

**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)

**JOINT COMMENTS OF THE CALIFORNIA CENTER FOR SUSTAINABLE ENERGY,
SOUTHERN CALIFORNIA EDISON COMPANY (U338E), PACIFIC GAS AND
ELECTRIC COMPANY (U39E), AND SOUTHERN CALIFORNIA GAS COMPANY
(U904G) ON COMMISSIONER PEEVEY'S PROPOSED DECISION MODIFYING
DECISION 10-01-022 TO EXPAND TECHNOLOGIES INCENTIVIZED UNDER THE
CALIFORNIA SOLAR INITIATIVE THERMAL PROGRAM**

SACHU CONSTANTINE
California Center for Sustainable Energy
9325 Sky Park Court , Suite 1400
San Diego, CA 92123
Phone: (858) 244-1177
E-Mail: sachu.constantine@energycenter.org

STEVEN D. PATRICK
Southern California Gas Company
555 West Fifth Street, Suite 1400
Los Angeles, CA 90013-1011
Phone: (213) 244-2954
Fax: (213) 629-9620
E-Mail: SDPatrick@semprautilities.com

STACY WALTER
Pacific Gas and Electric Company
77 Beale St., B30A
San Francisco, CA 94105
Telephone: (415) 973-6611
E-Mail: sww9@pge.com

JENNIFER TSAO SHIGEKAWA
ANNETTE GILLIAM
Southern California Edison Company
244 Walnut Grove Avenue
P.O. Box 800
Rosemead, CA 91770
Tel: (626) 302-4880
Fax (626) 302-1935
Email: annette.gilliam@sce.com

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Attorneys for
**SOUTHERN CALIFORNIA GAS COMPANY,
CALIFORNIA CENTER FOR SUSTAINABLE ENERGY,
PACIFIC GAS AND ELECTRIC COMPANY and
SOUTHERN CALIFORNIA EDISON COMPANY**

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I. INTRODUCTION

In accordance with the California Public Utilities Commission's ("Commission" or "CPUC") Rules of Practice and Procedure, Southern California Gas Company ("SoCalGas"), on behalf of the California Solar Initiative ("CSI") Thermal Program ("TP") Program Administrators (PAs)¹, submits these joint comments on the Proposed Decision of President Michael R. Peevey ("PD"), which modifies Decision (D.) 10-01-022, to provide incentives to process heat applications, solar cooling technologies, space heating technologies and systems that combine multiple applications. In addition, the PD modifies the way rebates are paid to certain systems under the program by creating a performance-based incentive (PBI) system that will pay rebates based on actual metered energy delivered to the facility.

II. DISCUSSION

The Joint PAs commend and thank the Commission for its thoughtful consideration and subsequent adoption of many of the recommendations of the PAs in response to the Energy Division Staff Proposal for Program Modification. The PAs present the following comments and

¹ The CSI TP PAs are Southern California Edison Company, Pacific Gas and Electric Company, SoCalGas, and the California Center for Sustainable Energy in the service territory of San Diego Gas & Electric Company.

recommendations to seek additional clarification and modifications regarding certain portions of the PD.

A. The PAs Recommend that the Expanded End-Use (Process Heat, Solar Cooling, and Space Heating) and PBI Be Eligible Only for Projects Whose Final Sign Off Date Occurs After the Approval Date of the Advice Letter.

The PD does not set an effective date for program eligibility of expanded end-use and opt-in PBI projects. Given the uncertainty over the specific installation standards, metering requirements, and other technical specifications that eventually will be developed for this portion of the program, the PAs recommend that the Commission grant eligibility to expand for other-end-use systems and opt-in PBI solar water heating systems that received a final sign-off permit after the approval date of the advice letter. The advice letter will revise the CSI-TP Handbook to conform the program requirements to this Decision and is required to be submitted within 120 days of the effective date of the final decision.

If the incentives were to be retroactive prior to the advice letter approval date, the PAs fear that there would be numerous requests to review proposed system and metering schematics before the new program requirements are vetted and approved. These requests would consume PA time needed to develop the expanded program and would potentially put the PAs in a position where they would be unable to provide definitive answers to applicants regarding eligibility.

In past CSI-Thermal decisions, effective dates have been retroactive to the release date of the PD to prevent any disincentive for projects to move forward in the interim. Because the number of Solar Process Heat and Solar Cooling applications currently being installed in California is so small, the PAs feel that there is little threat to slowing the existing market. Requiring that the final sign-off occur after the approval date of the advice letter reduces the risk that systems are installed without knowledge of specific program requirements which could render them ineligible once the expanded program is launched.

B. The PAs Support a Two-Year PBI Payment Period.

The PD adopts a PBI payment system in which payments are made quarterly over a two-year period. The CSI-TP PAs appreciate that the Commission has proposed to adopt the recommendation that the PBI payment period be shortened from four years to two years to

reduce administrative cost. However, the PD is silent as to the PBI incentive rates to be used. The current rates for lump sum and 70/30 incentive payments are based on expected therms or kWhs displaced for one year. Considering that, as proposed, PBI payments will be paid over two years, the PBI rates presumably will be half as much per therm or kWh (as seen in figure 1 below). The PAs thus respectfully request confirmation of the rates presented below.

Figure 1: Proposed PBI Rates

Natural Gas		
Step	Multi-Family/Commercial	
	Incentive Rate (\$/therm)	Maximum Incentive MF/Commercial Systems
1	\$7.27	\$500,000
2	\$4.94	\$500,000
3	\$3.28	\$500,000
4	\$1.57	\$500,000

Multi-Family Low Income		
Step	Incentive Rate (\$/therm)	Maximum Incentive MF Low Income Systems
	1	\$9.62
2	\$7.70	\$500,000
3	\$5.77	\$500,000
4	\$3.53	\$500,000

Electric / Propane		
Step	Multi-Family/Commercial	
	Incentive Rate (\$/kwh)	Maximum Incentive MF/Commercial Systems
1	\$0.21	\$250,000
2	\$0.15	\$250,000
3	\$0.10	\$250,000
4	\$0.05	\$250,000

C. The PAs Support Implementation of a PBI Payment Structure with Minor Clarification to the PD Regarding Opt-in PBI and Consideration of Revision to the PBI Structure to Account for Program Close Out.

The PAs appreciate the Commission's PD adopting the PAs' recommendation for a PBI payment system in which payments are made quarterly over a two-year period and the total incentive payout is capped at 100% of the applicant's estimated amount. It is a payment structure that is most efficient and cost-effective for expanding the program to other thermal technologies.

Included also in the PD was the opt-in PBI structure for which the PAs would like to request clarification. Additionally, the PAs would like to respectfully request consideration of the opt-in PBI eligibility requirements at a later point in the program.

Lastly, the PAs respectfully request consideration of a revision to the PBI structure to account for program close out. A mechanism should be in place early in the inception of PBI to account for how PBI projects will be paid as the program nears its sunset due to all funding used or reaching the end date.

1. Opt-in PBI Should be Limited to Multifamily/Commercial Projects Only and Should Not be Available to Single-Family Residential Projects.

The PD indicated that opt-in PBI should be made available to systems that are not required to participate in the PBI. The PD does not specify whether opt-in PBI would be made available to single-family (SF) residential projects as well as multi-family/commercial projects. Given the significant equipment and administration costs that would be incurred for SF residential projects as a result of PBI metering and monitoring, the PAs recommend that they be excluded from opt-in PBI and continue to be paid a one-time lump sum incentive payment.

2. The ALJ, in Consultation with the Energy Division, should have the Ability to adjust Eligibility for Opt-in PBI as Needed Based on Administrative Costs and Other Relevant Factors.

The PAs respectfully request that the Commission consider incorporating a new Ordering Paragraph in the PD to allow the Administrative Law Judge ("ALJ"), in consultation with the Energy Division, to adjust the eligibility requirements for opt-in PBI should it be cost prohibitive to continue it as an offering. Given the limited administrative dollars for the CSI-TP, it is

important to have a mechanism in place that allows the program to quickly adapt to market factors and effectively make program changes that will maximize the administrative dollars and reduce costs. Thus, the PAs propose adding the following Ordering Paragraph to the final Decision stating:

7. The ALJ in this proceeding may issue a ruling to adjust the eligibility for Opt-in PBI following submittal of a written proposal from Energy Division and the opportunity for comment by all parties.

3. The ALJ, in Consultation with the Energy Division, Should Have the Ability to Adjust the PBI Structure to Account for Program Close Out.

The PAs respectfully request that the Commission consider incorporating a new Ordering Paragraph in the PD to allow the Administrative Law Judge (“ALJ”), in consultation with the Energy Division, to adjust the PBI structure to account for program close out. The proposed two-year PBI payment period duration is efficient and effective as the other thermal technologies are initially incorporated in the program. However, as the CSI-TP nears its sunset, maintaining a two-year payment term will extend the program beyond its end date should projects be approved for PBI payment as the program is ready to come to a close. Due to the proximity of the approval date of PBI to the program end date, the PAs will be required to provide staff who will administer incentive payments through a project’s two-year term. As noted in the previous comment above, there are limited administrative dollars for the CSI-TP, and it is important to have a mechanism in place that allows the program to quickly and effectively make program changes that will maximize the administrative dollars and reduce costs. Thus, the PAs propose adding the following Ordering Paragraph to the final Decision stating:

8. The ALJ in this proceeding may issue a ruling to adjust the PBI structure to account for the program close-out following submittal of a written proposal from Energy Division and the opportunity for comment by all parties.

D. Paragraph 6 - Solar Cooling.

The PAs support the inclusion of solar-assisted absorption chillers but recommend not implementing a budget cap due to the cost and complexity associated with identifying the specific energy savings attributed to space cooling. In order to accurately identify the specific energy savings for space cooling only, it will require monitoring and measuring of the heat

stream from the collectors to the chillers. Typical large absorption chillers operate as both chillers and heaters. The absorption cycle is utilized for cooling to meet the building's cooling load. Conversely, when the building requires space heating, the gas burner of the chiller operate as boilers and heat the hydronic loop providing space heating to the building. Depending on the building load requirements and seasonal weather profiles, the solar energy can offset both the buildings heating and cooling loads. In some combination systems, the solar energy may also offset a domestic hot water and/or process heat. If the current staff recommendation is implemented, the building owner will be required to install multiple meters to monitor multiple end-uses in order to capture energy savings specific to space cooling.

The PAs feel this will add a substantial cost burden to both the facility owner and the PAs, and will increase the administrative processing costs if multiple data loads are submitted under the PBI structure. The PAs therefore recommend that solar-assisted cooling not be limited to a pilot program with its own budget. The \$10M set aside for space cooling should instead be incorporated into the overall incentive budget, and the PBI payments for cooling incentives will then be based on the total energy delivered from the solar collectors to the absorption chillers regardless of whether it is for cooling or space heating.

E. E. A Tier 2 Advice Filing is Preferred by the PAs, as Such Filing will Help Fulfill the Commission's Intention to Implement the Changes Included in the PD Expeditiously.

Procedurally, a Tier 3 advise filing will likely lengthen the implementation process for the changes to the CSI-TP Handbook required by the Decision because it requires a Commission Resolution. This could delay the implementation of the decision. Conversely, a Tier 2 advice filing is effective upon Energy Division Staff approval and usually does not require Commission Resolution unless the filing is protested or a party requests a Resolution. The PAs recommend that the advice filing required by this Decision be designated as "Tier 2" to alleviate any potential for delay in implementation of this decision.

Additionally, the PAs are confident that the workshop, Staff Proposal and PD will have provided enough review and public comment for this expansion, that a Tier 3 filing is not needed.

