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 06-03-004

COMMENTS OF THE UTILITY REFORM NETWORK ON THE DRAFT STAFF PROPOSAL REGARDING REBATE DESIGN AND PROGRAM ADMINISTRATION

Matthew Freedman
Sarah Tuntland
The Utility Reform Network
711 Van Ness Avenue, Suite 350
San Francisco, CA 94102
(415) 929-8876 x314

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Pursuant to the April 5th and May 9th rulings of ALJ Duda (as modified by the electronic message extending the comment date on May 11th), The Utility Reform Network (TURN) hereby submits its comments on the draft staff proposal regarding the design of performance-based rebates and other program administration issues.

I. INTRODUCTION

TURN endorses the goal of structuring a long-term, sustainable solar incentive program which maximizes installed capacity and peak production to benefit both participants and non-participants. In achieving these goals, the program should be designed to utilize ratepayer money as efficiently as possible, adopt user friendly protocols and be administratively economical.

Consistent with these goals, TURN generally supports the staff proposals to apply design standards and performance metrics to incentive allocation and to adopt a performance-based incentive (PBI) structure for systems larger than 100kW. Specific suggestions on certain design elements in Section 2.2 (Performance-Based Incentives for large systems > 100kW), Section 2.4 (Expected Performance Based Buy Down Incentives for small systems < 100kW), Section 4 (Trigger Mechanisms), and Section 6.2 (Small Commercial and Small Residential Program Administration) are provided in the following sections.

II. FOR LARGER SYSTEMS, THE TRANSISITON TO PERFORMANCE INCENTIVES SHOULD OCCUR OVER FOUR YEARS, AND EXPECTATIONS OF SYSTEM OUTPUT SHOULD INCLUDE REDUCTIONS DUE TO WEATHERING.

The transition from capacity to performance-based incentives could cause market disruption if made too quickly. TURN supports a gradual transition to PBI starting with 75% of the payment upfront, moving to 50% / 50% the following year, 25% /75% the next, and to 100% PBI in year four. TURN agrees with the staff recommendation to make flat, fixed payments over a five-year time period.

The staff proposal did not address the fact that PV panels show losses in performance over time due primarily to weathering. The loss in performance is typically 1% per year.[1] Output losses over 5 years result in less incentive paid to the PBI program participant than is estimated in the staff proposal now. Staff should adjust the payment per kWh to compensate for output degradation over the payment term adopted.

III. DATA AND DESIGN VERIFICATION FOR SYSTEMS UNDER 30kW

DATA VERIFICATION

Output data verification on systems larger than 30 kW is unnecessary. Although proposed in the staff white paper to ensure proper installation and operational characteristics, collecting one month of output data will not yield sufficient valuable information to justify the administrative cost or extended reimbursement period. Using an estimation tool such as PV Watts or Clean Power Estimator and

[1] Source: (NREL:http://rredc.nrel.gov/solar/codes_algs/PVWATTS/version1/system.html).

verifying the design information is adequate for ensuring the system meet the eligible requirements for receiving subsidy payments.

DESIGN VERIFICATION

Design verification for systems smaller than 30kW should be performed by the same inspector who approves utility interconnection. There is no obvious reason why additional personnel are needed when an individual with sufficient expertise already makes a site visit prior to initial system operation. Using the utility inspection to verify the key design elements should be administratively cost effective, feasible, and will result in better quality control than the spot checking method proposed.

INSTALLER PARTICIPATION

TURN supports the Staff recommendation to expel installers from the CSI program if verification results in a downward adjustment multiple times. Explicit participation requirements and repercussions should be included in the Staff's Guidebook.

OPT-IN VERIFICATION

The onsite verification opt-in for customers who think their system performs better than average is not necessary if using an accurate estimation tool such as PV Watts or Clean Power Estimator. Onsite verification could become administratively burdensome and costly if many customers opt for the verification only to find that their systems are performing as expected.

SHADE MEASUREMENT

Additional action should be taken in regards to measuring shading. General shade measurement guidelines should be clearly stated in the guidebook so that installers and inspectors are taking readings from corresponding locations. Installers commonly use Solar Pathfinder readings to measure shading from the outer corners of the array. The rebate application should incorporate simple gradations for shade adjustments such as 10%, 20%, 30%, etc.

IV. THE COMMISSION SHOULD ADOPT A VOLUME-BASED TRIGGER FOR DETERMINING REBATE REDUCTIONS.

TURN encourages the Staff to consider a volume trigger as its sole adjustment mechanism. Implementing a volume-based trigger is the best way to gauge market demand at particular rebate levels and thereby ascertain the impact of various external factors (e.g. tax credits, equipment costs). Reliance on a deployment-based trigger allows the rebate to remain constant if not being used and to drop if demand exceeds expectations. TURN believes that the use of a self-correcting system is the only way to reach the capacity goal within budget.

The deployment-based approach allows for external market factors such as retail energy costs, installed cost per watt, and changes in the global marketplace to influence adjustment timing through market demand without the burdensome task of monitoring market conditions. The deployment-based approach is simple, administratively feasible, and transparent.

In order to ensure clear and transparent information is available to installers and customers, accurate and timely reservation reporting is necessary and should be posted on the administrator's website and updated weekly. TURN proposes a

grace period of 30 days be granted so installers have time to close proposals which are nearly finalized. This grace period should give the industry sufficient advance warning of a decline in the rebate level. To account for the differential impacts of various external factors on each customer group, TURN recommends that individual volume trigger be established for the following customer segments: residential, small taxable commercial, large taxable commercial, and non-profits.

Relying on the passage of time as the primary trigger mechanism may result in rebate levels remaining higher than needed or dropping below market tolerance for a period of time. While a time-based mechanism is transparent and simple, it does not ensure ratepayer money will be spent most efficiently and may cause unnecessary market disruption.

V. PROGRAM ADMINISTRATION

TURN is open to third party administration should the IRS ruling state that solar rebates will be considered non-taxable income. TURN requests that the commission seek an IRS ruling prior to choosing a permanent administrative structure.

TURN is open to the utilities administering the small system incentive program if they adhere to specific conditions. Having first-hand knowledge of output data, capacity information, and funding levels may give the utilities have an advantage over non-utility administrators. Leveraging this competitive advantage should keep administrative costs at a minimum and result in the most efficient deployment, Conditions IOUs must meet are:

- Cost-based administration

· No shareholder incentives for program management

· Reasonable overhead costs

· Customer satisfaction should be measured and reported

These conditions set high standards, demand accountability, and ensure ratepayers do not overpay for program administration.

Respectfully submitted,

MATTHEW FREEDMAN

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Attorney for

The Utility Reform Network
711 Van Ness Avenue #350
San Francisco, CA 94102
Phone: 415-929-8876

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