



December 19, 2007

Chairman Jackalynne Pfannenstiel
Commissioner John L. Geesman
Commissioner Arthur H. Rosenfeld
Commissioner James D. Boyd
Commissioner Jeffrey Byron
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

RE: Senate Bill 1 Program Implementation Guidelines,
December 19 Business Meeting

Dear Commissioners:

NCPA is concerned that the California Energy Commission's draft guidelines will preclude local utilities from developing successful solar energy programs that best serve the interests of their customers and help the state meet its goal of installing 3,000 megawatts of solar energy during the next decade. We respectfully take this opportunity to note several key areas of concern NCPA raised in comments filed with the Renewables Committee on October 15.

Public Process for Development of the Draft Guidelines Has Been Limited

The first draft of the proposed guidelines was initially distributed for comment in September. Many entities commented, including NCPA. Many of the substantive issues addressed in those comments - the use of performance based incentives, energy efficiency audits, general impacts on small utilities, and redundant reporting requirements - have not been incorporated in the revised version of the guidelines up for consideration on December 19.

Senate Bill 1 (SB1) was adopted in 2006, and the CEC had 15 months to develop such guidelines. Unfortunately, the CEC process to develop eligibility criteria for SB1 programs did not start until the middle of this year. To that end, criteria developed by the CEC was

largely not part of a public process, rather a reflection of existing program policies already applied by the CEC in its Renewable Energy program. The CEC process did not allow for effective "consultation" with the municipal utility community until late in this process. It did not consider the fact that many of our public power partners had already moved forward with adopting programs in advance of the guideline development. Rather, the CEC guidelines as written largely ignore decisions made by local governing boards prior to the adoption of these guidelines, simply choosing to endorse a transition toward the approach proposed by the CEC.

Timing for Subsequent Changes to the Guidelines

CEC staff in recent meetings with NCPA and public power representatives has acknowledged some outstanding areas of concern with the regulations being proposed, noting the intent of CEC representatives to address those issues after the guidelines are formally adopted. NCPA understands the process for updating the guidelines, and acknowledges the CEC's long track record in addressing changes to guidelines in the context of the agency's renewable energy program. *That said, governing boards of publicly owned utilities will direct their staffs to implement each of their programs following the guidelines as they are adopted, not as they may be modified at a later date.*

Energy Efficiency Requirements Surrounding Solar Installations

As noted in our October 15 comments, NCPA supports the legislative intent of ensuring "appropriate energy efficiency improvements are made where solar energy systems are installed. Section 25782(b)(3) calls for such an approach, which is offered by the CEC in Chapter 5 of the Guidelines. While a modest level of flexibility is afforded in terms of how to best incorporate such improvements, NCPA continues to believe that the requirements outlined are too prescriptive.

NCPA believes that the expertise of local utilities, combined with a full desire to comply with state law, provides a better opportunity to realize savings on the energy efficiency side of the equation. The key to public power success in this and other areas of our respective public benefits programs continues to be our direct connection to the local interests and needs of our individual communities, a value well recognized by the state legislature in SB1. NCPA suggests the following language be incorporated into Section 5 of the draft language:

Alternative Portfolio Energy Savings

All program administrators are encouraged to conform to the requirements described in the previous sections of this Chapter. However, as an alternative to the requirements discussed above, program administrators may instead develop an alternative program, provided that the program "promotes the greatest energy production per ratepayer dollar," as required by Senate

Bill 1. The responsibility for ensuring such a result lies with the utility's local governing board.

Program administrators shall provide their respective governing boards with a plan that describes the initiatives that they will take to meet such objectives. The plan should give strong consideration to the various design criteria identified elsewhere in this chapter.

Program administrators shall report annually to the Energy Commission on progress in achieving energy efficiency savings over the group of EPBI participants in their entire SB 1 portfolio. Publicly-owned utilities shall report this information as an element of the annual energy efficiency report required each March under Section 9604 of the Public Utilities Code and Section 1311 of the Public Resources Code. The information contained in these reports shall be reviewed by Energy Commission staff to evaluate whether the solar program established by Senate Bill 1 is consistent with statewide energy efficiency and solar policy objectives.

Reporting Requirements

NCPA also reiterates its concern addressed on October 15 regarding the onerous nature of the reporting requirements, and suggests that the entire section be stricken from the Guidelines. We request that the CEC work with NCPA and its public power partners to strike a balance between the data desired by the CEC and the information that can be reasonably reported by each utility. This approach was highly successful in the development of energy efficiency reporting requirements, in response to Senate Bill 1037 and Assembly Bill 2021 obligations, and we are pleased to note that this effort is now moving forward for the next efficiency report due on March 15, 2008.

NCPA understands the timing surrounding the adoption of the Guidelines, and the verbal commitments made to address outstanding issues during the course of 2008. However we remained that the CEC's adoption of the Guidelines without our suggested modifications will create undue administrative burdens that will undermine the goals of SB1. We look forward to a continued dialogue and respectfully request prompt consideration of the language included above.

Respectfully Submitted,



Scott Tomashfsky
Regulatory Affairs Manager

Northern California Power Agency

Cc: Melissa Jones, CEC Acting Executive Director
Bill Blackburn, Supervisor, Renewable Energy Program
Lynette Esternon Green, Renewable Energy Program