

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding
Policies, Procedures and Rules for the
California Solar Initiative, the Self-Generation
Incentive Program and Other Distributed
Generation Issues.

Rulemaking 12-11-005
(Filed November 8, 2012)

**THE DIVISION OF RATEPAYER ADVOCATES' REPLY TO OPENING COMMENTS
ON THE PROPOSED DECISION OF PRESIDENT PEEVEY TO MODIFY
DECISION 10-01-022 TO EXPAND TECHNOLOGIES INCENTIVIZED
UNDER THE CALIFORNIA SOLAR INITIATIVE THERMAL PROGRAM**

DIANA L. LEE
Attorney for the Division of
Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-4342
Fax: (415) 703-2262
E-mail: diana.lee@cpuc.ca.gov

VALERIE KAO
Analyst for the Division of
Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1341
E-mail: valerie.kao@cpuc.ca.gov

February 11, 2013

TABLE OF CONTENTS

I. INTRODUCTION 1

II. DISCUSSION..... 2

A. THE COMMISSION SHOULD RESTRICT ELIGIBILITY OF EXPANDED END-USE PROJECTS AND OPT-IN PERFORMANCE-BASED INCENTIVE (PBI) SOLAR WATER HEATING SYSTEMS TO THOSE THAT RECEIVED A FINAL SIGN-OFF PERMIT AFTER THE APPROVAL DATE OF THE IMPLEMENTING AL. 2

B. THE PD SHOULD ADOPT THE PAS’ REQUEST TO ALLOW THE ASSIGNED ADMINISTRATIVE LAW JUDGE (ALJ) TO ADJUST THE PBI STRUCTURE TO ACCOUNT FOR PROGRAM CLOSE-OUT. 2

C. THE PD SHOULD EXPLICITLY STATE THE INCENTIVE LEVELS FOR PBI PAYMENTS, AS REFLECTED IN THE PAS’ OPENING COMMENTS. 2

III. CONCLUSION 3

I. INTRODUCTION

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Division of Ratepayer Advocates (DRA) submits this reply to opening comments on the January 14, 2013 Proposed Decision of President Peevey to expand technologies incentivized under the California Solar Initiative Thermal (CSI-Thermal) Program (PD). DRA's Reply addresses the following points raised in opening comments filed by the California Solar Energy Industries Association (CalSEIA) and the California Center for Sustainable Energy, Southern California Edison Company, Pacific Gas and Electric Company, and Southern California Gas Company (collectively referred to as the CSI-Thermal Program Administrators (PAs)):¹

- The Commission should restrict eligibility of expanded end-use projects and opt-in Performance-Based Incentive (PBI) solar water heating systems to projects that received a final sign-off permit after the approval date of the advice letter that the PD directs the PAs to file implementing the final decision's program changes (Implementing AL).²
- The PD should adopt the PAs' request to allow the assigned Administrative Law Judge (ALJ) to adjust the PBI structure to account for program close-out.
- The PD should explicitly state the incentive levels for PBI payments, as reflected in the PAs' opening comments.

¹ Opening Comments of the California Solar Energy Industries Association on the Proposed Decision to Modify Decision 10-01-022 to Expand Technologies Incentivized Under the California Solar Initiative Thermal Program. February 4, 2013, (CalSEIA Opening Comments); and Joint Comments of the California Center for Sustainable Energy, Southern California Edison Company), Pacific Gas and Electric Company, and Southern California Gas Company on Commissioner Peevey's Proposed Decision Modifying Decision 10-01-022 to Expand Technologies Incentivized Under the California Solar Initiative Thermal Program, February 4, 2013 (Joint PAs Opening Comments).

² The PD would require the PAs to file a Tier 3 advice letter. The PAs recommend that they be allowed to file a Tier 2 AL instead. DRA does not oppose this request.

II. DISCUSSION

A. **The Commission should restrict eligibility of expanded end-use projects and opt-in Performance-Based Incentive (PBI) solar water heating systems to those that received a final sign-off permit after the approval date of the Implementing AL.**

CalSEIA recommends that the PAs be allowed to implement the program changes retroactive to the end of the 120 day period following the issuance of a Final Decision,³ whereas the PAs recommend that eligibility for expanded end-use and opt-in PBI systems not be effective until the after the approval date of the Implementing AL.⁴ For the reasons cited in the Joint PAs' Opening Comments, namely to minimize the risk that developers will initiate projects that are later determined to be ineligible, DRA agrees that only expanded end-use and opt-in PBI systems that received a final sign-off permit after the approval date of the Implementing AL should be eligible for CSI-Thermal incentives. In order to avoid prematurely rejecting projects that would have met the program requirements, DRA suggests that the PAs defer making a final determination as to incentive eligibility for any expanded end-use and opt-in PBI systems until after the approval date of the Implementing AL.

B. **The PD should adopt the PAs' request to allow the assigned Administrative Law Judge (ALJ) to adjust the PBI structure to account for program close-out.**

The PAs suggest that the Commission allow the ALJ, in consultation with Energy Division, to adjust the PBI structure to account for program close-out; DRA supports including the additional Ordering Paragraph proposed by the PAs.⁵ Such a provision is useful in terms of minimizing administrative costs associated with making incentive payments beyond the sunset date of the program.

C. **The PD should explicitly state the incentive levels for PBI payments, as reflected in the PAs' opening comments.**

Both DRA's and the PAs' opening comments note that the PD does not explicitly state what the PBI incentive levels are;⁶ the PAs request confirmation of what the PBI incentive rates should be, with

³ CalSEIA Opening Comments, p. 6

⁴ Joint PAs Opening Comments, p. 2.

⁵ Joint PAs Opening Comments, p. 5.

⁶ The Division of Ratepayer Advocates' Comments on the Proposed Decision of President Peevey to Modify Decision 10-01-022 to Expand Technologies Incentivized Under the California Solar Initiative Thermal Program, February 4, 2013 (DRA Opening Comments), p. 4.

consideration for the proposed schedule of (annual) quarterly payments over two years.⁷ While DRA's opening comments stated that incentive levels should be set in such a way as to "prevent overutilization of program resources by any single sector," setting the 'optimal' incentive level may require a considerable amount of market research data that the PAs may or may not possess. In the absence of such intelligence, which might require further review that would further delay implementation of the proposed changes, it seems most efficient to set the PBI incentive rates equivalent to what the upfront lump-sum payment would have been, and similarly with stepped reductions, as suggested by the PAs. Separate from this consideration, however, DRA reiterates the need to estimate equipment cost and installed cost before the proposed changes take effect, in order to set a baseline against which to measure future cost trends.⁸

III. CONCLUSION

DRA respectfully requests that the Commission adopt the above recommended modifications to the PD for expanding CSI-Thermal eligibility to solar process heat, solar cooling and combination systems, in conjunction with those recommendations included in DRA's opening comments to the PD.

Respectfully submitted,

/s/ DIANA L. LEE

Diana L. Lee
Staff Counsel

Attorney for the Division of
Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-4342
Fax: (415) 703-2262
E-mail: dil@cpuc.ca.gov

February 11, 2013

⁷ Joint PAs Opening Comments, Figure 1: Proposed PBI Rates (p. 3).

⁸ DRA Opening Comments, p. 3.