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CLEAN COALITION
Making Clean Local Energy Accessible Now

Community Update | February 29, 2012

Dear Clean Coalition Friends,

2012 is staging to be a big year for the Clean Coalition.

The Clean Coalition continues to play a vital role in California's Senate Bill 32 implementation and the Rule 21 interconnection reform process. The organization has also been diligently working to ensure that the latest California Integrated Energy Policy Report highlights clean local energy as a vital market sector for the transition to a clean energy future.

In addition, the Clean Coalition is proud to share the latest on CLEAN Programs, including new best practices for program design and news about Palo Alto CLEAN, a soon-to-be launched CLEAN Program that will be a model for utilities across the country.

Please find updates on the following items in this month's newsletter:

Thank you for supporting the Clean Coalition, and the organization's pursuit of making clean local energy accessible now.

Sincerely,
Craig Lewis

Local action: Palo Alto CLEAN Program update

The City of Palo Alto continues to make substantial progress towards the adoption of a city-wide CLEAN Program. On February 7, the Palo Alto Finance Committee voted unanimously to support the proposal from the City's municipal utility — City of Palo Alto Utilities (CPAU) — to purchase solar energy from commercial rooftops and parking lots at a fixed-rate of 14 cents per kilowatt-hour for 20 years.

The $0.14 per kilowatt-hour rate was based on the city's avoided costs, which totaled $0.1355 per kilowatt-hour. To spur developer interest, CPAU added a $0.0045 premium. The premium is negligible from a ratepayer standpoint. A fully subscribed pilot-program would carry an annual price tag of $29,000, increasing the average electric bill by only a penny per month.

In the pilot stage during the remainder of 2012, the CLEAN Program is designed to add 4 megawatts of solar energy to the local grid from medium and large commercial-scale projects. CPAU expects to expand the program size starting in 2013 and may include other types of renewable energy and expand the range of eligible project sizes. More details about the Palo Alto CLEAN Program are available here.

The Clean Coalition has been very active in supporting the development of Palo Alto's pilot

Connect

In the News

The Local CLEAN Program Guide helps local leaders create jobs and spur private investment in clean local energy | ICMA | February 22, 2012

Local and state policymakers across the nation are rolling out Clean Local Energy Accessible Now (CLEAN) Programs to create local jobs and spur private investment.

Calif. regulators quietly cut SoCalEd's 500-MW rooftop solar program in half | SNL Power Daily | February 17, 2012

Article details changes to SoCalEd's solar photovoltaic program and cites the Clean Coalition as a distributed generation policy expert that disagrees with the changes.

Feed-In Tariff for PV in Palo Alto, Calif. Imminent | Greentech Media | February 13, 2012

Can a city in the heart of Silicon Valley make a solar feed-in tariff program work?

Wholesale Distributed Generation 'Set to Crank' in California | AOL Energy | February 13, 2012

Article details distributed generation efforts and programs across California, and features Clean Coaltion Executive Director Craig Lewis.

Green power surges in Calif. as utilities eye mandate | Governors' Wind Energy Coalition | February 7, 2012

CLEAN Program which is highly innovative and will guide many additional CLEAN Programs throughout the country. Expect a formal announcement of the official launch of the Palo Alto CLEAN Program next week!

SB 32 Update: IOUs Submit Joint PPA Proposal

On February 15, California's three largest Investor Owned Utilities (IOUs) — Pacific Gas and Electric, Southern California Edison, and San Diego Gas and Electric — submitted a joint proposal for a standard Senate Bill 32* Power Purchase Agreement (PPA). Senate Bill (SB) 32 will be the first clean energy procurement program in California to use a single standard contract across the three big IOUs.

The Clean Coalition is pleased with many aspects of the proposed PPA. In fact, a number of core ideas that the Clean Coalition effectively fought to include in the California Renewable Energy Small Tariff (CREST)** reform process were included in the proposed PPA.

Although the proposal put forth by the IOUs is based on a simple PPA used by Pacific Gas and Electric in their Assembly Bill (AB) 1969 program, the IOUs made a number of changes that greatly increased the complexity of the proposed PPA. The Clean Coalition believes that some of the added complexity appears justified; however, the organization will continue working over the next several months to simplify the PPA while minimizing risks and eliminating loopholes and landmines.

The California Public Utilities Commission (CPUC) is expected to issue a Proposed Decision (PD) specifically on the PPA proposal before mid-year. Additionally, the Clean Coalition still expects a PD on the SB 32 program and pricing design by the end of March.

* 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.

** The CREST Program is Southern California Edison's implementation of AB 1969, the existing predecessor CLEAN Program to the coming SB 32 CLEAN Program.

California Interconnection Reform: Settlement process ends but reform process set to continue

The CPUC's Rule 21 Distribution System Interconnection Settlement (DSIS)*** discussions have concluded.

At the R. 11-09-011 Pre-Hearing Conference (PHC), held on February 16, CPUC Commissioner Florio and Administrative Law Judge DeAngelis requested that parties involved in the Settlement file a motion for CPUC approval of the Settlement package by mid-March. As soon as this motion is filed, all documents contained in the Settlement package will become publicly available, including:

- The Settlement Agreement
- Initial revised Rule 21 tariff (to be improved via R. 11-09-011)
- Standardized Interconnection Agreements for Exporting Generators following Fast Track
- Standardized Interconnection Requests for Exporting Generators
- Settlement Parties' Recommended Scope of Phase 2 (a list of issues to be addressed in the open proceeding: R. 11-09-011)

A PD on the Settlement is expected 30 days after the motion is filed. Following the PD, there will be a 30-day public comment period. Commission consideration of the PD, including any post-comment revisions, is expected in June.

Parties present at the PHC expressed no opposition to the proposed Settlement; however, further reform is anticipated in the open proceeding (R. 11-09-011) even if the Settlement is ultimately adopted by the CPUC. The Clean Coalition has been an active leading party in the settlement process and believes that the open proceeding will allow for further substantial improvements with respect to distribution grid (D-Grid) interconnections.

*** DSIS was an official CPUC initiated settlement process seeking agreement on updating the state interconnection tariff, including accommodation of wholesale generation, more rapidly than would be possible through a regular proceeding.

Article details efforts by California IOUs to meet the state's Renewable Portfolio Standard.

See the Clean Coalition website for additional news.

Upcoming Events

March 16, 2012 | Good Jobs Green Jobs 2012 Western Conference | Los Angeles, CA

Ted Ko, Associate Executive Director of the Clean Coalition, will speak on the "Residential, Commercial and Utility Scale Solar Industry Job Creation" panel on Friday, March 16 at 10:30 am.

See the Clean Coalition website for additional upcoming events.

Recent Regulatory Filings

CPUC | Opening Comments on Proposed Decision Implementing Assembly Bill 1954 | Feburary 6, 2012

This filing represents the Clean Coalition's comments regarding the proposed decision on Assembly Bill 1954. The filing provides support to the Proposed Decision with one exemption.

CEC | Comments on 2011 IEPR Final Report | Feburary 1, 2012

This filing represents the Clean Coalition's comments that acknowledge the tremendous work done by the CEC in developing IEPR, but notes that several core assumptions in analyses must be revisited in the 2012 IEPR update. Urgent outstanding issues include: regional target methodology for 12 GW DG goal, bias towards central station renewables, and the need to integrate energy policy silos.

CPUC | SCE's Petition for Modification of Decision 09-06-094 | January 31, 2012

This filing represents the Clean Coalition's objections to the Proposed Decision supporting Southern California Edison's (SCE) proposed cancellation of the SPVP solar rooftop WDG program and transfer of

Legislative update: Bills addressing D-Grid and SB 32 improvements under consideration

The Clean Coalition is looking forward to providing education and support for several bills under consideration by the California legislature this year based on three core themes relating to the D-Grid: Transparency, Future-Proofing, and Shared D-Grid Upgrades.

First, the investments and procedures managed by the IOUs need to be as transparent as possible. Assemblyman Bob Blumenfeld has started a bill to open the black box and show California ratepayers how their money is being spent on the D-Grid and how these massive investments are accommodating, or not accommodating, the interconnection of clean local energy.

Second, the investments made in the D-Grid need to prepare California for a future with high penetrations of DG enabled by fully integrated smart grid technologies — what the Clean Coalition describes as Future-Proofing the D-Grid. By ensuring smart investments are made in the D-Grid today, utilities can minimize future investments in the transmission grid (T-Grid) while also avoiding the need to later retrofit the D-Grid. Both of which will ultimately save money for California ratepayers.

Third, the financing structure for D-Grid investments must be amended. Currently, Wholesale Distributed Generation (WDG) developers are not reimbursed for any costs of upgrades necessary to interconnect WDG projects to the D-Grid. In contrast, facility developers are fully reimbursed for T-Grid upgrade costs over a five-year period. While T-Grid upgrade costs are shared across all California ratepayers (known as "rate-basing"), D-Grid upgrade costs and the associated risks are shouldered by WDG developers. The end result is that the locational benefits value of certain DG facilities, and the lower value of central station energy, are both hidden in the sticker price (the PPA agreement rate).

The Clean Coalition proposes that the costs of any D-Grid upgrades, required by the interconnection of new WDG facilities that will benefit the grid and ratepayers, should also be shared across the host utility's rate-base. Ultimately, this will align the incentives of the utilities and DG developers, simplify D-Grid interconnection processes, and provide cost-savings for ratepayers. Assemblyman Das Williams has introduced bills for Future-Proofing and Sharing D-Grid Upgrades.

Separately, the Clean Coalition is supportive of two bills that make improvements to SB 32. The first bill, from Senator Gloria Negrete McLeod, sets a deadline when the state's publicly owned utilities (POUs) must launch their CLEAN program and makes a few fixes to the original bill's pricing and resource adequacy provisions.

The second bill, from Senator Michael Rubio, expands SB 32 and makes it viable for biogas electricity generation. As written, SB 32 does not value the methane utilization benefits of biogas electricity; furthermore, the anticipated SB 32 program pricing is unlikely to be sufficient for the relatively immature biopower industry. The Rubio bill will set aside program capacity for biopower electricity and provide pricing support for the additional methane utilization value associated with biopower projects.

CARB Vote: Cars to be powered by clean local energy

On January 27, the California Air Resources Board (CARB) voted unanimously to adopt a strong suite of new Clean Cars Standards designed to spur advanced vehicle technology, cut air pollution, and save consumers money. This decision paves the way for 1.4 million zero-emission and plug-in hybrid vehicles to be on California roads by 2025.

Clean cars and clean energy are strongly interconnected. First, "zero-emission" vehicles will continue to result in emissions as long as electric vehicles are powered by electricity generated from fossil fuels. Second, to accommodate increasing numbers of electric vehicles and higher penetrations of clean local energy, the Clean Coalition is working to make sure current investments in the distribution grid will adequately prepare California's grid for the Distributed Generation + Intelligent Grid (DG+IG) future. Electric Vehicles (EV) are a major IG solution, along with Demand Response (DR), Energy Storage (ES), and Monitoring, Communications, and Control (MC2). Planning ahead will ensure that the distribution grid is not a roadblock to

remaining 250 MW allocation to RAM. SCE claimed unsubstantiated and grossly exaggerated ratepayer savings and failed to consider the loss of program benefits.

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.

meeting the state's clean car and clean energy goals.

Clean Coalition's IEPR efforts prove fruitful

The California Energy Commission (CEC) recently approved the final version of the 2011 Integrated Energy Policy Report (IEPR). The biennial report includes the latest research and analysis of energy demand and generation trends relevant to California's 33% Renewable Portfolio Standard (RPS) and the Governor's 12,000 megawatt (MW) goal for distributed generation (DG).

The Clean Coalition was highly involved in the 2011 IEPR (see December newsletter), serving as one of the leading participants in many stages of the IEPR creation process, in addition to submitting written comments on the final report.

Although the report fails to provide detailed recommendations with respect to certain key clean energy goals, the Clean Coalition's involvement with the IEPR resulted in a handful of victories for proponents of Wholesale DG.

The Clean Coalition is highly pleased that the CEC took the important step of including a definition for DG in the report. In the past, too much policy had been based on the assumption that DG referred *only* to small-scale, retail distributed generation, such as net metered rooftop solar. The Clean Coalition pushed the CEC to define DG more clearly, which resulted in defining DG as energy generation under 20 MW that interconnects to the distribution grid — on either side of the meter — and serves local load. Through most of the IEPR, the CEC does then distinguish between wholesale and retail DG, using the term "self generation" for retail DG.

The Clean Coalition is also pleased with the CEC's acknowledgement that more work must be done to define and set targets within the Governor's 12,000 MW DG goal. In the coming months, the CEC will layout a detailed strategic plan on renewable energy in its 2012 IEPR Update. The Clean Coalition will continue its strategic involvement in the IEPR process to ensure that Wholesale DG is prioritized.

Policy Spotlight: Volumetric Price Adjustment

The success of a CLEAN Program can hinge upon determining the appropriate fixed price paid for electricity. If the fixed price is too low, the program is not able to attract participants. However, if the fixed price is too high, a rush may ensue and ratepayers do not get a cost-effective program. Thus, CLEAN Programs are sometimes criticized because the task of setting a perfect fixed price can be difficult.

The Clean Coalition believes that Volumetric Price Adjustment (VPA) has emerged as a best practice for maintaining the appropriate fixed price over the duration of a CLEAN Program. A VPA serves as an effective — and easy to implement — policy mechanism to mitigate market swings and keep the fixed prices as close to perfect as possible over time.

A VPA allows the fixed price offered to developers to adjust as the market responds to the program. To implement a VPA, program designers must first determine buckets of capacity for assessing market response, the magnitude of price adjustments (up and down), and the length of the waiting periods to gauge market response before the price is adjusted.

For example, a CLEAN Program using a VPA might allow the first 50 MW of capacity to contract at a starting fixed price. If the 50 MW bucket fills quickly with projects, then the price paid for the following bucket of capacity is reduced by a predetermined adjustment. If, on the other hand, very few projects vie for the first 50 MW of capacity, then the fixed price adjusts upward by a predetermined increment after a set period of time. The VPA mechanism continues to apply through the lifetime of the CLEAN Program, which means that only the initial fixed price was determined in any other manner.

CLEAN Programs that include a VPA are staged for success because the fixed pricing adapts as the market responds. In many respects, the VPA is similar to the tiering that has been used in the California Solar Initiative. The use of a VPA limits the risk associated with a starting price that might not be exactly perfect (as if anything ever is), and deliberations over the starting price can be minimized, further reducing the already low administrative burden associated with CLEAN Programs.

A VPA mechanism is expected to be included in the implementation of California's coming statewide CLEAN Program, via SB 32, and the Clean Coalition will work to ensure that this VPA is well designed and can serve as a model for CLEAN Programs across the country.

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