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In the Matter of:) **Energy Commission**
) **Docket No. 07-SB-1**
Guidelines for California's Solar Electric Incentive)
Programs Pursuant to SB 1)

Palo Alto submits the following comments in response to the California Energy Commission's report: "Guidelines for California's Solar Electric Incentive programs Pursuant to Senate Bill 1", (CEC-300-2007-012-D), September 2007.

Introduction and Summary

The City of Palo Alto Utilities (CPAU) is the only municipal utility in California that operates city-owned utility services that include electric, natural gas, water, fiber optic, and wastewater services. Palo Alto actively pursues environmentally sustainable resources and solutions to meet the needs of its customers and is ranked third in the Bay Area for photovoltaic (PV) installations-per-capita for cities with populations larger than 50,000.

Palo Alto supports the objective of high quality PV installations on energy efficient buildings and appreciates the CEC's setting of statewide standards for photovoltaic modules, inverters, and meters. However, Palo Alto is concerned that the detailed prescriptive program design, as currently outlined in the CEC's proposed guidelines, will significantly increase customer costs and restrict future SB1 installations in the City. Palo Alto is further concerned that the proposed guidelines will reduce, rather than expand, the PV opportunities for the homes and businesses of its community.

Overall Program Design

A significant impact that is likely to arise from the rigidity of the proposed prescriptive nature of the Guidelines is the elimination of any flexibility and program customization that would appropriately accommodate the different community, economic, and public relations needs of residential and commercial customers in our local utility area. In addition, the proposed program requirements are likely to add higher utility administration costs, shift staffing resources from program marketing to program administration, and reduce the funds available for customer incentives. Palo Alto's Electric Utility, like many of the smaller publicly-owned utilities, has limitations on staffing, and such increased program administration requirements will reduce the funds available for incentives.

Mandatory Efficiency Improvements

Palo Alto agrees that cost effective efficiency improvements should be pursued, and to this end the City has adopted the state's loading order to first pursue all achievable and cost effective energy efficiency and conservation measures. Palo Alto also supports the requirement for energy audits to provide information to the building owner prior to the

installation of the photovoltaic system to enable the building owner to make informed decisions on PV and energy efficiency investments. However, Palo Alto believes that “regulating” customer choice at this stage will be detrimental to the goals of SB1 to establish a self-sufficient solar industry in which solar energy systems are a viable mainstream option for residential and commercial buildings. Real-world experience indicates that for commercial facilities, a facility manager’s budget and rate of return targets require that efficiency improvements and PV installations compete against each other, almost always to the detriment of the PV installation. Thus, PV projects will likely be eliminated altogether, as efficiency projects will take customers’ funding for proposed PV projects. Energy efficiency may well be the most cost effective solution for the facility; however, customers should be given the opportunity to make decisions on PV investments not just to manage energy costs but also to support solar energy and a greater measure of energy independence in the state.

Rather than pit energy efficiency and solar electricity against each other, Palo Alto believes that California should be leveraging the power of customer choice to expand the market penetration of both PV and energy efficiency. Thus Palo Alto recommends that mandatory efficiency improvements and PV be decoupled, and future efficiency improvements be recommended (and backed with utility incentives) by the individual utility. The decision for sizing the PV system should remain with the market, i.e., the building owners, who have the information from energy audits and are making informed decisions based on their energy budgets.

Retro-Commissioning

Palo Alto supports requiring retro-commissioning measures, since this action may be even more cost-effective than many efficiency retrofits. However, many small utilities do not currently offer retro-commissioning incentive or rebate programs, in which case customers will be required to bear the full cost (typically \$50,000 - \$100,000 for a 50,000 Square foot building). In order to provide a planning window for customers, Palo Alto recommends giving commercial applicants a twelve-month period after final inspection of the PV system to perform the retro-commissioning for their facility. This will allow customers the opportunity to budget for retro-commissioning in their next budget cycle.

Summary and Recommendation


Palo Alto suggests that there is much to be learned from past experience with the launch in 2007 of the California Solar Incentive program. The solar program administrators have already made concessions to simplify the program requirements in response to the feedback from the solar industry and their customers. This has served to increase the PV penetration levels to the highest it has been since the maturing of the current technology. By adopting all the requirements in the new Guidelines, the CEC is adding more barriers for the California solar market.

Palo Alto recommends that the Guidelines be implemented as voluntary Best Practices for PV program administrators. The CEC should continue to develop common tools in

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support of increasing PV system installation quality, and to promote further cost-effective efficiency projects at customer facilities, but not at the expense of PV installations foreseen under SB1.

Respectfully Submitted,


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City of Palo Alto Utilities

October, 12, 2007