



DRA

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June 20, 2012

Honorable Lois Wolk
California State Senate
State Capitol, Room 5114
Sacramento, CA 95814

RE: SB 843 (Wolk) – Support if amended

Dear Senator Wolk:

DRA (Division of Ratepayer Advocates) is the independent consumer advocate within the California Public Utilities Commission (CPUC). DRA's statutory mandate is to obtain the lowest possible rate for utility service consistent with reliable and safe service levels. DRA also advocates for customer and environmental protections in connection with utility service.

DRA supports if amended your SB 843, as amended on June 7, which would create a Community-Based Renewable Energy Self-Generation Program. The bill would allow a retail customer of an electrical corporation to acquire an interest in a community renewable energy facility for the purpose of receiving a bill credit to offset all or a portion of the participant's electricity usage, as specified.

DRA fully appreciates and supports the goal of SB 843 to create a new business model for renewable distributed generation (DG) in a fair and equitable manner to allow access by customers who otherwise could not participate in the State's various DG programs. However, DRA has concerns with detailed aspects of the bills, and we would like to recommend the following amendments:

1. The 2,000 MW program target should count toward the State's clean distribution generation goals. Specifically, DRA recommends that the Community-based Renewable Energy Self-Generation Program target be divided into annual caps, and be counted toward the overall renewable Net Energy Metering program cap, which was recently raised by the CPUC to approximately 5,200 MW (based on currently available data). As the renewable distributed generation market continues to develop and mature, it would be in the best interest for California to allow different business models to compete in the same program space to provide the best value stream to customers. The CPUC should periodically assess the cost-effectiveness of this program to ensure that it does not result in a more than de minimis cost-shift to ratepayers.
2. The Community-Based Renewable Energy Self-Generation Program should not employ an "added value method" unless the CPUC, in consultation with CAISO and CEC, is directed to develop specific recommendations for ensuring that DG enhances system planning and grid operations, and to identify specific geographic areas where DG will help

alleviate transmission constraints and defer or avoid transmission and distribution investments. The CPUC should further be required to incorporate the program's energy and capacity values into the State's resource adequacy and long-term procurement planning processes under Sections 380 and 454.5, respectively.

In operational practice, there is little assurance of true benefits (i.e., avoided costs) provided by these new DG facilities unless the CPUC and CAISO actually incorporate these new resources into the transmission and generation planning process. Thus, DRA respectfully recommends that the "added value method" language in the bill be stricken unless the bill is modified to direct the CPUC to incorporate these additional DG facility build-outs into existing planning efforts.

In addition, DRA recommends that the bill be amended to not require the CPUC to develop the "added value method" until 2017, and that caps or ceilings be established for both the proposed "facility rate" and any applicable "added value". Lastly, the bill credit should not, under any circumstances, exceed the generation component of a participant's bill.

3. While DRA supports the concept to base the "facility rate" to renewable market dynamics as revealed by the annual RPS solicitations, the CPUC should be provided flexibility to develop alternative methods for calculating the facility rate after the Feed-in-Tariff and Renewable Auction Mechanism prices stabilize.
4. Any incremental costs for billing and program administration, as determined by the CPUC, and as reasonably incurred by the investor-owned utilities, should be assigned to program participants or participant organizations.
5. Renewable Energy Credits (RECs) should be assigned to the electrical corporation by default, unless participants opt to retire the RECs on their own behalf, or cede ownership of the RECs to another entity. Most residential participants will not have a need or use for RECs. In the case where utilities retain the RECs, the associated market benefits should flow back to customers consistent with existing ratemaking processes for energy purchases and sales.

If you have any questions or would like to discuss this matter further, please call DRA's Legislative Advisor Rebecca Tsai-Wei Lee, at (916) 327-1407 or me at (415) 703- 2381.

Respectfully,

Joseph P. Como, Acting Director
Division of Ratepayer Advocates

By
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Legislative Advisor