California consumers and promote the state's economic and environmental goals. Utilities also have not substantiated their claims of a cost shift from NEM participants to non-NEM customers, division Acting Director Joe Como stated.

"The utilities don't like net metering because it cuts into their business," Como said.

After the meeting, Tom Beach, principal at Crossborder Energy, called the decision "kind of a mixed bag." He agreed with Peevey's interpretation of the cap using non-coincident peak demand. But setting a date to cut off NEM creates uncertainty, he said.

Curtis Seymour, senior manager of government affairs at SunEdison, called the decision a positive sign of support by the CPUC and Gov. Jerry Brown's office for distributed-generation solar.

"We're all still trying to digest some of the changes," Seymour said of the provision for the January 2015 end date.

Adam Browning of Vote Solar Initiative noted concerns over that program end date, adding that the real issue lies with rate structure and rate design rather than net metering. But he praised the decision as fact-based and a way to buy time.

"We'll take the win," Browning said ***[Hilary Corrigan].***

[11] Feed-In Tariff Expansion Draws Warnings of Project Failures *(from [3])*

The CPUC expanded its feed-in-tariff program this week, but longtime FIT proponents warned that the program's new design would not effectively tap the large potential for small projects that can quickly go on line near load centers.

The commission unanimously approved the decision at a May 24 business meeting as another mechanism to reach renewables portfolio standard goals *[D12-05-035, R11-05-005]*.

The decision expands the FIT program to a statewide cap of 750 MW from about 500 MW and increases eligible project size to 3 MW from 1.5 MW (see *CEM* No. 1176 [11]). It creates a new pricing mechanism—a renewable market adjusting tariff (Re-MAT)—rather than continuing to rely on the market-price referent.

Re-MAT sets a starting price based on the weighted average contract price of investor-owned utilities' highest-priced executed contract from a November 2011 auction under the new renewables auction mechanism—about 9 cents/kWh. It applies that price to three product types: baseload, peaking as-available and non-peaking as-available. It also incorporates a price adjustment every two months based on market response. And each project would get a time-of-delivery adjustment based on the generator's actual energy delivery and the utility's time-of-delivery factors.

Commissioner Mark Ferron called it a sustainable and fiscally appropriate program to promote small distributed generation at reasonable costs to ratepayers. Commissioner Timothy Alan Simon praised the method as a way to create stability while containing costs.

The market-based mechanism will create opportunities and promote competition, said Commissioner Catherine Sandoval.

Commissioner Mike Florio suggested tweaking the program so that biogas projects can more easily take part, by letting utilities buy their power at the FIT price and also buy offsets for those projects' methane-capture capabilities. CPUC President Michael Peevey suggested changes to accommodate state agencies that had sought a carve-out in the product categories for forest biomass—partly to reduce forest-fire fuel.

But feed-in-tariff advocates complained that the decision makes the program more closely resemble an auction. They also doubted its effectiveness at getting small projects on line near load centers and questioned whether it matches the intent of SB 32, the legislation that increased the program cap and project size limit.

'It's an auction mechanism. This is just another dead end.'

The Clean Coalition, a nonprofit formed to promote FITs, said that feed-in tariffs with set prices provide certainty to developers. Auctions, on the other hand, can be risky because developers try to offer the lowest cost—leading to project failures when they cannot deliver at those low prices, said Ted Ko, the group's associate executive director.

The group had supported Re-MAT, but with specific changes. For instance, the group had called for the decision to allow for a greater capacity subscription amount before adjusting the price in order to get a greater market response. Clean Coalition had also urged setting a price floor to give developers more certainty.

And the group had called for increasing the amount of megawatts under the FIT program, arguing that the program should mirror the California Solar Initiative and target 2 GW or 3 GW. The wholesale DG market potential is several times that of the net-metering segment and offers the best potential for reaching Gov. Jerry Brown's goal of 12,000 MW from DG, Ko said.

"They essentially ignored most of it," Ko said of Clean Coalition's suggestions.

The decision had some changes from its draft form, but they went in the wrong direction, Ko said. The monthly price adjustment changed from monthly to every two months and the program duration was extended from one year to two years, thereby pushing out the time it will take for the state to see resulting projects, Ko said. And the decision extends on-line dates to 24 months rather than 18 months—even though the FIT is supposed to target DG projects that can quickly go on line.

Ko expects to see high failure rates in a couple of years when projects can't meet the low prices they bid.

"The commission, I think, just made a poor decision," Ko said. He also noted that recent revisions to the decision had not appeared on the agenda, making it difficult for parties to see the latest changes and the version that the commission voted on.

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"It's a real disservice," Ko said. "It's kind of an unfortunate practice there that we'd love to see improved."

Solar advocate and engineer Bill Powers has also long urged expanding the FIT, and warned that the decision fails to effectively do so.

"It's an auction mechanism," Powers said. "This is just another dead end."

The program does not specify location requirements and will likely result in ground-mounted projects that sit far from major load centers like San Diego, Fresno, Los Angeles, San Francisco and Bakersfield, Powers said. But the intent of the FIT program was to locate small DG in such urban areas. He pointed to Palo Alto's recent FIT program as an example (see *CEM* No. 1171 [14.1]).

And basing the price on RAM—geared toward large DG with lower prices—creates a "bottom-of-the-barrel pricing scheme," Powers said.

"This may be the absolute apex of the market-mania forces," Powers said ***[Hilary Corrigan].***

[11.1] CPUC Adopts Plan for New Public Goods Charge

The CPUC set parameters this week to manage funds collected from ratepayers for clean-energy research, development and deployment.

The commission adopted the electric program investment charge, or EPIC, late last year as a method to collect ratepayer money for RD&D, market support and market facilitation of clean-energy technologies (see *CEM* No. 1160 [12.1]). The move followed the state Legislature's failure to extend the public-goods charge, which previously had funded energy research and development along with efficiency programs. EPIC replaced that charge when it expired.

Under the framework approved unanimously at a May 24 business meeting, utilities will collect from ratepayers $162 million per year starting in January 2013 through the end of 2020. The CEC will administer 80 percent of the funds and the utilities will administer the rest. Investment plans will be reviewed every three years. The decision noted that ratepayer benefits "must be mandatory and the most important guiding principle" of the EPIC program *[D12-05-037, R11-10-003].*

Pacific Gas & Electric will collect about 50 percent of the funds; Southern California Edison will collect about 41 percent and San Diego Gas & Electric will collect nearly 9 percent.

Commissioners praised the setup as a comprehensive way to consider, review and fund RD&D. CPUC President Michael Peevey noted broad support from a range of stakeholders. Commissioner Timothy Alan Simon called it an objective process that ensures ratepayer money spent on RD&D will benefit them.

Simon, along with Commissioners Mike Florio and Mark Ferron, supported a bio-energy set-aside. Florio agreed that the decision cannot provide funds for a program to install solar on new homes, but called for the Legislature to provide a way for the commission to fund that program. And he praised Administrative Law Judge Julie Fitch's "incredibly well-written decision."

"This gives us a comprehensive and structured program that I think will serve us well for years to come," Florio said.

Commissioner Catherine Sandoval called EPIC "a prudent program that will generate innovation through competition, through the emphasis on ratepayer benefits and through continuous evaluation" ***[H. C.].***

[11.2] CPUC Advances Demand-Response Additions, Debates Solar Costs

The CPUC this week approved demand-response program changes for Southern California Edison and San Diego Gas & Electric, part of a contingency planning effort to address electric-system reliability concerns after San Onofre Nuclear Generating Station went off line.

The CPUC had called for the utilities to augment their existing DR programs. Edison proposed a new program to help reduce summer demand in the Orange County area. Participants will get a bill credit of 10 percent for reducing their use by 10 percent or more over the summer, compared to the same period in 2011.

SDG&E proposed expanding its peak-time rebate program. The utility also had also proposed starting a new program to let participants with backup generation make those facilities available for SDG&E to call on. Participants would get a monthly per-kilowatt capacity incentive during the summer.

The Division of Ratepayer Advocates had objected to that proposal because it would use fossil-fueled backup generation—defeating a main purpose of demand response and contradicting CPUC precedent prohibiting that type of generation in DR.

The commission approved a resolution at a May 24 business meeting allowing Edison's new program and SDG&E's change to its peak-time rebate program, but it did not address SDG&E's proposal for backup generation, noting that the program needs more consideration *[Res E-4502].*

Also at the meeting, the commission approved Edison's deal with SunEdison subsidiaries to buy a total of 100 MW from three solar-photovoltaic facilities in California *[Res E-4500, AL 2563-E].*

Edison will get 60 MW from FRV Regulus, set to go on line by April 2014 in Kern County. Edison will get 20 MW each from FRV Adobe and FRV Mohave 4, set to go on line by January 2014 in Kern County and Los Angeles County, respectively. All the power-purchase agreements have 20-year terms. Edison chose the deals from its 2009 renewables portfolio standard solicitation.

The resolution found the confidential cost competitive with other shortlisted deals from the 2009 RPS solicitations. The resolution does not say whether the price exceeds the market-price referent.

The commission voted 4-1, with Commissioner Mike Florio dissenting.

"I have some serious concerns regarding the value of these PPAs," Florio said, noting that Edison will

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