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CLEAN COALITION
Making Clean Local Energy Accessible Now

Community Update | November 16, 2011

Dear Clean Coalition Friends,

The Clean Coalition is celebrating several outstanding policy victories this November, ranging from electoral wins in Palo Alto, California and Boulder, Colorado to CLEAN policy victories with the California Public Utilities Commission (see link to CREST victory below).

In the Clean Coalition's hometown of Palo Alto, California, citizens voted overwhelmingly in favor of clean local energy by saying "yes" to Measure E – the Palo Alto Green Energy and Compost Initiative. This measure will allow Palo Alto to build a new waste-to-energy bio-facility, which will lead to more environmentally sustainable waste management and energy procurement options for the city.

The effort to pass Measure E provides an excellent example of the importance of local leadership stepping forward to effect change in the local energy system. While opponents claimed Measure E was too risky, local advocates informed voters about the myriad of benefits that would come from the measure; and the voters in Palo Alto overwhelmingly supported Measure E. The Clean Coalition was an active supporter and applauds the many local leaders who took action to see it through, with particular kudos to former Palo Alto Mayor Peter Drekmeier.

The Clean Coalition is also excited to report on the fantastic victory for clean local energy in Boulder, Colorado (see below) and a variety of additional updates on other important Clean Coalition accomplishments and initiatives. This month's newsletter contains the following topics:

- Local CLEAN Program Guide: Two new modules released – Module 3: *Evaluating Avoided Costs* and Module 4: *Determining Program Size and Cost Impact*; upcoming ICLEI webinar
- CREST victory and outlook
- Local Action: Groundbreaking vote in Boulder, Colorado to municipalize; move increases Boulder's ability to produce clean local energy
- Federal Action: Senators Feinstein and Wyden support CLEAN
- SB 32 CLEAN Program update
- Interconnection Reform: Distribution System Interconnection Settlement (DSIS) is progressing
- Policy spotlight: Queue Hogging

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

Sincerely,

Craig Lewis
Executive Director, Clean Coalition

Local CLEAN Program Guide: Two new modules released – Module 3: *Evaluating Avoided Costs* and Module 4: *Determining Program Size & Cost Impact*; upcomig ICLEI webinar

The Clean Coalition has recently released two new modules of the Local CLEAN Program

Upcoming Events

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 from 11 am to 12 pm PST.

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

Ted Ko, Associate 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 10:45 am.

January 25-26, 2012 | Energy Investment Forum | Austin, TX

Craig Lewis, Executive Director of the Clean Coalition, will serve as the 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. Time TBA.

See the Clean Coalition website for additional upcoming events.

Recent Regulatory Filings

CPUC | Draft Staff Proposal for Implementation of SB 32 |

Guide: Module 3: *Evaluating Avoided Costs* and Module 4: *Determining Program Size & Cost Impact*. 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, Florida program and the soon-to-be operational CLEAN Programs that the Clean Coalition helped design in Fort Collins, Colorado and Palo Alto, California.

Module 3: *Evaluating Avoided Costs* helps local utilities design cost-effective CLEAN Programs that account for the costs that will be avoided by procuring clean local energy. The avoided cost evaluation is an important consideration when designing a CLEAN Program because it generally shows that the “sticker price” expressed by power purchase agreements (PPAs) does not include many hidden costs that a utility and its ratepayers incur, such as Transmission Access Charges (TACs) and “external” costs of energy generation like pollution that can have substantial impacts on the community.

Module 4: *Determining Program Size & Cost Impact* assists with setting the appropriate CLEAN Program size and assessing the associated cost impact. This module shows how the optimal program size can be determined in light of the avoided cost analysis and the program goals and constraints. This module also demonstrates how to calculate the cost impact of the program, and illuminates the fact that CLEAN Programs may have no cost impact or even yield ratepayer savings.

Please visit the Clean Coalition's website to download a free copy of the Local CLEAN Program Guide, including the above two modules.

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 register online here.

CREST victory and outlook

Last Thursday, the California Public Utilities Commission (CPUC) unanimously voted to require that Southern California Edison (SCE) revise their California Renewable Energy Small Tariff (CREST)* PPA. This decision requires SCE to file changes to their CREST PPA by Monday, November 21.

The vote at the CPUC was the result of a Clean Coalition Motion filed with the CPUC in August. Our motion called to attention the fundamental modifications needed in the SCE PPA such that banks will actually finance the CREST projects. Changes to the SCE PPA were evidenced by the fact that only a handful of CREST PPAs have been executed even though there are over 200 megawatts (MW) of projects ready to be built in the utility’s queue.

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.

Additionally, this vote is a major victory in the Clean Coalition’s push for a standard Wholesale Distributed Generation (WDG) PPA that works for all parties and is easy to finance. Please see the October newsletter for a detailed list of expected changes to the CREST PPA.

* 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.

Local Action: Groundbreaking vote in Boulder, Colorado to municipalize; Move increases Boulder's ability to produce clean local energy

November 14, 2011

This filing represents the Clean Coalition's reply comments on the CPUC's staff proposal for the implementation of SB 32. To help CPUC staff craft a proposed decision, the comments provide legal interpretations of market price and avoided costs. Additionally, the filing rebuts numerous comments from other parties, especially pricing comments from the IOUs.

CPUC | Southern California Edison's Solar Photovoltaic Program | November 7, 2011

This filing represents the Clean Coalition's comments on SCE's petition for modification of Decision 09-06-049. The Clean Coalition observed that SCE's proposed modifications will effectively kill the Solar Photovoltaic Program (SPVP) and/or the procurement of rooftop solar from Independent Power Producers in SCE territory.

CPUC | Senate Bill 32 Implementation | November 2, 2011

This filing represents the Clean Coalition's numerous suggestions regarding the SB 32 staff proposal. These comments include recommending to not require a completed Phase 1 interconnection study as a pre-condition for an SB 32 application, opposing SCE's pricing recommendations, and proposing the Clean Coalition's degression/price increase schedule based on the level of interest in the program (volumetric degression).

CPUC | California Renewable Energy Small Tariff Reform | October 31, 2011

This filing represents the Clean Coalition's comments regarding the Proposed Decision for the CREST Reform. The Clean Coalition suggests minor changes to the Proposed Decision, which are almost uniformly favorable to the Clean Coalition's requests in its motion for CREST reform, whereby changes to the existing CREST 1.5 MW CLEAN Contract were recommended in order to make it financeable.

CPUC | Order Instituting Rulemaking in New Rule 21

This November, Boulder voters approved a ballot measure that will allow the city to form its own municipal utility, stripping control away from the investor-owned utility Xcel Energy. This measure will provide the city with greater flexibility and local control over its electric system, help the city reduce its greenhouse gas emissions, and give the city an opportunity to target energy investments that are aligned with local goals.

Boulder will soon begin the process of acquiring ownership and assuming responsibility for operation of the distribution grid that serves the City of Boulder. While there are still hurdles the city must complete before its municipal utility is launched, Boulder will eventually control the $100 million in revenue that is currently collected by Xcel and will be able to redirect electricity production from coal to clean local sources. Around 60% of the electricity Boulder receives from Xcel is currently from coal.

While campaigning for the measure, supporters touted a study that showed municipalization would give Boulder the opportunity to increase its renewable energy production by 40% and reduce carbon emissions by 60%, all without increasing electricity rates.

The Boulder municipalization process should take about 5 years to complete. An important companion measure to raise the utility occupation tax to help pay for municipalization also passed.

The Clean Coalition salutes the clean local energy advocates who were instrumental in the passage of these measures, and looks forward to helping Boulder achieve high penetrations of clean local energy.

Federal Action: Senators Feinstein and Wyden support CLEAN

Two parallel efforts are underway in Washington, D.C. to help eliminate a potential obstacle to launching CLEAN Programs in some states across the nation. Despite last year's Federal Energy Regulatory Commission (FERC) ruling that mapped out legal pathways for states to pursue CLEAN Programs, some investor owned utilities around the country have threatened legal action.

Under Senator Dianne Feinstein's leadership, a provision has been included in the Senate Appropriations Bill (H.R. 2354) requiring the FERC to issue regulations that further clarify state authority to implement technology-differentiated CLEAN Contracts. Since 1978, PURPA (*Public Utility Regulatory Policies Act*) has been used by litigious utilities to attempt to restrict states' ability to implement policy necessary to accomplish their renewable energy goals. Feinstein's language in H.R. 2354 will help states to appropriately incentivize the development of clean local energy.

In order to express support for Senator Feinstein's effort, the Clean Coalition submitted a letter of support (you can download the Clean Coalition's letter here). Further, the Clean Coalition worked with representatives of the CPUC and the Office of California Governor Jerry Brown to help add more voices of support to the effort by encouraging other organizations to submit similar letters. By the Clean Coalition's last count, well over two-dozen prominent businesses and organizations have submitted their own letters of support.

The Appropriations Bill is expected to be taken up on the Senate floor in the coming weeks. If it passes the Senate, then it will go in to conference to match the House and Senate versions of the bill.

Senator Ron Wyden has also introduced a bill that would accomplish a similar goal. Known as the "PURPA PLUS Act" (S. 1491), the Wyden bill would amend PURPA, removing the federal preemption issues around states' authority to enact CLEAN Programs. While Senator Feinstein's effort will achieve important progress by resulting in a FERC regulation, the PURPA PLUS Act represents further progress by amending PURPA itself. The PURPA PLUS Act is currently under review in the Senate Committee on Energy and Natural Resources.

SB 32 CLEAN Program update

Proceeding | October 26, 2011

This filing represents the Clean Coalition's comments regarding various macro issues relating to distribution grid interconnection reform under Rule 21. This filing stresses the need for reform to meet Governor Jerry Brown's 12,000 MW of DG goal. These comments also discuss the need to have greater transparency and comprehensive information for all parties in order to better understand and resolve the state of California's energy issues.

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.

The Clean Coalition is actively involved in the CPUC proceeding implementing the Senate Bill (SB) 32** CLEAN Program. In last month's newsletter, the Clean Coalition outlined initial thoughts on the CPUC Staff Draft Proposal. In the last 30 days, other parties have officially weighed in on the proposal, and reply comments were submitted Monday.

Comments on the proposal varied widely, so the Clean Coalition's reply filing is quite extensive (click here to download the filing). Major themes addressed in the Clean Coalition's reply comments include:

- Contracts: There should be a single, simplified contract used by all Investor Owned Utilities (IOUs).
- Pricing (in general): Several parties proposed initial pricing that was absurdly low. Pricing needs to be realistic; if the initial pricing is too low, the program will fail to attract projects for a long time.
- Renewable Auction Mechanism (RAM)***-based starting price: The staff proposal to use the November 2011 RAM clearing price as an SB 32 starting price is reasonable, however, later RAM bids should not be used for SB 32 price changes. Adjustments should instead be made in reaction to market response to the program. Additionally, many parties misinterpreted the proposed methods for normalizing RAM prices to better reflect the SB 32 market segment. The Clean Coalition comments clarify this issue for all and provide the appropriate legal reasoning.
- State Authority to enact a CLEAN Program: Many parties continue to misinterpret the FERC Order regarding CLEAN Program pricing. Over the last year since the FERC decision, multiple legal opinions have emerged and the staff proposal appears to take a reasonable position within their authority to create a CLEAN Program. The Clean Coalition supports the CPUC position and is not recommending testing that boundary at this time.

The Clean Coalition hopes to see a Proposed Decision from the CPUC by the end of the year; however, given the breadth of comments and alternative proposals filed, the CPUC may choose to hold additional workshops and hearings so that all options may be discussed. Regardless, the Clean Coalition expects an operational SB 32 CLEAN Program launched by 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: Distribution System Interconnection Settlement (DSIS) is progressing

The Clean Coalition has been pushing for interconnection reform since its founding, and is deeply engaged in the CPUC's effort under the Distribution System Interconnection Settlement (DSIS)**** process. The goal of this process 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 Clean Coalition's participation in the DSIS focuses on making sure reform efforts achieve outcomes that support far greater levels of cost-effective and timely clean local energy via predictable interconnection processes.

Although the DSIS process is confidential, it is moving rapidly. The goal is to reach agreement on the improved interconnection tariff by the end of this year and have a single tariff implemented throughout California by early 2012. Additional refinements will then be pursued later in 2012.

The Clean Coalition looks forward to sharing the progress that has been made when the DSIS process completes at the end of the year. Please see October's 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.

Policy spotlight: Queue Hogging

“Queue hogging” is when a low viability clean energy project holds a place “in line” for a clean energy procurement program. The Clean Coalition has identified queue hogging as a flaw in most currently designed energy procurement programs. However, there are steps that regulatory bodies can take when designing their renewable energy programs that would minimize the effects of queue hogging without making a program inaccessible to new participants.

As background, most clean energy procurement programs have an overall program capacity limit and take applications on a first come, first serve basis. Projects enter the queue as they are submitted and essentially get in a line to sign the contract with the utility. Renewable energy procurement programs can be highly competitive, so even on the first day that programs take applications, the entire program can be oversubscribed.

Because it can take many months to determine if a project is going to ultimately fail to be built, the regulatory trend has been to simply add more up front viability requirements to the program application. The most difficult application criteria being used or suggested in procurement programs involves completed interconnection milestones. Since establishing interconnection can take years and is often an extremely expensive process, applying interconnection milestones as application criteria means that only well-established companies or the most experienced developers will even apply, as the upfront interconnection study costs would be too high for new participants without knowing if they would make it into a procurement program. Thus, while an interconnection screen might prevent extremely speculative projects from clogging the queue, it also discourages new program participants that are looking to build a clean energy project for the first time (e.g. participants such as building owners, farmers, ranchers, etc.).

The Clean Coalition suggests striking a regulatory balance that minimizes upfront eligibility requirements while instituting a strict project development schedule. This will allow potential projects to secure program participation without incurring the tremendous costs associated with interconnection beforehand. All accepted projects, however, will then be required to file for interconnection quickly in order to achieve their development schedules. The Clean Coalition also suggests that if a project drops out of the interconnection process (which has many milestones and costs), then the project should also lose its place in the program queue. This approach would reduce queue hogging while still maintaining program accessibility for new participants. These rules, combined with the various fees and development deposits, are enough to prevent speculative applicants from submitting risky, untenable projects.

The Clean Coalition is proposing this approach to deal with queue hogging in the new SB 32 CLEAN Program, which is currently being formalized in a CPUC proceeding.

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