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CLEAN COALITION
Making Clean Local Energy Accessible Now

Community Update | January 25, 2012

Dear Clean Coalition Friends,

The Clean Coalition wishes all supporters a happy and prosperous new year. The Clean Coalition team is already hard at work leveraging the victories of 2011 to achieve even greater success in 2012, and the continued support of friends and backers will be crucial in achieving results.

For 2012, the Clean Coalition is expanding its activities in several major areas, including communications, CLEAN outreach, and Intelligent Grid related policies and programs. With respect to communications, a strategic CLEAN media campaign will be conducted nationally with support from social media channels like Twitter and Facebook. Be sure to follow the Clean Coalition as we ramp these communications activities.

Following the 2011 publication of the Local CLEAN Program Guide, the Clean Coalition will continue to lend guidance and support to those who champion clean local energy in their communities. Through leadership in interconnection reform and the SB 32 implementation phase, the Clean Coalition will continue to secure policy victories that are vital to enabling significant penetrations of clean local energy, in a timely and cost-effective fashion.

In summary, the Clean Coalition will continue to relentlessly pursue its vision of a smart energy future at the local, state, and national levels in the coming year. This month's newsletter includes the following related updates:

- Interconnection Reform: Clean Coalition working diligently for interconnection reform; DSIS and long-term vision
- SB 32 CLEAN Program update: Split into two decisions
- CREST update: 70 MW of clean local energy coming soon
- Local Action: Palo Alto gets ready to adopt CLEAN Program
- Featured Event: California's New Program for Helping Companies Generate Clean Local Energy
- Policy Spotlight: Locational Benefits for Wholesale Distributed Generation (WDG)

Thank you for supporting the Clean Coalition and its pursuit of making clean local energy accessible now.

Sincerely,
Craig Lewis

P.S. Clean energy leader Congressman Jay Inslee will be in Menlo Park on Tuesday, January 31, to discuss why he is running for Governor of Washington State. If you are interested in meeting and supporting Congressman Inslee, please email me directly at Craig@Clean-Coalition.org for more details.

Interconnection Reform: Clean Coalition working diligently for interconnection reform; DSIS and long-term vision

The Clean Coalition is a leading participant in the California Public Utilities Commission's (CPUC) Distribution System Interconnection Settlement (DSIS)* process. The goal of this process is to extend the existing State jurisdictional interconnection tariff (Rule 21) to accommodate all Wholesale Distributed Generation (WDG); i.e., all projects interconnecting to the distribution grid, including wholesale Qualifying Facilities (QFs). The Clean Coalition is fighting to assure that the DSIS results in a greatly improved single set of procedures that apply to all projects, including those that are currently Federal Energy Regulatory Commission

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In the News

PPA fix beat the clock | Photon Magazine | January 23, 2012

Article highlights effort to make changes to CREST PPA.

Every Community Should Get 'Clean' | Metering International | December 29, 2011

In-depth article on CLEAN Programs written by Craig Lewis, Executive Director of the Clean Coalition.

See the Clean Coalition website for additional news.

Upcoming Events

January 26, 2012 | Energy Investment Forum | Austin, TX

Craig Lewis, Executive Director of the Clean Coalition, will serve as moderator on the Energy Infrastructure panel on Thursday, January 26 at 11:30 am.

January 28, 2012 | Planning and Conservation League's Environmental Symposium | Sacramento, CA

Ted Ko, Associate Executive Director of the Clean Coalition, will speak on the "Go Big or Go Home" panel on Saturday, January 28 at 1:45 pm.

Feburary 1, 2012 | CPUC Smart Grid Panel | San Francisco, CA

Craig Lewis, Executive Director of the Clean Coalition, will serve on the panel for this public workshop on Wednesday, February 1 from 1:00 pm to 3:00 pm.

(FERC) jurisdictional WDG projects.

While the DSIS process is confidential, the Clean Coalition can share that it is working with over a dozen other participants in establishing a joint position on the proposed tariff for the settlement process. The Clean Coalition's short-term goal is to ensure a viable tariff for all clean local energy projects, whether driven by CLEAN Programs (SB 32), Combined Heat and Power (CHP) programs, or other procurement programs that come online in the coming years. The Clean Coalition expects to see a functional interim tariff submitted to the CPUC by late February, but foresees the need for a formal proceeding to address any unresolved issues and continued improvements to the interim tariff after its release.

The need for continued improvement ties into the Clean Coalition's ultimate vision of a fully integrated intelligent grid, where energy procurement and intelligent grid solutions work hand-in-hand. The Clean Coalition believes that in the near future there can be a fully automated application and evaluation process for interconnection with increased transparency and predictability for all parties involved. Increased speed, clarity, and predictability associated with the interconnection process will provide badly needed cost and schedule certainty for all clean local energy projects. Currently, unpredictable costs and uncertain durations associated with interconnection prevent many communities and developers from pursuing worthy clean energy projects. The Clean Coalition's long-term vision extends beyond interconnection reform in California, and the solutions for the California market will be replicated across the country.

If you would like to learn more about the DSIS process, see past Clean Coalition newsletters, including the October newsletter, for a detailed list of the areas of interconnection reform that the DSIS is attempting to address.

* DSIS is an official CPUC settlement process, with the goal of quickly agreeing to a new interconnection tariff for distribution grid interconnection without the lengthy litigation of a regular proceeding. The resulting tariff is intended to replace current interconnection procedures such as Rule 21 and WDAT.

SB 32 CLEAN Program update: Split into two decisions

The Clean Coalition is actively involved in the CPUC proceeding to implement the Senate Bill (SB) 32** CLEAN Program. Recently, the SB 32 implementation was split into two parts with each staged to have its own Proposed Decision (PD). The first PD will cover program design and pricing while the second will adopt a single standard form Power Purchase Agreement (PPA).

In regard to the first PD, the Clean Coalition has repeatedly advocated for pricing to include Locational Benefits (LBs) and a volumetric price adjustment; both up and down (see Policy Spotlight for details on LBs). The Clean Coalition is also working to ensure that the program is designed to minimize barriers to entry, allowing first time developers, such as local individual property owners, to participate. For example, the Clean Coalition is fighting to allow participation without requiring an expensive and time-consuming interconnection application in advance of a project getting accepted in the program.

The pricing and program design PD is expected by March. There are currently no additional workshops on the pricing or program design; however, several other parities have requested an additional pricing workshop. The Clean Coalition does not expect that an additional pricing workshop will be scheduled.

The second PD adopting a single standard form PPA contract, to be used by the big three investor owned utilities (IOUs), is expected early in April. In advance of the PD, a workshop will be held on February 22 to evaluate the IOU-proposed single standard PPA, which the IOUs are expected to release for review by February 15. Based on extensive experience with the Renewable Auction Mechanism (RAM) PPAs and the recently concluded CREST PPA reform efforts, the Clean Coalition is well prepared to provide substantial input to the design of the standard SB32 PPA.

Even with the PD being split into two parts, the Clean Coalition still expects an operational SB 32 CLEAN Program before midyear.

** SB 32 is enacted legislation that calls for an expansion of California's existing, albeit small, AB 1969 CLEAN Program. Among other things, SB 32 expands the AB 1969 program size from 500 MW to 750 MW of clean local energy and increases the eligible project size from 1.5 MW to 3 MW.

Feburary 2, 2012 | Photon's 7th Solar Electric Utility Conference | San Francisco, CA

Craig Lewis, Executive Director of the Clean Coalition, will serve as the conference co-moderator with Garrett Hering of Photon Magazine on Thursday, February 2 at 9:00 am.

Feburary 9, 2012 | Distributed Energy Generation: Future or Fantasy | Santa Clara, CA

Craig Lewis, Executive Director of the Clean Coalition, will serve on the panel for this event, sponsored by the MIT Club of Northern California, on Thursday, February 9 from 6:00 pm to 9:00 pm.

February 27, 2012 | Inverter and PV System Technology Forum | San Francisco, CA

Craig Lewis, Executive Director of the Clean Coalition, will serve as the moderator on the PV Grid Integration and Infrastructure panel on Monday, February 27 from 11:30 am to 1:00 pm.

See the Clean Coalition website for additional upcoming events.

Recent Regulatory Filings

CPUC | Response to Southern California Edison's (SCE) petition for modification of the Renewable Auction Mechanism (RAM) decision | January 16, 2012

The filing represents the Clean Coalition's objections to SCE's assertion that the federal Critical Infrastructure Information Act applies to the information at issue in the RAM decision. Namely, the Act simply doesn't apply unless information is first submitted voluntarily to the Dept. of Homeland Security.

CAISO | Deliverability determination for Distributed Generation (DG), CAISO straw proposal | January 5, 2012

This filing represents the Clean Coalition's comments on a straw proposal by CAISO prior to development of a formal proposal for determination of guaranteed deliverability of energy from

CREST Update: 70 MW of clean local energy coming soon

In November, the Clean Coalition reported that the CPUC voted unanimously to support its Motion to require that Southern California Edison (SCE) fix its California Renewable Energy Small Tariff (CREST)*** PPA (please see the November newsletter for details). This was a significant victory for the Clean Coalition and for all distributed generation project developers and advocates. After the fix was required, the Clean Coalition worked intensely with developers, SCE, the Governor's office, and the CPUC to work through the remaining procedural issues to get as many contracts signed as possible before the end of 2011. The yearend deadline was critical due to a reduction in the applicable PPA rate and the expiration of the federal tax grant; both of which were effective at the turn of the year.

The Clean Coalition is pleased to report that the efforts to fix the CREST Program should yield at least 70 MW of WDG projects. These projects will be fully operational this year and the immediate job creation will provide a significant boost to local Southern California economies. The CREST reform effort demonstrates that with proper stakeholder collaboration, the clean local energy market can be unleashed to create powerful and immediate economic benefits for California communities.

Photon Magazine has an excellent article highlighting the CREST PPA fix, which can be downloaded here.

*** The CREST Program is SCE's implementation of Assembly Bill 1969, the existing predecessor CLEAN Program to the coming SB 32 CLEAN Program. Although CREST has been available since 2008, only a handful of projects have been successfully contracted under the program.

Local Action: Palo Alto gets ready to adopt CLEAN Program

Last fall, the Clean Coalition announced the news that the Palo Alto Utilities Advisory Commission (UAC) recommended that the Palo Alto City Council adopt a CLEAN Program in order to significantly boost the city's use of clean energy and create jobs. The city council vote had been expected in December, but it was moved into the new year. The vote will happen soon and is expected to be favorable, so there will be good news coming in the next month or two.

The solar-only pilot CLEAN Program will capitalize on the community's most readily available clean energy resource. The program is designed to require the City of Palo Alto Utilities (CPAU) to purchase electricity generated from solar electric systems located in its service territory. The pilot program is expected to result in 4 megawatts (MW) of ratepayer-neutral WDG solar capacity within one year, all on built environments like rooftops and parking lots. The design of the Palo Alto pilot program is highly innovative and will guide many additional CLEAN Programs throughout the country. As proposed by the CPAU, the pilot program will apply to projects at least 100 kilowatts (kW) in size, and the all-inclusive fixed pricing is expected to be in the 13-to-15 cent/kWh range. The CPAU has determined about 80 MW of rooftop solar potential from medium and large buildings in Palo Alto, so a major follow-on CLEAN Program is highly likely.

The Clean Coalition has been very active in supporting the development of Palo Alto's pilot CLEAN Program, and has had significant involvement with CPAU staff and members of both the UAC and the City Council throughout the process.

Featured Event: California's New Program for Helping Companies Generate Clean Local Energy

The Clean Coalition, in partnership with the Silicon Valley Leadership Group, is proud to present "California's New Program for Helping Companies Generate Clean Local Energy: The New Self-Generation Incentive Program (SGIP) and How Your Company Can Use It," a learning luncheon on February 24 from 11:30 am to 1:30 pm at Adobe's headquarter facility in San Jose, California. The event will feature leading SGIP experts from the policymaker side to the project developer side; and will include representatives for technologies that are targeted in the new SGIP. Speakers include the following:

- Neal Reardon, California Public Utilities Commission (CPUC)
- Mike Levin, FlexEnergy

Distributed Generation facilities. The Clean Coalition supports the proposed for simplified determination and allocation of capacity by Local Resource Agencies, but disagrees with restricting consideration to low base case capacity scenarios where these are being exceeded in practice.

CEC | Comments on Draft 2011 Integrated Energy Policy Report (IEPR): Lead Commissioner Draft | December 23, 2011

This filing represents the Clean Coalition's comments on the draft 2011 IEPR before the final report is released.

See the Clean Coalition website for additional regulatory filings.

About the Clean Coalition

The Clean Coalition is a nonprofit organization whose mission is to implement policies and programs that transition the world to cost-effective clean energy now while delivering unparalleled economic benefits. The Clean Coalition believes that the right policies will result in a timely transition to clean energy while yielding tremendous economic benefits, including new job creation, increased tax revenue, and the establishment of an economic foundation that will drive growth for decades. The Clean Coalition is active at the national, state, and local levels.

Support the Clean Coalition

The Clean Coalition is actively seeking financial backing in order to strengthen our efforts.

If you or your organization is interested in supporting the Clean Coalition, please contact us at Development@Clean-Coalition.org.

Additionally, we welcome invitations to any forums or events where we can promote the benefits of CLEAN Programs to new audiences.

- Tracy Reid, FuelCell Energy
- Michael Bangs, Adobe
- Craig Lewis, Clean Coalition

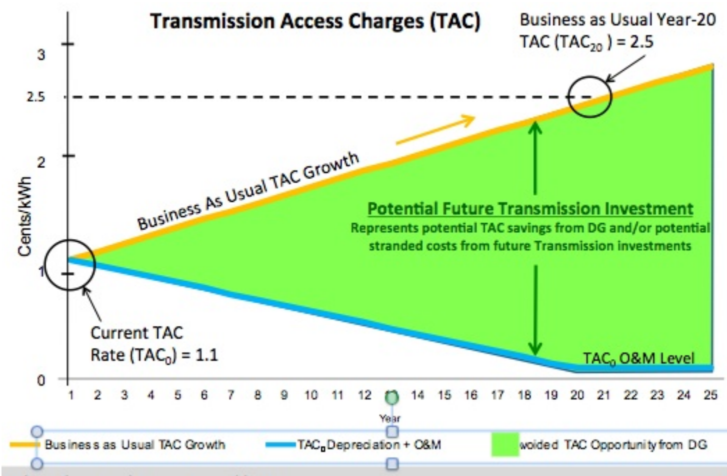
This event will focus on the CPUC's recently adopted changes to the SGIP that provides financial support to electricity customers that deploy eligible clean local energy technologies at a discounted rate. The intent of the SGIP program is to reduce greenhouse gas emissions in the electricity sector, reduce peak demand, ensure deployment of clean local energy solutions throughout California, and improve electric system reliability.

This is an invitation-only event. If you are interested in attending, please contact John@Clean-Coalition.org.

Policy Spotlight: Locational Benefits for Wholesale Distributed Generation (WDG)

The relative location of energy generation to where it is used can have significant impacts on the value of that energy. For example, on average in California, clean local energy has 30% higher value than remotely generated energy; due to avoided transmission-related costs and the inefficiencies associated with electricity traversing long distances. Thus, the Clean Coalition advocates for the inclusion of "Locational Benefits" (LBs) in the pricing design for all clean energy procurement programs. A LBs adder is needed to compensate clean local energy development for helping ratepayers avoid Transmission and Distribution (T&D) system costs. All generation serving local load reduces transmission costs, congestion, and line losses, and helps avoid major infrastructure investments that are measured in tens of billions across the United States annually.

Basically, compensation for LBs recognizes that projects interconnected to the distribution grid save ratepayers money, and therefore, energy projects interconnected to the distribution grid should be encouraged. WDG projects directly avoid transmission-related costs that are paid for by the ratepayers for all energy that touches the transmission grid, which obviously includes all generation projects interconnected to the Transmission grid. These costs accrue via what is known as Transmission Access Charges (TAC). The combined high and low voltage TAC charges currently cost California ratepayers an average of 1.1 cents/kWh and are forecast to increase substantially, resulting in an added levelized 20 year cost of at least 1.6¢/kWh for energy contracts requiring transmission. In addition, recent studies by the California Energy Commission (CEC) and the utilities show that transmission upgrades alone are adding about $1/Watt to new central station energy projects, which translates into about 3¢/kWh. These massive costs are not included in the PPA rates for central station energy projects and are consequently hidden from ratepayers. WDG projects avoid all transmission-related costs and produce energy that is a relative bargain for ratepayers, leaving significant amounts of money to invest in Intelligent Grid (IG) solutions like Demand Response (DR) and Energy Storage.



In California alone, the tens of billions of dollars otherwise required to build additional transmission infrastructure over the coming decade could be redirected across all communities by compensating WDG for just a portion of its massive Locational Benefits value. The Clean Coalition analysis shows that reasonable compensation for LBs from all WDG should be at least 25%, relative to transmission-interconnected projects (TACs plus 10% for transmission line/congestion losses).

To learn more about LBs, please review pages 12-14 of the Clean Coalition's filing that encourages the CPUC to include a LBs adder for the new SB 32 CLEAN Program. Please also see the CPUC staff proposal (download here), which includes a number of Clean Coalition recommendations on how to apply a LBs adder.

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