based on project location which is currently open to interpretation (see section "F. Implementing Strategically Located," below).

Notably, as evidenced by the Energy and Environmental Economics, Inc. (E3) presentation on September 26, 2011, the use of a location adder has the potential to create excessive pricing under certain circumstances. Specifically, the E3 presentation demonstrated that in certain areas the hot spot locational adder payment for peaking as available can be as high as 0.0775¢/kWh which equates to \$77/MWh.⁵ This locational adder is an additional payment on top of the base contract price derived from the RAM auction and seems excessive for the amount of transmission and distribution deferrals an individual project will likely contribute. If the RAM market-clearing price is set, for example, at \$100/MWh., this locational adder would, in some instances, add a premium of over three-fourths of the base contract price to the total payment amount. At \$177/MWh, this price would exceed all the price categories for the 2009 market price referent (MPR).

Finally, DRA notes that while the proposed locational adder varies from IOU to IOU, there is no price variation within an IOUs' designated hot spots. Accordingly, across a particular IOU's service territory, regardless of whether a project is located within a hot spot that serves 5% of that IOU's load or 10% of that IOU's load, the developer of the project will receive a flat locational adder payment based on the

⁵ According to the E3 presentation given on September 26, 2011, the hot spot locational adder payments can range from $0.005 \notin$ /kWh for non-peaking as available in all the IOUs hot spot zones to a maximum payment of $0.0775 \notin$ /kWh for peaking as-available in SCE's hot spot zones.

project's production profile. Due to the number of designated hot spots and the set program capacity cap allocated among the three IOUs, it is not certain that all hot spots will experience enough participation to lead to enough transmission and distribution deferrals to warrant the locational adder payment. Thus, in some instances, developers in a particular hot spot could be rewarded a locational adder without actually contributing to transmission and distribution deferrals in that location.

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?

If the Commission decides to adopt a locational adder payment, it should first make two ratepayer provisions conditional upon its adoption. First, as TURN pointed out at the September 26, 2011 workshop, the Commission must ensure close tracking and accounting for any amount paid out to developers/sellers in the form of a locational adder to compensate these projects for potentially deferring transmission and distribution upgrades. Currently, it is not clear from the Staff Proposal and information presented to parties how the designated hot spots overlap with the IOUs' substations and how savings resulting from transmission and distribution deferrals will be tracked and accounted. A tracking and accounting mechanism will ensure that the IOUs do not attempt to collect supposedly 'deferred' ratepayer funds for transmission and distribution upgrades through other venues. DRA recommends that if the locational adder is adopted, the IOUs be required to submit to the Commission an itemized list of where they would scale back transmission and distribution upgrades or other capital investments as a result of the SB 32/FiT program and other distributed generation (DG) programs. In addition, on an annual basis, the Commission should cross check the IOUs' requests for ratepayer funds associated with transmission and distribution upgrades in their general rate cases (GRCs) and the tariffs paid out to participants of SB 32/FiT. If such mechanisms are not in place before the SB 32/FiT program is implemented, it is almost certain that ratepayers will end up double paying.

Second, as PG&E argues, the Commission should require that the cost of the locational adder be allocated to customers of Direct Access (DA) and Community Choice Aggregators (CCAs). This requirement will provide consistency with the Commission's implementation of AB 1613 and will satisfy the ratepayer indifference statutory requirement (§399.20 (d)(3)). Moreover, this requirement will ensure that IOU ratepayers are not solely and unfairly saddled with the tab to pay the assumed avoided cost of transmission and distribution deferrals when presumably all CCA, DA, and IOU customers benefit from the distributed generation systems in these areas.

It is critical that the Commission and staff set forth clear and defined mechanisms for how to contain costs associated with the tariff price. Without these mechanisms, the current proposal fails to adhere to the Staff Proposal Guiding Principle #2.

4. Besides a locational adder, staff is not proposing other adders to the FIT price. If parties believe the Commission should consider other adders, then parties should address the following issues when suggesting an adder:

The Commission should not entertain calls to adjust the SB 32/FiT price to account for any additional adders. If the Staff Proposal is adopted as is, the price will be reflective of a facility's production profile adjusted for TOD and will also include a locational adder to account for the presumed avoided cost of transmission and distribution deferrals. Based on the IOUs' most recent Renewables Portfolio Standard (RPS) Request for Offers (RFO), the potential price for the SB 32/FiT program will already be at a premium as shortlisted bid prices have declined significantly relative to past RFOs. To supplement this premium price with any additional adders would further violate the ratepayer indifference clause of §399.20 (d)(3) without contributing additional value to ratepayers.

- 5. Does the technology have an incremental avoided cost compared to a RAM project in the same product category? If so, explain why.
- 6. Is the adder avoiding ratepayer cost? In staff's view, an additional FIT adder should avoid a ratepayer cost and not a more general societal cost since the statute requires that ratepayers be held indifferent to the FIT payments.

7. Can the adder be quantified? If so, suggest a method and the date sources for quantifying the adder. Reference previous filings if applicable.

DRA has no additional comments or recommendations for Questions 4-6, but reserves the right to address these issues in reply comments.

C. Pricing Trigger

Identify the strengths and weaknesses for each party's proposal listed in the staff proposal, and make a recommendation addressing the following issues [issues 'a – d']:

DRA responds to the specified Staff Proposal issues (a-d), below. Regardless of what pricing mechanism is adopted, the Commission must employ a pricing trigger for the SB 32/FiT to encourage new participants and help guide the program towards price equilibrium. Of the proposals put forth by parties, SCE's price adjustment for the Market Price FiT (MP FiT) provides the most appropriate mechanisms to ensure that the IOUs can respond rapidly to the market's call for more or less subscriptions that would result from the tariff. SCE's proposal includes a minimum amount of subscription needed in order to adjust the price either upwards or downwards; a feature that is missing in the price adjustment proposals put forth by both Vote Solar and CalSEIA. Requiring a minimum subscription amount is a necessary component of a price adjustment mechanism as this will relay to the IOUs how feasible project development is for potential program participants at the current tariff.

The proposals put forth by CalSEIA, Vote Solar, and the Clean Coalition contain flaws that work against the interest of ratepayers.⁶ First, Clean Coalition's digression schedule is based on outdated pricing information (the 2009 MPR) and is only applicable if the MPR is adopted as the pricing mechanism for the program. The main flaw with CalSEIA's price trigger proposal is that a three-month/quarterly subscription period is too long and the tariff price may become stagnate, especially if the initial tariff price is set

⁶ For a detailed description of CalSEIA, Vote Solar and the Clean Coalition's proposals, see the Renewable FIT Staff Proposal – Revised Draft, pp. 12-15. 554929

⁹

too high. For example, under CalSEIA's proposal, if the SB 32/FiT tariff were to be offered starting at \$100/MWh then the tariff price could only be reduced by 10% within a three-month time period and only if the quarterly allocation is oversubscribed (it is not clear from the Staff Proposal if this implies the price will also reduce if the minimum quarterly target is met). SCE's proposal, however, would lead to a greater price reduction over the same three-month time period by reducing the tariff by \$2/MWh for each month the program reaches its subscription limit.

Another flaw with CalSEIA's proposal is that it allows for the quarterly allocation to be oversubscribed which negates the need to set minimum procurement targets for each quarter. Without a set limit on the amount of tariffs offered at a particular price, the IOUs could end up subscribing more projects at a higher tariff price that would come at the expense of ratepayers. Accordingly, DRA recommends that the minimum allocation for any price adjustment mechanism that is adopted be a hard target; once that minimum threshold is achieved, the price automatically declines. To ensure that each price step is not oversubscribed, the IOUs should be required to publicize the step status on their SB 32/FiT tariff website and notify applicants who come in near the end of each step subscription that, due to the limited amount of space available in that step, there is a potential that applicants will receive the next reduced tariff payment amount. This requirement will help to keep the program robust, ensure cost transparency for potential participants, and reduce costs for ratepayers.

There are components of SCE's MP FiT price adjustment proposal that need to be clarified. For example, if the price adjusts upwards or downwards by an additional two dollars per month, and the price remains constant one month due to lack of participation, it is not clear whether the price adjustment in the following month will be reset or if the price will continue to decline/increase where it last left off. In absence of a clear guideline for how to adjust the tariff rate after a month of stagnation, DRA recommends that the price continue to decline where it last left off. DRA also recommends that, due

to the small capacity cap of the SB 32/FiT program, there be a reduction in the minimum number of sponsors and eligible projects required for any price adjustments.

DRA recommends that the price adjustment mechanisms for SB 32/FiT be enforced with hard subscription targets and clearly defined tariff rates. In addition, potential participates should be made aware of impending rate reductions. This will help to keep ratepayer costs to a minimum and make the program transparent for potential participants. Consistent with these goals, DRA recommends the Commission adopt SCE's MP FiT price adjustment with minor modifications.

DRA responds to the specified Staff Proposal issues as follows:

a. Level of subscription that triggers price decrease.

Once the IOU has reached its monthly procurement target (equal to 1/48th of its total allocated program amount), the price decrease should be triggered.

b. Amount that the price should be decreased.

The price should be adjusted downward initially by \$2.00/MWh or 0.002¢/kWh and continue to decrease by an additional two dollars per month thereafter as long as the monthly procurement target is reached.

c. *Time period without any or minimal subscription that the price should be increased.*

As SCE proposes, if the monthly procurement target has not been reached and no applicants have accepted the tariff, then the price should be adjusted upward by \$2.00/MWh the following month.

d. Definition of minimal subscription.

Once the IOUs cumulative target amount has been determined, each IOU's cumulative target should be equally allocated across 48 months, resulting in a monthly minimum procurement target. This monthly minimum procurement target should be a hard target and once fully subscribed, the tariff price should be reduced. The IOUs should not be required to procure a minimum amount in each product category.

D. FIT Contract

- 9. Do parties agree or disagree with the Agricultural Energy California Association's proposed modifications to PG&E's contract?
- 10. 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. When reviewing contract language, staff considers the following guiding principles to determine if a change is warranted:
 - a. Term properly allocates risk between buyer, seller, and the regulator
 - b. Term minimizes transaction costs between buyer and seller
 - c. Term is financeable and provides regulatory certainty

DRA recommends that the IOUs be permitted to use their own respective standard modified RAM PPAs for the SB 32/FiT program. Each IOUs' contract should include certain provisions to avoid further litigation that may increase administrative costs, lead to project delays, and ultimately result in additional costs to ratepayers. These provisions could include, for example: curtailment, development security, and energy imbalance payments. DRA anticipates that the IOUs' comments will provide further guidance as to which additional provisions are appropriate to include in the standard contracts and DRA reserves its right to address this issue in reply comments.

E. Resource Adequacy

11. 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?"

DRA is concerned that PU Code §399.20 (i), which counts an electric generation facility's capacity toward an IOUs' Resource Adequacy (RA) requirement, may result in ⁵⁵⁴⁹²⁹

double purchasing of RA capacity by the IOUs. If the distributed generation SB 32/FiT systems receive RA credit, yet do not meet RA standards for reliability, additional capacity that meets those standards may be necessary under existing RA requirements. To credit the SB 32/FiT systems for RA, these systems should be required to meet current RA deliverability standards. Otherwise, these SB 32 systems would obtain RA credit without having to meet the same standards, thus giving them an unfair competitive advantage and burdening ratepayers with the cost of paying for ancillary services they are not receiving; RA credits for capacity that cannot be used to satisfy RA requirements.

12. Should this issue be addressed in other planning proceedings, such as the LTPP and RA proceedings? To what extent is there overlap with the Distribution Interconnection Settlement process? What is an appropriate interim approach[?] If you support addressing this issue in other, more appropriate proceedings, provide a rationale and an interim proposal to address this language before it is addressed elsewhere.

DRA recommends that the issue of RA full deliverability and renewables be addressed in the new RA proceeding (R.11-10-023) to establish a standardized solution for this issue. The results from the RA proceeding should inform and guide this issue in the implementation of the SB 32/FiT program.

F. Implementing Strategically Located

13. How should "strategically located" be defined and implemented?

The IOUs are in the best position to define strategically located simply because they will have the best information available as to where these smaller DG projects will bring the most value to ratepayers within their respective service territory. A good starting point for the definition of strategically located should include utilization of the IOUs' Solar PV and RAM Circuit Maps for interconnection requests. DRA recommends that the definition of strategically located include the requirement that the facilities serve local load, alleviate transmission constraints, and include areas identified by the IOUs in their Circuit Maps as preferred locations for interconnection. The definition of strategically located should not include reference to the designated hot spots.

14. Comment on the strengths and weaknesses of each option listed in the staff proposal. If you have an alternative proposal, explain the rationale and the data sources required to implement it.

DRA has no additional comments or recommendations for Questions 13, but reserves the right to address this issue in reply comments.

G. CSI/SGIP/NEM Refund Options

Given the complexities of this issue (the time period to refund the incentives, interest rates, exported energy versus energy that serves on-site load, and calculation of the refund to ratepayers, etc.), this issue requires additional time to be resolved. Accordingly, DRA recommends that the Commission consider all of its various incentive programs and tariffs in an interrelated manner rather than piecemeal. This could be achieved through a workshop or some other mechanism by which parties can properly vet these issues.

DRA reiterates from its August 26, 2011 reply comments that if the Commission chooses to delay addressing this issue, DRA supports TURN's recommendation that the affected projects be ineligible to participate in the SB 32/FiT program until a refund mechanism is finalized.

DRA reserves the right to address the refund of incentives issue in reply comments.

- 15. Over what time period should incentives be refunded? What is the rationale for your time period versus the alternatives presented in the record?
- 16. Which incentives should be refunded and why?
- 17. At what interest rate should incentives be refunded and why?

V. CONCLUSION AND SUMMARY OF RECOMMENDATIONS

For the reasons discussed above, the Commission should adopt DRA's following recommendations:

1. The Commission should adopt either the NSC rate or the MP FiT pricing mechanism for the SB 32/FiT program because these pricing mechanisms

adhere to the ratepayer indifference clause of \$399.20 (d)(3), are a market price for energy (\$399.20 (d)(1)), and allow for public access to the tariff rate.

- 2. Before any price adder for the SB 32/FiT program is adopted and instituted, the Commission and staff should set forth clear and defined mechanisms for how to contain costs associated with the tariff price. Without these mechanisms in place, the current proposal fails to adhere to the Staff Proposal Guiding Principle #2.
- 3. If the locational adder is adopted, the IOUs should be required to submit to the Commission an itemized list of where they would scale back transmission and distribution upgrades or other capital investments as a result of the SB 32/FiT program and other DG programs.
- 4. In addition, on an annual basis, the Commission should cross check the IOUs' requests for ratepayer funds associated with transmission and distribution upgrades in their general rate cases (GRCs) and the tariffs paid out to participants of SB 32/FiT.
- 5. The Commission should require that the cost of the locational adder be allocated to customers of Direct Access (DA) and Community Choice Aggregators (CCAs) to comply with AB 1613 and the ratepayer indifference clause.
- 6. Regardless of the type of pricing mechanism the Commission adopts for the SB 32/FiT program, the Commission should employ a price trigger to adjust the tariff price upwards or downwards. DRA recommends the Commission adopt SCE's MP FiT price trigger with minor modifications.
- The price adjustment mechanisms for SB 32/FiT should be enforced through hard subscription targets to keep ratepayer costs at a minimum.

- The IOUs should be required to publicize the current tariff rates on their SB 32/FiT website and notify any potential participants if a tariff price is about to decline.
- To thwart developers from daisy-chaining and gaming the SB 32 tariff, the Commission should limit a developer to one project per interconnection point.
- 10. The issue of RA full deliverability and renewables should be addressed in the new RA proceeding (R.11-10-023) to establish a standardized solution for this issue.

Respectfully submitted,

/s/ MATT MILEY

Matt Miley

Attorney for the Division of Ratepayer Advocates California Public Utilities Commission 505 Van Ness Ave. San Francisco, CA 94102 Phone: (415) 703-3066 Email: <u>mm2@cpuc.ca.gov</u> Fax: (415) 703-2262

November 2, 2011

VERIFICATION

I, Matt Miley, am an attorney for the Division of Ratepayer Advocates which is a party herein, and am authorized to make this verification on DRA's behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

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

Executed on November 2, 2011 at San Francisco, California.

/s/ MATT MILEY

Matt Miley Staff Counsel