

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



October 9, 2008

Commissioner Jackalyne Pfannenstiel  
Commissioner Karen Douglas,  
California Energy Commission  
1516 Ninth Street, MS-31  
Sacramento, CA 95814

**DOCKET****07-SB-1**DATE OCT 09 2008RECD. OCT 09 2008

Dear Commissioner Pfannenstiel and Commissioner Douglas:

The California Public Utilities Commission's (CPUC) Energy Division appreciates the opportunity to submit comments on the California Energy Commission's on the revised Draft *Guidelines for California Solar Electric Incentive Programs Pursuant to Senate Bill 1* (SB 1 Guidelines). We appreciate the significant effort that the Energy Commission has undertaken to understand the issues raised by both our staff, as well as the staff from the three California Solar Initiative (CSI) Program Administrators (PAs). As noted below, the Energy Commission has modified a number of requirements within the SB 1 Guidelines. While the Energy Commission's modifications address many of the concerns of the CPUC staff, there are still two outstanding issues that we would like to address. First, the CPUC seeks an exemption for the CSI from the requirement to calculate the CSI incentive payment using the prescriptive fifteen requirements in the Draft SB 1 Guidelines. Second, the CPUC seeks additional guidance that specifies the process for modifying the SB1 Guidelines in the future. Below, we address these issues in more detail and also discuss a third issue, which is the continued collaboration of the CEC and the CPUC staff on future SB 1 guideline changes.

**1- Why is the CPUC seeking an exemption from the SB 1 Guidelines calculator requirements?**

**The CSI's current incentive calculator, the Estimated Performance Based Buydown (EPBB), already meets the goals of SB 1 by rewarding systems that are optimized to produce most during the summer period.**

The CSI's EPBB calculator calculates production on a monthly basis, and it weighs summer production (May – October) more heavily than winter production. Participants in the CSI Program therefore have a financial incentive to install solar systems that are optimized to produce most during these summer months.

**There is evidence that the CSI calculator is very effective in incenting the deployment of solar energy systems that are optimized to produce most during the summer months.**

A system that is optimized for peak summer production under the CSI program's calculator can perform slightly differently than a system that is specifically optimized towards the 15 design characteristics required in the SB1 Guideline's calculator, which rewards systems that produce in the hours in the summer that directly coincide with peak demand. These differences are extremely marginal – looking at side by side comparisons of the difference between incentive calculation outputs, there is a difference of less than 5%.

**The introduction of a new calculator will increase the transaction costs of our program administration, as well as costs to participants in the CSI**

All applicants to the CSI Program have the option of re-calculating their project incentive if a new incentive calculator is introduced. This means that if the CSI Program were to introduce a new incentive calculator today, more than 5,000 applications would have the option to re-calculate their incentive. Just checking whether an applicant would be better off under the new calculator would require installers or applicants re-run the calculator. Additionally, if an applicant has changed the installation between their reservation and their claim stage, the applicant is required to re-run the calculator. Any applicant that did re-run the calculator and decided to change would require that the Program Administrator modify their application forms. If the open 5,000 applications in the program today spent on average \$100 (roughly one hour of work) checking their status or re-running the calculator – there would be an extra \$500,000 incurred that would not lead to any additional MWs of solar.

Furthermore, the introduction of a new incentive calculator will require re-training of CSI PA staff, solar installers and integrators, as well as potential participants in the CSI Program. There are over 600 installers in California. The introduction of a new incentive calculator will require the CSI PAs to undertake a statewide re-training effort to reach these installers.

While CSI program has changed the calculator in the past – several times at the very beginning of the program when there were far fewer applicants these modifications affected few program participants. Recently the CSI program added building integrated products into the calculator, but again, the recent modifications were minor enough that it did not affect the bulk of applicants.

## **2) What is the process for modifying the SB 1 Guidelines in the future?**

The CPUC will work to ensure that the CSI Program Handbook conforms to the SB 1 Guidelines. However, the CPUC seeks additional guidance that specifies the process for seeking modifications to the SB 1 Guidelines. As things currently stand, there are several layers of rules governing the CSI Program (Public Utilities Code, CPUC Decisions, and the CSI Program Handbook). In each case, there is a process for parties to seek modifications. Given the importance of being able to quickly address program changes, the CPUC believes that it is important for the Energy Commission to provide all parties with directions as to how to petition to revise or clarify the SB 1 Guidelines.

## **3) CPUC and Energy Commission Collaboration**

The revised Draft SB 1 Guidelines are a significant improvement over the earlier version, and the draft addresses many of our concerns. In particular, we appreciate the Energy Commission working with us on the following issues:

- Addition of alternative installer inspection protocol
- Introduction of the option to adopt a 5% tolerance for approving total incentive payments
- Inclusion of inverter integrated metering accuracy testing protocol
- Modification of field verification requirement to allow Program Administrators to waive future shading assessment requirement
- Removal of per-string measurement of shading from the incentive calculator requirements
- Inclusion of the solar availability method of measuring shading impacts
- Extension of implementation deadline for SB 1 Guidelines requirements from January 1, 2008 to July 1, 2009

Despite the resolution of the above issues, several issues remain that require further collaboration. The CPUC would also like to note that in regards to the Energy Efficiency requirements in the SB 1 Guidelines, CPUC and Energy Commission staff have agreed that designated utility representatives, Michael Wheeler of the CPUC, and Bill Pennington and Martha Brook of the Energy Commission will work together on a reasonable and practical approach to utility new construction energy efficiency program design.

### **Conclusion**

To date, the CSI Program (and the EPBB calculator) has effectively promoted the installation of more than 10,000 solar energy systems in California. The vast majority of these systems are designed to be most productive most during the summer months. While the CPUC does not dispute the methodology or intent of the Energy Commission in developing the requirements for incentive calculators in the SB 1 Guidelines, the CPUC strongly believes that the costs of replacing the EPBB calculator far outweigh any benefits. In conclusion, the CPUC would like to re-iterate its request for an exemption for the CSI Program from the SB 1 Guidelines' incentive calculator requirements.

Sincerely,



Ken Lewis,  
Acting Director, Energy Division  
California Public Utilities Commission

CC: Andrew Schwartz (AS2@cpuc.ca.gov)  
ALJ Dorothy Duda (dot@cpuc.ca.gov)  
ALJ Maryam Ebke (meb@cpuc.ca.gov)  
Judith Ikle (jci@cpuc.ca.gov)  
Meredith Sterkel (mts@cpuc.ca.gov)  
Nicolas Chaset (nlc@cpuc.ca.gov)  
Pouneh Ghaffarian (pxg@cpuc.ca.gov)  
Jeanne Clinton (cln@cpuc.ca.gov)