

**President Michael R. Peevey Introduction Comments on:
Item 50 - California Solar Initiative (R.06-03-004)
August 24, 2006**

Less than eight months ago we voted out an order that created the basic framework for the California Solar Initiative, a 10-year program designed to help the solar industry in California become a self-sustaining business and to help increase the amount of installed solar capacity on rooftops in the state by 3,000 MW.

Our immediate goal was to flesh out the details of the program and have it up and running by January of 2007. Thanks to the extraordinary efforts of a talented and dedicated team, the decision before us today makes that possible.

Faced with the daunting task of developing a 10-year, multi-billion dollar program on such a short time-frame, our staff sensibly divided the effort into manageable chunks. Today's decision focuses on critical path issues that had to be resolved in order to get the program off the ground. Much important work lies ahead, and I must stress that the order in which we are addressing issues should not be viewed as an indication of our sense of their relative importance.

Among other things, today's decision:

- Establishes a schedule of declining rebate levels keyed to the pace of solar capacity installed and challenging California's solar industry to achieve the cost-reductions necessary to reach the goal of 3,000 MW.
- Creates a system of performance based incentives for the largest and most sophisticated participants in the program and provides for all participants to obtain data feedback on system performance. This rewards the selection and monitoring of high quality solar systems.
- Leaves program administration in the hands of the entities currently handling the self-generation programs on an interim basis, but leaves open the possibility that we will revisit this issue and consider alternative approaches based on quantifiable performance measures.
- Other notable features of this order include development of a statewide on-line application process and database, drafting of the initial CSI Program Handbook, and creation of a "CSI Program Forum" to provide a further process for stakeholder involvement in the on-going implementation of CSI.

Major issues to be addressed in subsequent phases include:

- How to assure that low income rate payers share in the program's benefits.
- Creating appropriate incentives for non-PV solar projects.
- Integrating this program with energy efficiency requirements to assure the highest possible return on ratepayer dollars.
- Determination of how renewable DG might qualify for Renewable Energy Credits under RPS.

As I'm sure you are all aware, on Monday the Governor signed Senate Bill 1, which mandates a statewide solar program and delegates to the PUC the authority to develop a program for IOU customers. Our staff reviewed the bill thoroughly, and in general find that its mandates are consistent with the basic architecture established in today's decision. Certain aspects of the decision will require conforming revisions, and these will be addressed promptly in a forthcoming ruling. The fundamentals remain unchanged, so SB1's passage and signing should not be seen as an impediment to our forward progress.

Many people contributed to the development of this critically important decision. I would especially like to recognize Jeanne Clinton who came on board earlier this year and has since piloted

this initiative with a great degree of wisdom, analytic rigor, tact and dedication. Her unflagging partner in this effort has been ALJ Dorothy Duda, who has crafted a very thoughtful and well-reasoned decision. My former Chief Energy Advisor, Julie Fitch, now Director of the Division of Strategic Planning, was also a key player along with DSP's Andy Schwartz. Also supporting the team were Valerie Beck, Lisa Paulo and Kurt Johnson of the Energy Division, who will play an instrumental role in moving this program forward.

I must also note that this was not a solo effort by our agency, but involved—and going forward will continue to require—close coordination with the Energy Commission. So, I would like to thank Commissioner Jackalyn Pfannenstiel and her advisor Tim Tutt for their significant contributions to today's decision and the ultimate program as well.

With that, I urge your YES vote on Item #50.