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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Incentives for Distributed Generation and Energy Resources	))))))	Rulemaking 04-03-017 (Filed March 16, 2004) CEC Docket No. 04-DIS-GEN-1 and 03-IEP-1

<u>SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY COMMENTS ON THE DRAFT DECISION ADOPTING POLICIES AND FUNDING FOR THE CALIFORNIA SOLAR INITIATIVE</u>

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LAW-#1261062

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I.

INTRODUCTION

Pursuant to Article 19 of the Commission's Rules of Practice and Procedure, Southern California Edison Company (SCE) submits the following Reply to comments on ALJ Malcolm's Draft Decision Adopting Policies and Funding for the California Solar Initiative (Draft Decision). Many parties commented on the Draft Decision, raising issues related to program cost-effectiveness, funding allocation among utilities, ratemaking impacts, and incentive levels for different customer types. These comments highlight the prematurity of the Draft Decision and any expedited implementation of a California Solar Initiative (CSI). SCE continues to maintain that the Commission should address fundamental issues concerning cost effectiveness, funding, and ratemaking impacts before proceeding.

SCE is also disturbed by requests from parties urging the Commission to rely on an increasingly shrinking pool of ratepayers to fund a program with purported statewide, and in this case, global implications. Solar PV manufacturers and entities seeking to install solar PV equipment continue to ask the Commission for more money and expedited implementation of a long-term CSI. At the same time, other parties seek to remove themselves or their constituents as eligible funding sources for an expanded solar program which, if implemented by the Commission without legislation, will already exclude publicly-owned utilities' customers. SCE maintains that there must be a fair balance between the cost to ratepayers and the benefits provided.

In these comments, SCE addresses some of the commenting parties' specific proposals concerning funding allocation and incentive levels.

II.

REPLY COMMENTS

A. The PV Solar SGIP Budget Increase Should Be Funded by Both Gas and Electric Ratepayers.

Southern California Generation Coalition (SCGC) argues that the 2006 SGIP budget increase should be funded solely by electric ratepayers, not gas ratepayers.[1] SCGC bases this argument on the notion that SB1 intended program funding to come exclusively through electricity rates. However, as the Draft Decision notes, SB1 did not pass. Thus, this incentive scheme was not adopted by the Legislature and does not limit the Commission's ability to fund the SGIP budget increase through both gas and electric distribution rates.

SCGC also argues that, based on the findings by Itron, Inc., a PV program is not cost-effective for gas ratepayers. As SCE and other parties discussed in their opening comments, Itron's findings indicate that the SGIP is not cost effective for *any* ratepayers. Nevertheless, solar manufacturers and proponents continue to tout the benefits that purportedly accrue to gas utilities and their ratepayers. For example, ASPv claims that gas ratepayers benefit from deferred gas transmission and distribution facility costs, greater security and diversity of energy supply, and reduced exposure to greenhouse gas production and global climate change.[2] As SCE has commented and testified in this proceeding, many such "benefits" cannot be verified or quantified. Nevertheless, if the Commission is increasing the solar PV SGIP budget and embarking on an expanded CSI based on these purported benefits, then gas ratepayers should be

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1 SCGC Comments, p. 4.

2 *See* ASPv Comments on Staff Solar Report, p. 10.

included in funding the program(s). Moreover, if the Commission believes that there are societal benefits related to solar PV power, the Commission should fund the subsidies for solar PV power from the broadest possible base. For these reasons, SCE urges the Commission to reject SCGC's request to fund the SGIP budget increase and any future CSI costs through electric distribution rates only.

B. The Commission Should Not Increase the SGIP Budget or the Level of CSI Funding.

Vote Solar and PV Now argue that the funding anticipated by SB1 ($1.1-$1.8 Billion) should be increased to cover the portion of funding that would have been provided by publicly-owned utilities under SB1, yielding a total Investor Owned Utility (IOU) funding level of $2.5 Billion.[3] First, the Commission has not yet adopted a CSI, and thus any discussion of funding for such a program is premature. More importantly, such requests highlight the inequity of funding a statewide program solely through IOU customers. Vote Solar acknowledges that municipal utilities serve approximately 30% of the State's energy consumers, yet without shame argues that IOU customers will just need to pick up the entire tab because they are under the Commission's jurisdiction.[4] Such comments represent a growing trend of relying on an increasingly shrinking pool of ratepayers to fund a program with purported statewide, and in this case, global implications. The Commission should not merely determine a funding level based on solar industry requests and then place the burden on IOU ratepayers to come up with the money. Rather, the Commission should seek an equitable funding level by determining the cost to ratepayers and the demonstrated benefits they receive and look to other state-wide vehicles to help support the state's underlying environmental goals.

C. The Commission Should Not Assign Different Incentive Levels Based on Individual Customer Characteristics.

Various parties ask that municipal projects, churches, non-profits, and tax exempt participants receive a higher incentive than other private or tax-paying customers.[5] These parties argue that certain entities or individuals may not be able to take advantage of tax credits or third party financing. It seems

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[3] Vote Solar Comments, p. 3; PV Now Comments, p. 9.

[4] *Id.*

[5] *See, e.g.,* Oakland Mayor's Comments; Environment California Research and Policy Center's Comments (Environment CA), p. 4; PV Now Comments, p. 7.

illogical that an entity which already receives financial benefit from its tax exempt status should receive a higher subsidy for its solar PV project. More importantly, it is a slippery slope to begin assigning incentives based on an individual customer's characteristics. SCE urges the Commission to reject parties' proposals to apply different incentives to customers based on individual characteristics, including whether or not a customer qualifies for federal or state tax credits.

D. The Proposed Incentive Reduction Is Appropriate for Wait-listed Projects.

ASPv and PV Now claim that projects on the SGIP waiting list should receive the current SGIP solar incentive ($3.50/W) or the incentive currently scheduled for 2006 ($3.00/W), not the reduced incentive proposed in the Draft Decision.[6] These parties claim that requiring customers to "go through the decision process" to install a solar project or negotiate with a contractor based on the new lower incentive would be "unfair."[7] This is merely an attempt to secure a higher payment, notwithstanding the finding that the current incentive is higher than it needs to be and the desire to use limited funds in the most cost-effective way possible.

There is no good reason for the Commission to apply a different incentive to projects on the SGIP waiting list than new 2006 projects. Contrary to parties' arguments, projects on the waiting list have no guarantee of funding, and thus no guarantee of any particular incentive amount. Thus, there is no basis to claim that one has detrimentally relied on any scheduled incentive amount. A customer on the waiting list is still in a position to evaluate the project based on 2006 incentive levels and determine whether to proceed. If customers choose not to proceed, they will be reimbursed their application fees. Given that the reasons for the reduced incentive levels apply equally to wait-listed projects, the Commission should not allow a higher incentive level for those projects.

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6 *See, e.g.*, ASPv Comments, p. 4; PV Now Comments, pp. 6-7.

7 PV Now Comments, p. 7.

III.

CONCLUSION

Based on the foregoing and the points made in its opening comments, SCE respectfully requests that the Commission reject the Draft Decision's proposed SGIP budget increase. If the Commission determines it should take action notwithstanding the lack of record, the Commission should (1) clarify that the utilities may recover the cost associated with increasing the SGIP budget through their distribution rates, (2) retain existing SGIP funding allocations; and (3) lower the proposed incentive level consistent with the incentive provided under the Emerging Renewables Program for January 2006.

Respectfully submitted,

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December 12, 2005

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY COMMENTS ON THE DRAFT DECISIONS ADOPTING POLICIES AND FUNDING FOR THE CALIFORNIA SOLAR INITIATIVE on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

☑ Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.

☑ Placing the copies in sealed envelopes and causing such envelopes to be delivered by hand or by overnight courier to the offices of the Commission or other addressee(s).

☐ Placing copies in properly addressed sealed envelopes and depositing such copies in the United States mail with first-class postage prepaid to all parties.

☐ Directing Prographics to place the copies in properly addressed sealed envelopes and to deposit such envelopes in the United States mail with first-class postage prepaid to all parties.

Executed this **12th day of December, 2005**, at Rosemead, California.

Edna Vallecillo
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