

**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
(File November 8, 2012)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E) REPLY
TO COMMENTS ON THE APRIL 10, 2013 PETITION TO MODIFY
DECISIONS 10-09-046, 07-11-045 AND 08-10-036 TO ADDRESS
THE CALIFORNIA SOLAR INITIATIVE PROGRAM SUNSET**

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I. INTRODUCTION

In accordance with Rule 16.4(g) of the California Public Utilities Commission (CPUC or Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) respectfully submits this reply to comments on the Petition to Modify Decisions 10-09-046, 07-11-045, and 08-10-036 to address the California Solar Initiative Program Sunset (Petition) filed by PG&E on April 10, 2013. By telephone on May 14, 2013 Administrative Law Judge (ALJ) Katherine MacDonald gave PG&E permission to file this reply by no later than May 28, 2013. As such, this reply is timely filed.

PG&E submitted the Petition to help proactively address the California Solar Initiative (CSI) General Market (GM) program sunset underway in PG&E's program territory. Collectively, the modifications requested would allow PG&E to meet its CSI GM megawatt (MW) goal and provide for the transfer of any excess CSI GM incentive dollars to the CSI low income programs in the event that such funds become available through future GM residential program attrition, or are determined to be in excess of what is expected to be needed to meet the GM non-residential MW goals. Specifically,

any such funds would be provided to the Multifamily Affordable Solar Housing (MASH) program, and the Single-Family Affordable Solar Homes (SASH) program. PG&E appreciates the comments submitted by the various stakeholders in response to the Petition and in this reply addresses specifically the following four items:

1. The Solar Energy Industries Association (SEIA) and Sunible Inc. comment that PG&E's proposed transfer of funds out of the CSI GM Program is premature.¹
2. The California Solar Energy Industries Association (CALSEIA) comment that the processes and procedures governing the sunset of PG&E's GM Program should be established prior to cessation.²
3. The Division of Ratepayer Advocates (DRA) claim that the Petition lacks detail regarding the amount of funds that PG&E anticipates would be available for transfer, the expected remaining budgets for SASH and MASH and the specifics of how PG&E proposes to allocate transferred CSI-GM funds between MASH and SASH.³
4. The DRA further claim that it is unclear whether PG&E seeks the requested modification solely for its program territory, or if this modification is requested for all CSI Program Administrators (PAs).⁴

¹ *Response of the Solar Energy Industries Association and Sunible, Inc. to Pacific Gas and Electric Company's (PG&E) Petition to Modify Decisions (D.) 10-09-046, 07-11-045, and 08-10-036 to address the California Solar Initiative Program Sunset* (SEIA and Sunible's Response), May 10, 2013, page 4.

² *Response of the California Solar Energy Industries Association to Pacific Gas and Electric Company's (PG&E) Petition to Modify Decisions (D.) 10-09-046, 07-11-045, and 08-10-036 to address the California Solar Initiative Program Sunset* (CALSEIA's Response), May 10, 2013, page 2.

³ *Response of the Division of Ratepayer Advocates' to Pacific Gas and Electric Company's (PG&E) Petition to Modify Decisions (D.) 10-09-046, 07-11-045, and 08-10-036 to address the California Solar Initiative Program Sunset* (DRA's Response), May 10, 2013, page 1.

⁴ DRA's Response, May 10, 2013, page 1.

II. DISCUSSION

A. PG&E Does Not Agree that the Proposed Transfer of Funds Out of the CSI GM Program is Premature

In its response, Solar Energy Industries Association (SEIA) and Sunible, Inc. states:

“...SEIA is concerned that granting PG&E’s Petition will (1) disrupt a smooth transition to a “post CSI world”; as well as (2) effect a premature ending of the GM Residential and Non-Residential program in PG&E’s service territory.”⁵

PG&E issued the Petition in order to provide an orderly way to close out the CSI GM Program once the program goals are met. PG&E has no plans to close the CSI program prematurely; we intend to manage the program to ensure that the predetermined MW goals are met for both the residential and non-residential programs. For this reason, PG&E will continue to manage the Program waitlists until we are able to meet our installed MW goal. Only after we are assured that we will meet our installed MW goals, would we transfer funds to the low-income solar programs.

Once PG&E’s CSI GM program is assured of meeting the installed MW goal, and if excess incentive funding is available, PG&E requests authorization in the Petition to shift these excess incentive funds to the low-income solar programs. As an alternative to the process outlined in the Petition, PG&E would be amenable to filing a Tier 1 Advice Letter to notify parties before transferring funds to the low-income solar programs.

B. Direction on the CSI GM Program Sunset Process is Needed Now

In its response, CALSEIA states:

“...the Commission should expedite its latest rulemaking addressing policies, and procedures and rules for the CSI program, to establish processes and procedures for the closedown of the GM programs for all the Program Administrators. CALSEIA further states that PG&E should not be allowed to prematurely close its Program until program closure protocols are established.”⁶

⁵ SEIA and Sunible’s Response, May 10, 2013, page 2.

⁶ CALSEIA’s Response May 10, 2013, page 2.

PG&E agrees with CALSEIA that the Commission should expedite its latest rulemaking addressing policies, and procedures and rules for the CSI program. However, PG&E believes that each PA is at different stages of the CSI program. Therefore, the mechanism and timing for program closure may have to vary by PA. PG&E submitted the Petition to help address the CSI GM program sunset underway in PG&E's program territory. Although the California Center for Sustainable Energy (CCSE)⁷ has surpassed their installed residential MW goal, they are only nearly half way through their installed non-residential MW goal. SCE is at sixty-six percent (66 %) of their installed residential MW goal and at forty-seven percent (47%) of their installed non-residential MW goal. PG&E is very close to meeting our installed residential MW goal and is at seventy-one percent (71%) of our installed non-residential MW goal.⁸ Since PG&E expects to imminently meet its residential installed MW goal, and is closer to meeting its non-residential installed MW goal than the other PAs, it is appropriate for PG&E to proactively seek approval through the Petition for a reasonable way to close-out the CSI program in PG&E's service area that will not create unintended administrative costs to the program. PG&E's Petition was timely; shortly after filing PG&E initiated a wait list process for both the residential and non-residential CSI GM programs.

C. Due to the Structure if the CSI GM Program Estimates of Excess Funding Are Subject to Change

In its response, the Division of Rate Payer Advocates (DRA) recommends that PG&E update both the amount of funds it proposes to transfer from the CSI GM program, and the estimated funds remaining from the original SASH and MASH program budgets, at the time of the CSI GM close-out for the residential and non-residential sectors. PG&E understands that DRA is concerned that the Petition did not provide

⁷ CCSE administers the CSI program in San Diego Gas & Electric Company's (SDG&E's) service territory.

⁸ Data as of May 15, 2013 via www.californiasolarstatistics.org, Program Goals

specific details regarding the amount of funding PG&E could potentially move to the low-income solar programs. However, it is nearly impossible to provide an accurate incentive amount to be transferred until PG&E is ready to make this transfer because the budget will continue to be fluid. Due to the structure of the CSI GM program, available funding does change frequently based on the following two main factors:

1. Changes in the proportion of government/non-profit owned projects versus commercially owned projects.
2. Projects receiving Performance Based Incentives (PBI) could perform better than expected.

Regarding the first variable, government/non-profit owned projects are more expensive to fund because these projects receive a higher incentive rate. For example, the Step 10 incentive for a government/nonprofit project receiving CSI PBI incentives is \$.088/kWh compared with \$0.025/kWh for a commercial project, roughly three and a half (3.5) times higher. Therefore, government/non-profit projects yield less capacity (MW) compared to commercially owned projects per dollar of incentive. Regarding the second variable, PBI projects continue to over perform expectations. Therefore, on May 15, 2013 PG&E adjusted the over performance factor (OPF) for PBI projects from six percent (6%) to eight percent (8%) based on a review of their system performance to ensure PG&E has sufficient funds to pay these customers. There are two sources for why a given system might perform better than is estimated by the EPBB Calculator (the tool that is used to estimate system performance) for the CSI program:

1. The equipment is more efficient than the EPBB calculator predicted, and/or
2. Meteorological conditions deviate from the typical conditions assumed in the EPBB calculation.

PG&E has increased the OPF to account for this trend and help ensure that sufficient funding is set aside to pay all existing and future PBI customers. Therefore,

funds that PG&E initially believed would potentially be available to transfer to the low-income solar programs have decreased. Furthermore, funds that may become available are unpredictable as it is depended on the number of new PBI projects and the number of government/non-profit owned projects.

Furthermore, in the month of April 2013 PG&E received nearly 22 MW worth of new non-residential CSI GM applications. To put this in perspective, PG&E's monthly average for received applications within the last 12 months has been 10 MW.

Additionally, in the first two weeks of May, PG&E received 13 MW worth of non-residential projects.⁹ This increase in the rate of nonresidential applications means that PG&E has run out of funding much earlier than anticipated, which has prompted PG&E to open a waitlist for non-residential projects.¹⁰ To add to this budget impact, PG&E has also recently seen an increase in the ratio of government/non-profit projects compared to commercial projects. Data shows that since 2011, on average PG&E received 30% government/non-profit-owned projects and 70% commercial owned projects. However, in this most recent quarter, the ratio of government/non-profit-owned projects increased to 50%. As previously stated, government/non-profit owned projects are more expensive to fund compared to commercial-owned projects.

For the reasons explained above, the landscape of the program changed significantly for PG&E within only a month of filing the Petition, adding complexity to managing the CSI GM program sunset. Therefore, PG&E is not able to commit to providing the amount of funds we propose to transfer from the CSI GM program at this time. Additionally, the estimated remaining funds for both the MASH and SASH programs cannot be determined until PG&E is ready to transfer funds. Currently, PG&E's MASH program has approximately \$400,000. PG&E predicts that MASH incentives funds in PG&E service territory will be fully subscribed by the end of Q2 of

⁹ Data as of May 22, 2013 via www.californiasolarstatistics.org , Monthly Statistics

¹⁰ PG&E initiated a Non-Residential waitlist for all new projects received after May 5, 2013.

2013. Grid Alternatives anticipates that the SASH incentive funds in PG&E's service territory will be fully reserved by the end of 2013, or the first quarter of 2014.¹¹ PG&E will be able to provide an update on excess incentive funds to be transferred when we actually reach the point that we are assured of meeting the MW goals.

For transparency purposes, the DRA also recommends that PG&E specify the allocation of funds that would be shifted from the CSI-GM budgets to SASH and MASH.¹² In PG&E's Petition, we did not request that the Commission change the MASH and SASH incentive split. PG&E's proposal is to keep the 50/50 split between the two low-income programs.

D. The Changes Included in the Petition Should Apply Only to PG&E

In its response, DRA also seeks clarification on whether the changes proposed in the Petition are specific to PG&E or to all the CSI PAs. PG&E would like to reiterate that the requested modification is solely for PG&E's CSI GM program for the reasons stated in section B of these reply comments. However, PG&E would not oppose if the other Program Administrators would also be willing to take this approach.

III. CONCLUSION

PG&E appreciates the opportunity to address the concerns other parties expressed in the responses to the Petition. PG&E respectfully requests that its Petition for Modification be granted in its entirety, as expeditiously as possible. By granting PG&E's requested modifications, the Commission will ensure that PG&E can carry out and complete the CSI GM program goals while efficiently managing administrative costs, and also providing additional incentives to the low-income solar programs, where it is still needed. Furthermore, PG&E realizes that the Commission is still reviewing the

¹¹ *Response of Grid Alternatives to Pacific Gas and Electric Company's (PG&E) Petition to Modify Decisions (D.) 10-09-046, D. 07-11-045, and D.08-10-03 to address the California Solar Initiative Program Sunset*, May 10, 2013, page 3.

¹² DRA's Response May 10, 2013, page 3.

California Center for Sustainability's (CCSE) Petition for Modification.¹³ PG&E suggests that the timing is right for the Commission to combine PG&E's and CCSE's Petitions for Modification as one package to address each PA's varying needs as we sunset the Program.

Respectfully submitted,

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¹³ On August 3, 2012 CCSE filed a Petition for Modification of D.10-09-046, D.08-10-036, D.11-07-031 and D.06-08-028 to address CSI GM program administration budget issues within SDG&E's service territory.