

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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July 19, 2010

Advice Letters 3641-E and 3641-E-A

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

Subject: Proposed Amendments to the California Solar Initiative Program Handbook to Update Sections in the Program and Performance Section of the CSI Program Handbook and Supplemental Filing

Dear Ms. Yura:

Advice Letters 3641-E and 3641-E-A are effective June 7, 2010.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



May 27, 2010

CCSE ADVICE LETTER 10-A/PG&E ADVICE LETTER 3641-E-A/SCE ADVICE LETTER 2458-E-A

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Supplemental Filing for CCSE Advice Letter 10 / PG&E Advice Letter 3641-E / SCE Advice Letter 2458-E regarding Proposed Amendments to the California Solar Initiative Program Handbook to Update Sections in the Program and Performance Section of the CSI Program Handbook

The California Center for Sustainable Energy (CCSE), on behalf of Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE), hereby submits this supplemental advice filing to provide additional explanation for several of the proposed amendments to sections of the California Solar Initiative (CSI) Program Handbook included in CCSE Advice Letter 10 / PG&E Advice Letter 3641-E / SCE Advice Letter 2458-E, namely Section 3.4.5 "Limitations on Installed Cost", Section 10 "Removal of PDP Bond Requirement", and Appendix D "Inverter Integrated 5% Meter" and including a redline version of the CSI Program Handbook incorporating proposed modifications.

BACKGROUND

On August 24, 2006, the Commission issued D.06-08-028, which, among other things, clarified the process for submitting subsequent revisions to the CSI Program Handbook. In accordance with this process, the revisions proposed in CCSE Advice Letter 10 / PG&E Advice Letter 3641-E / SCE Advice Letter 2458-E originated in the CSI Public Workshop, and a consensus among the Public Workshop participants was achieved. Subsequently, the CSI PAs met at their regular working group meetings to further discuss and refine the proposed revisions.

On March 30, 2010, CCSE, on behalf of PG&E and SCE, filed CCSE Advice Letter 10 / PG&E Advice Letter 3641-E / SCE Advice Letter 2458-E to propose amendments to the CSI Program Handbook to make a complete editorial revision of the CSI Program Handbook. The Division of Ratepayer Advocates (DRA) protested this advice filing on April 28, 2010, and the CSI Program Administrators (PAs) replied to DRA's Protest on May 5, 2010. In addition, the Energy Division received a letter from the Surety & Fidelity Association of America (SFAA), on April 13, 2010, concerning the warranty requirements in the CSI Program Handbook. The Energy Division directed the CSI PAs to treat the letter as an official Protest to the Advice Filing. After receiving an extension of time to file a Reply, the CSI PAs replied to SFAA's Protest on May 12, 2010.

CCSE, on behalf of PG&E and SCE, hereby submits this supplemental advice filing to further explain several of the proposed amendments to the CSI Program Handbook with which DRA and SFAA had issue.

ADDITIONAL EXPLANATION OF PROPOSED AMENDMENTS TO THE CSI PROGRAM HANDBOOK

Section 3.4.5 “Limitations on Installed Costs”

Recently the CSI PAs have seen a large amount of solar projects being installed for high dollar amounts that do not reflect the current average installed dollar per watt. In order to combat these costly installed systems, the PAs agreed to place a soft cap on the installed cost of solar. Projects shall not exceed two standard deviations above the average cost per watt of all projects as of March 22, 2010, or \$14.70/watt, whichever is less.

The proposed soft cap language allows for the defined reasonable limit of \$14.70 per CEC-AC watt to be a dynamic number that amends based on the change in average project cost over the previous 12-month period. At the same time, by drawing the line at two standard deviations above the mean cost per watt, the CSI PAs are expressly stating that projects in this parameter are within what the PAs believe is a reasonable range from the mean.

If it is determined that the implementation of two standard deviations above the average installed dollar per watt cost is either excessively stringent or inexact, the PAs have agreed to revisit the effects of its implementation within six months. If the utilization of two standard deviations above the mean cost per watt necessitates a change, the PAs will work to amend the soft cap language within the CSI Handbook.

Section 10 “Removal of PDP Bond Requirement”

During the program design stage of the CSI Program, it was decided that any entity could become a Performance Data Provider (PDP), including the utilities. The original concept was to create a new metering market similar to Direct Access in which third party metering would be allowed. In California Public Utilities Commission (CPUC) Resolution E-4205, adopted on November 6, 2008, the CPUC found it reasonable to require a \$25,000 bond to ensure the formation of professional and competent PDPs and to allow customer recourse for damages from a PDP. However, subsequent measures in the CSI Program have made the bond requirement unnecessary, prompting its proposed removal.

The \$25,000 bond requirement to ensure the participation of competent PDPs was incorporated into the CSI Program Handbook because initial information provided to the PAs suggested that bonding companies would issue bonds at approximately 10 percent of the bond price or \$25,000 a year. Since that time, it is the CSI PAs understanding that the vast majority of PDPs are unable to obtain a bond from a bonding company because of the unfamiliarity of PDP services, the niche market, and the potential risk of PDPs. As a result, the bond requirement no longer appears to serve the useful purpose originally contemplated by the CSI PAs.

Subsequently, the CSI Metering Sub-committee approved the electronic data interchange (EDI) 867 protocol as the chosen format to transfer meter data from the third party meter data provider to the CSI PAs. The EDI 867 requirement was adopted and included in the CSI

Program Handbook. The high cost of EDI 867 software (an average expense of \$10,000) and the expense to retain a trained software programmer to update the software to meet standards alleviates many concerns that non-professional or incompetent PDPs would get into this niche business for less than professional reasons.

Upon initial PA approval of the required PDP application documentation and successful completion of the PDP data test procedures, the PDP will be qualified to provide PBI data to the PA for incentive payment. However, the PAs will audit the raw production data from each PDP's first data report for their first three customers for compliance with these PDP requirements stated in the application. The PA will notify the PDP of noncompliance and will work to assist the PDP with resolving the issues until the PA is assured of accurate reporting.

Furthermore, to ensure that customers receive accurate payments from the PDPs and that ratepayers are adequately protected, the PDP must use California Energy Commission (CEC) eligible equipment equivalent to a utility grade or +/-2% accuracy level. Concerns of faulty meter reads are no more of an issue than with the meters currently in use by the utilities today.

Finally, the CSI PAs perform random validations to ensure the integrity of the data. The CSI PAs are aware of a system's performance capabilities, and if an anomaly appears outside of the system's capabilities, the CSI PA will verify with the PDP that the information is accurate and ask for factual evidence about the occurrence of the deviation. Any PDP found to be in violation of any of these requirements will be subject to the penalties outlined in the CSI Program Handbook, such as suspension of activity or revocation of PDP CSI participation. To date, few discrepancies have occurred due to the existence of these checks and balances.

Appendix D "Inverter-Integrated 5% Meter"

For inverter-integrated meters that are currently listed by the CEC, the inverter-integrated meters must be tested to the 5% requirement by January 1, 2011. The incorporation of the 5% Meter Performance Specifications and Test Requirements are included in the December 2009 version of the CSI Program Handbook, and conform to existing statute. Any request to modify this implementation requirement will require approval through CPUC rulemaking.

Furthermore, financial compensation from excess solar generation, as permitted by Assembly Bill 920, would be paid using meters installed through the utility and would not be tied to inverter-integrated meters.

Redline Copy of CSI Program Handbook Incorporating Proposed Modifications

The CSI PAs have updated the redline version of the proposed CSI Program Handbook to more clearly identify the proposed modifications.

PROTESTS

CCSE respectfully requests a shortened protest period. Anyone wishing to protest this Advice Letter may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than June 1, 2010, which is 5 days after the filing of this Advice Letter. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, CA 94102
Facsimile: (415) 703-2200
E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies should also be mailed to the attention of Julie A. Fitch, Director, Energy Division, Room 4004, at the address shown above.

The protest should also be sent via U.S. mail (and by facsimile and electronically, if possible) to CCSE at the address shown below on the same date it is mailed or delivered to the Commission:

Andrew McAllister
Director of Programs
California Center for Sustainable Energy
8690 Balboa Avenue, Suite 100
San Diego, California 92123
Facsimile: (858) 244-1178
E-mail: andrew.mcallister@energycenter.org

There are no restrictions as to who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

EFFECTIVE DATE

CCSE requests that this Advice Letter become effective on regular notice, June 6, 2010, which is 10 calendar days after the date of filing.

NOTICE

CCSE is providing a copy of this Advice Letter to service list R.08-03-008.



Andrew McAllister
Director of Programs
California Center for Sustainable Energy

cc: Service List R.08-03-008