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CLEAN COALITION
Making Clean Local Energy Accessible Now

Community Update | October 19, 2011

Dear Clean Coalition Friends,

The smart energy community has lost a great friend. Last week, Robert "Bob" William Galvin, best known as the longtime chief executive officer of Motorola, Inc., passed away at the age of 89. He was a global business leader and innovator, author, and philanthropist who can take significant credit for helping to transform the telecommunications industry through policy and technology innovations. More recently, Bob Galvin founded the Galvin Electricity Initiative to focus his wherewithal on transforming the quality of the nation's obsolete electricity system, a necessity if we are to move our nation towards the widespread adoption of clean local energy and restore our economy in a globally competitive market dependent on digital technologies. His experience in the telecommunications industry taught him well that policy innovation drives technology innovation; and both are required to achieve industrial transformations.

One of Bob Galvin's great sayings was, "Challenge the status quo and don't settle for anything less than perfection." The Clean Coalition applies this sentiment as we fight policy inertia and promote policies and programs that will truly make *clean local energy accessible now*.

With this in mind, I am pleased to share news on a bold new report by John Farrell of the Institute for Local Self Reliance entitled *Finding the More Cost-Effective Solar Policy*. In light of the recent collapse of Solar Renewable Energy Credit (SREC) markets, Farrell's report aims to compare the cost-effectiveness of SREC and Clean Local Energy Accessible Now (CLEAN) Programs to finance solar energy projects and meet renewable energy goals. The results? The transparency, certainty, and low risk nature of CLEAN Programs allow them to deliver solar energy at a significantly lower levelized cost than SRECs. This means CLEAN Programs enjoy higher bankability with lower transaction costs and lighter ratepayer impact. The report is certainly a challenge to the status quo in places like New Jersey, which has assumed that SRECs are a preferred mechanism for encouraging solar deployments. Farrell's analysis contests that assumption using specific metrics of program effectiveness. His report clearly shows the opportunity that new jurisdictions have in considering CLEAN Programs. You can download a copy of Farrell's report here.

As usual, the Clean Coalition has been very busy and we have a number of updates as follows:

- SB 32 CLEAN Program: Pricing workshop and staff proposal feedback
- Interconnection Reform: Rule 21 / Distribution System Interconnection Settlement update
- Local CLEAN Program Guide: New module release - *Gaining Support for a CLEAN Program*; next module on *Evaluating Avoided Costs* due out shortly; upcoming ICLEI webinar
- Palo Alto utility recommends city adopt CLEAN Program
- CLEAN California Campaign: New partners, Clean Economy Network webinar video
- Clean Coalition weighs in on CEC's draft report on *Renewable Power in California*
- CREST Motion victory in California

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

Sincerely,

Craig Lewis

Upcoming Events

October 24, 2011 | E-Mobility - The Future of the Automobile | Palo Alto, CA

Craig Lewis, Executive Director of the Clean Coalition, will speak about the importance of reforming the transmission grid on the "Energy, Grid Connection, and Control Technologies" panel on Monday, October 24 at 10:45 am.

October 24 - 25, 2011 | California RPS Conference | Los Angeles, CA

Ted Ko, Associate Executive Director of the Clean Coalition, will present on interconnection reform and distribution grid development on Tuesday, October 25 at 10 am.

October 24 - 26, 2011 | Smart Energy International | San Francisco, CA

Craig Lewis, Executive Director of the Clean Coalition, and Kurt Yeager, Executive Director of the Galvin Electricity Initiative and a Clean Coalition Board of Advisors Member, will speak on the panel "Are Microgrids the Wave of the Future?" on Wednesday, October 26 at 12 pm.

November 12 - 13, 2011 | Green Festival | San Francisco, CA

Stephanie Wang, Director of Programs and Campaigns for the Clean Coalition, will present on the importance of clean, local energy in transitioning to a green society on Sunday, November 13 at 3:30 pm.

November 15-18, 2011 | Renewable Energy Markets | San Francisco, CA

Craig Lewis, Executive Director of the Clean Coalition, will be participating in

Executive Director, Clean Coalition

SB 32 CLEAN Program: Pricing workshop and staff proposal feedback

Since our last newsletter, the California Public Utilities Commission (CPUC) held their pricing workshop for the implementation of Senate Bill (SB) 32* and released a staff draft proposal for the program.

Pricing under the new SB 32 CLEAN Program will be key in determining its success. The Clean Coalition's assessment of the information presented at the pricing workshop and/or from the current staff proposal is as follows:

- Overall: Staff proposal is generally well formed.
- Renewable Auction Mechanism (RAM)** based pricing: If pricing for SB 32 is to be related to the clearing price in the new RAM program, then it should be based on the November 2011 auction clearing price, with later adjustments made in reaction to market response of the program (as CPUC staff suggested).
- Locational adder: Pricing should follow the staff proposed formula of RAM clearing price plus transmission costs, locational adder, and time-of-delivery (TOD) adjustments; however, a different formula than the one suggested should be used for the transmission component of the locational adder. Specifically, the Clean Coalition recommends the transparent use of Transmission Access Charges (TACs), which are calculated by the California Independent Systems Operator (CAISO) each year. This data is publicly available and clearly reflects the avoided transmission component of clean local energy.
- Adding a scaling factor: A scaling factor should be considered against the RAM clearing price. This can be done by using national data to compare 20-megawatt (MW) size projects to projects that are 3 MW and below (this data is available from the Lawrence Berkeley National Laboratory or the National Renewable Energy Laboratory). This data will provide a more accurate avoided cost base for SB 32 projects.
- When no RAM price is available: If there is no applicable RAM clearing price for a particular technology, the latest Market Price Referent (MPR) should be used in lieu of the RAM clearing price.

The Clean Coalition expressed the above opinions at the pricing workshop, and will also submit written comments that expand on the above statements now that the revised staff proposal is available.

Given the current status of the implementation process, the Clean Coalition expects that an official Proposed Decision will be ready by the end of the year, with a statewide CLEAN Program in operation before mid-2012.

* 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.

** RAM is a two-year procurement program that was adopted by the CPUC with the purpose of lowering transaction costs and promoting the development of projects on the larger end of the WDG market segment, which includes projects up to 20 MW in size.

Interconnection Reform: Rule 21 / Distribution System Interconnection Settlement update

The Clean Coalition has been pushing for interconnection reform since its founding, and is deeply engaged in the CPUC's Rule 21*** reform process that is now taking place under a formal proceeding known as the Distribution System Interconnection Settlement (DSIS). [Please see previous newsletters over the last year to see how the Rule 21 reform process has evolved.]

The goal of the new DSIS proceeding is to have a vastly improved statewide interconnection tariff that applies to all projects interconnecting to the distribution grid, including wholesale Qualifying Facilities (QFs). The targeted timeframe is to reach agreement on the improved interconnection tariff by the end of this year and have that single tariff implemented throughout

this conference and will be available to discuss how communities can create thriving local renewable energy markets with CLEAN Programs.

December 6, 2011 | ICLEI Webinar

Craig Lewis, Executive Director of the Clean Coalition, will present on the Local CLEAN Program Guide during this free webinar hosted by ICLEI – Local Governments for Sustainability – on Tuesday, December 6 at 11 am PST.

December 8 - 9, 2011 | California Power Market Forum | San Francisco, CA

Craig Lewis, Executive Director of the Clean Coalition, will participate on the "Distributed Generation and Combined Heat and Power - Are the Governor's Goals Achievable?" panel discussion on Thursday, December 8 at 11:15 am.

See the Clean Coalition website for additional upcoming events.

Recent Regulatory Filings

CAISO | Generator Interconnection Procedures Phase 2 (GIP 2) | October 7, 2011

This filing represents the Clean Coalition's comments on Generator Interconnection Procedures Reform 2 (GIP 2) draft tariff language. The comments focus primarily on modifying Fast Track timelines to reflect the fact that Fast Track is not working properly and therefore there is no need to delay before going to supplemental review.

CEC | Integrated Energy Policy Report | October 5, 2011

This filing represents the Clean Coalition's comments regarding the CEC's draft report *Renewable Power in California: Status and Issues*. The Clean Coalition believes WDG should be more heavily represented in the CEC's action plan for renewable energy in California to reach Governor Brown's goal of 12,000 MW of distributed generation by 2020. Regional targets for meeting the governor's goal should be based on load and adjustments should be made

California by early 2012. Additional refinements will be pursued later in 2012, but a vastly improved interconnection situation is the goal of the settlement process.

DSIS proceeding activities are happening on a weekly basis to address the following four issues:

Issue 1: Reform Distribution-Level Interconnection Process, Queuing and Reporting Requirements

- Define the appropriate interconnection study process for all types of generation resources seeking interconnection to the distribution system.
- Create distribution-level interconnection procedures for storage technologies.
- Evaluate and determine appropriate processes for establishing distribution-level interconnection queues (serial or cluster).

Issue 2: Technology Operating Standards, Standardized Engineering Study Methodology, and Deliverability Study Methodology

- Evaluate the need to revise technical operating standards due to advances in technology, communications, and the potential need for the system operator to control these systems.
- Define distinct engineering methodologies based on the characteristics of the resource, such as the resource's impact on the transmission system.
- Establish a path to resource adequacy qualification for resources that have certain characteristics.

Issue 3: Limits on Distributed Generation Penetration

- Review and modify, if necessary, the screening mechanism that limits an expedited interconnection to fifteen percent of a line section's peak load.

Issue 4: Cost Allocation for Infrastructure Upgrades

- Evaluate mechanisms to improve cost certainty around infrastructure upgrades throughout the interconnection study process.
- Evaluate methodologies to allocate infrastructure upgrade costs between generators and ratepayers.

The Clean Coalition's participation in the DSIS will focus on making sure reform efforts achieve outcomes that support far greater levels of cost-effective and timely clean local energy via predictable interconnection processes. While information discussed in the DSIS proceeding is confidential, all parties wishing to join the proceeding and settlement process may inquire with the CPUC. Please check their website for details.

*** Rule 21 is a California procedure used for most interconnection to the distribution grid that falls under state jurisdiction, including all projects interconnected behind-the-meter; like net-metering projects. Rule 21 is also used for wholesale PURPA Qualifying Facilities, including in SCE's CREST Program, and is likely to be used in the upcoming SB 32 CLEAN Program.

Local CLEAN Program Guide: New module release - *Gaining Support for a CLEAN Program*; next module on *Evaluating Avoided Costs* due out shortly; upcoming ICLEI webinar

The Clean Coalition has released the *Gaining Support for a CLEAN Program* module of the Local CLEAN Program Guide. The Guide is a comprehensive how-to guide for communities and utilities across the nation to evaluate, design, and enact Clean Local Energy Accessible Now (CLEAN) Programs based on global best practices for ramping cost-effective renewables and reaping the associated economic benefits. The Guide draws from tremendously successful CLEAN Programs in the United States, such as the Gainesville, FL program and the soon-to-be operational CLEAN Programs that the Clean Coalition helped design in Fort Collins, Colorado and Palo Alto, California.

The latest module explains how policymakers, utility staff members, and other stakeholders can generate support for a well-designed local CLEAN Program. This module includes best

for special policy objectives. Also, it is imperative that California modernizes its electricity and interconnection system by working towards Interconnection 3.0 and an Intelligent Grid.

CPUC | Senate Bill 32 Implementation | August 26, 2011

This filing represents the Clean Coalition's most recent comments regarding SB 32's implementation, with a particular focus on the three major investor owned utilities' (IOUs') proposals for the Program. The Clean Coalition recommended a number of changes to the utilities' proposed CLEAN Contract rates and PPAs. The one clear conclusion is that the proposed PPAs are far too complex as they are replications of PPAs for much larger projects with excessive terms and conditions that are certainly not relevant to relatively small WDG projects. Such complexity would defeat a primary benefit of enacting CLEAN Programs – simplicity in contracts and pricing. In addition, this filing expresses the Clean Coalition's support for the Interstate Renewable Energy Council's proposal to rate base certain distribution grid upgrades. It also states the Clean Coalition's opposition to the Division of Ratepayers Advocates' suggested Default Load Aggregation Point plus Renewable Energy Certificate pricing (from the net surplus metering decision, D.11-06-016) as inapplicable to SB 32.

See the Clean Coalition website for additional regulatory filings.

About the Clean Coalition

The Clean Coalition is a non-profit organization whose mission is to make clean local energy accessible now. Our top goal is to implement policies and programs that accelerate the adoption of cost-effective clean local energy across the United States. 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, practices for creating a strategic plan, conducting outreach, defining program goals, and building momentum for the program. *Gaining Support for a CLEAN Program* is available free for download on our website here.

Also, please check the website frequently as the *Evaluating Avoided Costs* module will be released in the next few weeks. This module will help readers design cost-effective CLEAN Programs that take advantage of the avoided costs and the superior value of CLEAN energy.

Want to learn more about kick-starting a CLEAN Program in your area? Craig Lewis, Executive Director of the Clean Coalition, will be presenting on this topic during a webinar sponsored by ICLEI – Local Governments for Sustainability – on Tuesday, December 6, 11 am to noon (PST). To reserve your virtual seat at this free webinar, please send an email to LocalGuide@Clean-Coalition.org.

Palo Alto Utility recommends city adopt CLEAN Program

The Clean Coalition is happy to announce that the Palo Alto Utilities Advisory Commission (UAC) voted to recommend that the Palo Alto City Council adopt a CLEAN Program. The process started with casual considerations by City Council members and other key influences in early-2010 as they considered how a CLEAN Program in Palo Alto could significantly boost the city's use of clean energy and create local jobs.

Carefully designed over the last year, the new Palo Alto CLEAN Program will begin with solar only, capitalizing 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. While the CLEAN Program details have not been finalized, the general plan is that the program will begin in February 2012 with the purchase of up to 4 MW of solar capacity in 2012. Initially, projects must be at least 100 kilowatts (kW) in size, and the CPAU will buy the energy for about 15 cent per kilowatt hour (kWh). The UAC will review the program in time to release the 2013 plan in the fall of 2012.

While the Clean Coalition's involvement has been informal, multiple members of the Coalition's team have actively provided the CPAU, the UAC, and the City Council with analysis and feedback throughout the CLEAN Program development process. Initially, the Coalition helped identify impending shortfalls in Palo Alto's Renewable Portfolio Standard (RPS) fulfillment and to perform an initial analysis of Palo Alto's avoided cost of energy. With the City Council's approval of the initial concept of a CLEAN Program, the CPAU developed the program proposal now moving through the approval process.

The final City Council vote is expected this December. If adopted, Palo Alto will become the second California publicly owned utility to adopt a CLEAN Program; Sacramento instituted a CLEAN Program in 2010.

CLEAN California Campaign: New partners, Clean Economy Network webinar video

The CLEAN California Campaign represents a broad partnership of California business, government, environmental, academic, and social justice organizations that are encouraging the state to implement a robust CLEAN Program that will meet Governor Brown's goal to install 12,000 MW of distributed generation by 2020. The growing list of Campaign partners now includes the California Environmental Justice Alliance, the Truman National Security Project, and Focus the Nation.

On October 12, the Clean Economy Network, a CLEAN California Campaign partner, hosted a webinar in which Craig Lewis, Executive Director of the Clean Coalition, discussed the CLEAN California Campaign and highlighted local CLEAN Programs that are moving forward in the United States. Mark Fulton, Global Head of Climate Change Investment Research at Deutsche Bank and a Clean Coalition Board of Advisors member, talked about the German CLEAN Program success and discussed how the German model can be leveraged in the United States. Mike Eckhart, Citigroup's Global Head of Environmental Finance and Sustainability, moderated the webinar. Please visit the Clean Coalition's website to watch a video of the

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.

webinar, which provides a comprehensive look at CLEAN Programs from both domestic and global points-of-view.

To learn more about the CLEAN California Campaign and/or to endorse it, please visit www.EnergyJobsNow.org.

Clean Coalition weighs in on CEC's draft report on Renewable Power in California

As part of the Integrated Energy Policy Report (IEPR) Committee, California Energy Commission (CEC) staff released a draft report entitled *Renewable Power in California: Status and Issues* (click here to download the CEC report). The report will be the foundation upon which the CEC will be creating its action plan for deploying more clean energy projects in California, including reaching the Governor's goal for 12,000 MW of Distributed Generation (DG) by 2020.

The Clean Coalition submitted formal feedback on the draft report focusing on the following three key areas:

- The Wholesale Distributed Generation (WDG) market segment, which is comprised of 20 MW-and-smaller projects that are interconnected to the distribution grid, needs enhanced representation in the draft proposal. Beyond this segment's potential to provide most of the Governor's goal for 12,000 MW of DG in a cost-effective and timely manner, WDG is best able to address the major objectives and values expressed by the Governor, the CPUC, and the CEC. WDG is the most cost-effective renewable energy market segment because it optimizes the utilization of available sites to serve local load, while avoiding costs and delays associated with transmission upgrades that are required for large central station projects.
- Regional targets for reaching the Governor's goal of 12,000 MW of DG should be based on load, with adjustments for special policy objectives. The currently proposed methodology includes an overly complex mix of factors, many of which use market trends as a proxy for future development. This methodology would lead to inefficiencies in the development of regional targets as existing market trends are presently disconnected from current policy goals.
- California must implement policies that help modernize the state's electricity system with an Intelligent Grid and "Interconnection 3.0" features. Transitioning to a distributed renewable energy future will require statewide deployment of an Intelligent Grid, including the overlaying of a comprehensive electronic control and communication system on the current power grid. Additionally, future interconnection procedures should be designed with state-of-the-art information technology and grid modeling solutions. The Clean Coalition refers to such grid awareness and modeling as "Interconnection 3.0" and it will radically improve current interconnection planning and study procedures.

To review the entire Clean Coalition submission, download the filing here. The CEC is expected to post a revised executive summary of the report on October 24 and have the final report finished by December 6. The new draft IEPR report will be posted for public comment on December 1. Check the CEC website here for further details.

CREST Motion victory in California

Last month, the Clean Coalition reported on the official Motion it filed with the CPUC to modify the Southern California Edison (SCE) California Renewable Energy Small Tariff (CREST)**** Power Purchase Agreement (PPA) (please see the last newsletter for details). The Clean Coalition's Motion called for fundamental modifications that would allow banks to actually finance the CREST projects. The importance of this modification is evidenced by the fact that practically no CREST PPAs have been executed even though there are over 150 MW of projects ready to build, if the CREST PPA becomes financeable.

On October 11, the CPUC issued its Proposed Decision on the Clean Coalition Motion. The Motion was granted with only minor changes. This is a major victory in the Clean Coalition's push for a standard WDG PPA that works for all parties and is easy to finance.

The outcome of this Proposed Decision means that:

- SCE must replace major provisions in the "Termination" and "Project Assignment" sections with language from their Solar Photovoltaic Program (SPVP) contract. From the point of view of traditional lenders, these are the most essential and necessary changes to make the PPA financeable.
- SCE must remove language from the PPA that would have allowed the utility to modify the contract later, even years after the PPA had been signed. This language made the contracts highly risky for lenders and will no longer be an obstacle.
- New PPA contracts will now allow projects to come online 6 months later than the previous deadline allowed (originally 18 months, now 2 years), if delays to project development are caused by interconnection or permitting issues outside of the developer's control.
- New PPA contract adds another interconnection agreement option for developers and removed the requirement that the interconnection agreement needed to be completed before the PPA could be signed.

This Proposed Decision is expected to be voted on during the November 10 CPUC meeting and once approved, will go in to effect immediately, requiring SCE to file the changes within 5 days.

The Clean Coalition applauds the CPUC's swift response to the Motion. By fixing the CREST PPA, the Clean Coalition now expects this previously under-subscribed clean local energy procurement program to expand rapidly, creating jobs and bringing private investment to California. Further, the timing of the PPA fix is critical, as it will allow projects to qualify for federal tax benefits that will otherwise expire at the end of 2011.

**** The California Renewable Energy Small Tariff (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.

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