

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric
Company (U902E) for Authority to
Implement Optional Pilot Program to
Increase Customer Access to Solar
Generated Electricity.

Application 12-01-008
(Filed January 17, 2012)

And Related Matters.

Application 12-04-020
Application 14-01-007

CLEAN COALITION PHASE IV PREHEARING CONFERENCE STATEMENT

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CLEAN COALITION PHASE IV PREHEARING CONFERENCE STATEMENT

I. INTRODUCTION

In response to the Administrative Law Judge’s Ruling Confirming Prehearing Conference and Inviting Prehearing Conference Statements (“Phase IV Ruling”), the Clean Coalition submits the following Prehearing Conference Statement regarding the upcoming phase of this proceeding regarding the Green Tariff Shared Renewables (“GTSR”) Program.

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement, interconnection, and realizing the full potential of integrated distributed energy resources, such as distributed generation, advanced inverters, demand response, and energy storage. The Clean Coalition also designs and implements programs for utilities and state and local governments—demonstrating that local renewables can provide at least 25% of the total electric energy consumed within the distribution grid, while maintaining or improving grid reliability through community microgrids. The Clean Coalition participates in numerous proceedings in California and before other state and Federal agencies.

II. PREHEARING CONFERENCE STATEMENT

a. Scheduling: Issues Related to the Procurement Mechanisms for GTSR and the Shaping of the EJ Component Should Be Fast-Tracked.

The Phase IV Ruling asked parties to discuss scheduling of Phase IV of the proceeding. The Clean Coalition notes that advanced procurement for the GTSR program as a whole – and for the Environmental Justice (“EJ”) component specifically – is required to be completed in 2015. The utilities should have decisions regarding procurement resolved as soon as possible. It is true – and maybe even necessary – that advanced procurement can begin with one set of guidelines, with future procurement accomplished with updated guidelines. However, in the interest of uniformity in the GTSR program, decisions regarding procurement issues should be resolved quickly.

Decisions about the process of GTSR and/or EJ procurement should be resolved as quickly as possible, so that they may be applied to procurement in 2015. Any decisions about prioritization of GTSR and/or EJ procurement should be resolved as soon as possible. Application of preferential treatment should also be fast-tracked. Some of these decisions may be complex, and may require more consideration. However, they should be given initial consideration so as to provide the opportunity for swift resolution. Should an issue prove to be more complex, it can be resolved in future decisions.

Any decisions about the shaping of the EJ component should be fast-tracked as well. The utilities will undertake procurement for the EJ component immediately. The specifics of the EJ component should be established as soon as possible.

Finally, issues that have had some discussion already can be fast tracked. For example, the decision to accept projects that are less than 500 kW has been discussed to some extent, and should be in the initial track of Phase IV. Likewise, much discussion concerning the EJ component (such as whether race and ethnicity should be a selector) has already occurred, so that decisions about the EJ component should also be in the initial track.

b. Prioritization and/or Preferential Treatment in Procurement of GTSR Projects and the EJ Component Should Be Explored.

D.15-01-051 stated that Phase IV would examine proposals to prioritize GTSR procurement through RAM and ReMAT, including accepting higher-priced bids for GTSR-eligible projects.¹ Similarly, D.15-05-051 stated that Phase IV would consider proactive steps to procure projects for the EJ component, including preferential treatment for EJ projects in the Renewable Auction Mechanism (“RAM”) and Renewable Market Adjusting Tariff (“ReMAT”) solicitations, and alternative pricing for EJ Projects.² The Clean Coalition agrees that decisions about the procurement of GTSR and EJ projects should be made in Phase IV.

c. ReMAT Must Be Utilized as a Procurement Mechanism; Procurement Levels for ReMAT Should Be Increased.

One manner of facilitating procurement of GTSR projects is to increase the procurement opportunities available from each utility, particularly through ReMAT. The ReMAT procurement mechanism is always available to project developers. Thus it is often more accessible and attractive to developers, especially if they are developing smaller projects. D.15-01-051 orders the utilities to utilize RAM and ReMAT as the procurement mechanisms for the GTSR Program. There are additional steps that the Commission may take to ensure that ReMAT is a viable procurement mechanism for the GTSR program.

Currently, Pacific Gas and Electric Company (“PG&E”) and Southern California Edison Company (“SCE”) only have 5 MW available in ReMAT per each 2-month program period for each product type (baseload, peaking as-available, non-peaking as-available) and San Diego Gas & Electric Company (“SDG&E”) only has 3 MW available in each product type. This is a fairly limited opportunity for procurement, especially if, in addition to serving the general procurement needs of a utility, it will also be used to serve the additional procurement needs for the GTSR program, which requires at least 110.5 MW of additional procurement from all three utilities in 2015.

¹ See D.15-01-051, p. 38.

² See D.15-01-051, p. 56.

The procurement opportunity available through ReMAT must be increased in order to effectively procure capacity to serve GTSR. The capacity offered for the peaking as-available product that corresponds to solar projects should be increased for each utility, to at least 10 MW per program period for PG&E and SCE, and 6 MW for SDG&E. The Commission may consider whether even greater capacity is needed through ReMAT, and whether greater capacity is needed in other product types. This should be discussed and considered in Phase IV.

d. Prioritization in Procurement for the GTSR Program.

Phase IV may consider whether GTSR procurement, utilizing either RAM and ReMAT, should be placed in a separate tranche from other procurement made through RAM and ReMAT. It is at least possible to conduct procurement for GTSR without separating the GTSR procurement from other procurement. However, if the GTSR procurement occurs without separating GTSR projects to a separate procurement tranche, then it will be necessary to establish a mechanism to ensure that some projects are directed to the GTSR program. For example, the utilities can direct the first projects chosen (as long as they are GTSR eligible)—from either the RAM or ReMAT processes—to the GTSR program. If the first projects chosen are directed to GTSR, this will result in a higher GTSR tariff, as the first projects chosen will be those with the highest bids. Thus, the mechanism can also include that if additional projects are chosen with lower bids, that they instead be directed to the GTSR program. Alternatively, an averaging of the price of procurement can occur. The Commission will need to explore the need to ensure GTSR procurement, while keeping the GTSR tariff as low as possible.

e. Separate Procurement for the GTSR program and the EJ Component.

Procurement for the GTSR program and the EJ component may take place through RAM and ReMAT, but through separate tranches of capacity offered for bid. Separating out the procurement for the programs may have some undesirable impacts, in that the smaller, more granular capacity tranches may result in higher priced bids from projects, and thus a higher Green Tariff. However, a separate capacity offering may be the only way to effectively attract procurement for these programs. The Commission will need to weigh the need of offering separate procurement tranches for the GTSR program.

In the case of the EJ component, which has specific eligibility requirements (sizing and location of projects) a separate offering of procurement may be more of a necessity. If separate procurement is utilized, the capacity offered for bid should be of a significant size, so that developers have sufficient opportunity to offer bids. For example, SDG&E's Advanced Procurement Requirement for 2015 includes a minimum of 1.75 MW and a maximum of 4.2 MW for the EJ program. As EJ projects must be 1 MW or smaller, the 2015 procurement will likely take place through ReMAT. The capacity offered through ReMAT should be a significant amount per period, at least 2 MW, so as to attract developers. Small offering of capacity will discourage bids, as developers will see less of an opportunity of being selected.

f. Alternative Pricing for the GTSR and/or EJ projects.

As stated above, D.15-01-051 suggests that acceptance of higher priced bids for GTSR projects, and specifically for projects fulfilling the EJ component, should be considered. D.15-01-051 suggested the alternative pricing mechanism utilized for bioenergy projects as a possibility for the EJ component.³ The Clean Coalition believes that an alternative pricing mechanism that may result in higher pricing is especially appropriate for the EJ component. The EJ component has specific guidelines that may result in less competition from developers and higher pricing. The EJ component is sized smaller (less than 1 MW) and smaller project cannot take advantage of economies of scale. The fairly exacting location requirements for the EJ component may also reduce the opportunities for projects and lead to higher pricing. In order for the EJ component to succeed, alternative pricing—and higher pricing—will be necessary.

In regards to acceptance of higher priced projects for the entire GTSR program, the Commission will need to weigh how higher pricing will affect the overall tariff for the GTSR, and whether it will remain attractive to ratepayers. Acceptance of higher priced bids for the EJ component only can be offset by the price of other GTSR projects, such that higher pricing for the EJ component is less problematic.

³ See D.15-01-051, p. 56, n.127, citing D.14-12-081, pp. 50-64.

g. Preferential treatment of GTSR and/or EJ projects

In order to attract procurement for the GTSR program and specifically for the EJ component, utilities may need to provide some form of preferential treatment, while still maintaining the statutory requirement of non-participating ratepayer indifference. The Commission should explore what kinds of preferential treatment advance the statutory goals of SB 43.

1. Preferential treatment in interconnection and in evaluation of costs and benefits.

The Commission may explore the manner in which GTSR and/or EJ and ECR projects receive preferential treatment in the interconnection process. The EJ and ECR components will likely be smaller projects, located closer to load. These projects may receive some form of preferential treatment in the calculation of interconnection costs.

h. Recognition of the Locational Value of Small Distribution Level Projects Will Make the Green Tariff More Affordable; They Should Be Processed Immediately After their Definition in the Distribution Resource Planning Proceeding or Any Other Proceeding.

D.15-01-051 stated that Phase IV will consider options for making the Green Tariff more affordable for customers.⁴ Throughout this proceeding, the Clean Coalition urged that subscribers to the GTSR program be credited for the locational value (also known as locational grid benefits) of GTSR projects. D.15-01-051 established that locational value of projects would be decided in other Commission proceedings, especially in the recently instituted R.14-08-013. D.15-01-051 established that utilities would propose a methodology for calculating locational grid benefits within 60 days of a decision in R.14-08-013.⁵ The Clean Coalition notes that like any rulemaking, R.14-08-013 may have interim decisions, or have decisions delayed by petitions to modify or other procedural delays. The Commission should establish that a methodology for calculating locational grid benefits should occur after any Commission approved decision

⁴ See D.15-01-051, pp. 126, 159.

⁵ See D.15-01-051, p. 126.

approves such benefits in R.14-08-013 and should not be delayed by any procedural considerations.

However, D.15-01-051 also correctly notes that the locational value or locational grid benefits of a project may be determined by a Commission proceeding aside from R.14-08-013:

Parties continue to argue that more should be done to include the RIC, locational values, other charges such as ancillary services, and a long-term RA credit. We agree that as the program grows, and as values for these attributes are established in other Commission proceedings, these issues deserve a second look. For many of these values, we must coordinate with other proceedings. Once these values have been established they can be included in the GTSR Program – but only after the Commission has approved the rate change. Phase IV will examine appropriate mechanisms to incorporate rate design changes in these areas. For example, some rate changes will be appropriately handled by advice letter, and some will be better handled in a phase of the proceeding or a new application.⁶

The Clean Coaliton will participate in Phase IV to ensure that there are appropriate mechanisms to include any changes in Commission policy regarding the valuation of locational value. The Clean Coalition wants to ensure that there is a proper mechanism to capture all changes in Commission valuation of projects, and that no new establishment of Commission authorized benefits is missed.

1. *Avoided transmission access charges may be a benefit of small distribution level projects; this benefit may be created in a proceeding outside of Commission authority.*

The Clean Coalition has previously advocated that avoided transmission access charges (TACs) is a benefit of small, distribution interconnected projects that should be evaluated as part of the benefits of a project, and reflected in the Green Tariff. As noted above, D.15-01-051 designated R.14-08-013 as the Commission proceeding that will deal with location value, and also noted that other Commission proceedings may also establish project benefits. It is not the Commission, but the California Independent System Operator (CAISO) that establishes the guidelines that govern the charging of TACs. Current CAISO policy regarding TACs requires—for utilities that also own transmission lines—that all electricity delivered to customers be fully

⁶ See D.15-01-051, p. 159.

charged for TACs, regardless of whether the electricity travelled over transmission lines or not.⁷ The Clean Coalition believes that this handling of TACs is erroneous. Electricity that does not utilize transmission lines should not be charged TACs. In the near future, the Clean Coalition may engage with CAISO in order to change the guidelines regarding TACs. The Clean Coalition will also then seek to have the benefit of avoided TACs recognized in a Commission proceeding, so that it can be properly evaluated for the GTSR tariff.

i. Reduction of Minimum Size of Projects.

Clean Coalition noted in the proceeding that projects sized smaller than 500 kW should be a part of the GTSR program. We noted that many locations in urban areas—such as rooftops of multi-family homes and parking lots—could successfully support solar projects that were of a smaller size, down to around 200 kW.⁸ Thus, the minimum size of projects eligible for the GTSR program should be changed. Clean Coalition will continue to advance this position in the next phase of the proceeding.

j. The Requirement that Projects Be Located in Reasonable Proximity to Enrolled Participants May Be Implemented by Requiring that They Be Interconnected at the Distribution Level.

SB 43 requires that “[t]o the extent possible, a participating utility shall seek to procure eligible renewable energy resources that are located in reasonable proximity to enrolled participants.”⁹ This is a requirement for the entire GTSR program. D.15-01-051 reviewed utility and intervenor proposals regarding this requirement and correctly notes that this requirement was not sufficiently considered in previous phases and that further refinement is needed.

⁷ This full debiting of TACs for all electricity is a situation that was recently discovered by Clean Coalition. Previous testimony and filings from Clean Coalition assumed a situation where electricity that did not utilize transmission lines would not be charged TACs. The Clean Coalition regrets this error. However, as the Commission in this proceeding has not ruled substantively on the issue of avoided TACs, there has not been any prejudice to the decisions of the proceeding.

⁸ See D.15-01-051, p. 55, citing Clean Coalition’s Comments on PG&E’s Enhanced Local Community Renewables Proposal, pp. 5-7 and Appendix. Although the comments were in response to the ECR component, the substance of the comments is true for the GTSR program in general.

⁹ Cal. Pub. Util. Code § 2833(e).

This requirement may be difficult to enforce, in that the utilities do not yet know where their enrolled participants are located, and the location of enrolled participants may always be fluid. Specification of exacting locations near enrolled participants for the GTSR program may also make it difficult for developers to site GTSR eligible projects. Moreover, the ECR component has a specific requirement that its projects be located close to the ratepayers corresponding to the program. Another such exacting location requirement may not be needed for the GTSR program as a whole.

A more abstract implementation of this requirement may fulfill the requirements of SB 43, especially while we are unsure of where enrolled participants are located. The Commission can advance the siting of projects near potential enrolled participants by requiring siting near ratepayer load. Projects interconnected to the grid at the distribution level (as opposed to the transmission level) ensures that the projects are located “in reasonable proximity to [potential] enrolled participants.”

A requirement of distribution level interconnection is appropriate for initial procurement of the GTSR program. Once the utilities enroll ratepayers and determine their locations, the Commission may consider if more exacting proximity requirements are appropriate.

k. Race and Ethnicity Should Be Included in the Selection Criteria for the EJ Component.

D.15-01-051 stated that inclusion of race and ethnicity as one of the criteria in the selection of projects eligible for consideration of the EJ component would be considered in Phase IV.¹⁰ Race and ethnicity was a selection metric in the first version of the CalEnviroScreen tool, so it is appropriate to re-introduce it in the version of the CalEnviroScreen used for the EJ Component. In addition, inclusion of race and ethnicity may ameliorate some of the regional imbalance that the current CalEnviroScreen 2.0 demonstrates.¹¹ Inclusion of race and ethnicity may open up communities for inclusion in the EJ component, such that there are more options

¹⁰ See D.15-01-051, p. 54.

¹¹ See Clean Coalition Comments on the Proposed Decision, pp. 11-13.

for developers looking to site EJ projects. The Clean Coalition will support the inclusion of race and ethnicity as a selector for the EJ component in Phase IV of the proceeding.

l. Regional Selection of the EJ Component is Appropriate.

As noted above, in comments on the Proposed Decision for the last phase of the proceeding, the Clean Coalition noted that the 20% most disadvantaged census tracts within the state, selected by the CalEnviroScreen 2.0 tool, were disproportionately located within certain regions, such that it would be very difficult to locate EJ component eligible census tracts within the service territories of some utilities. Perhaps in response to this issue, D.15-01-051 revised the EJ selection process so that the most disadvantaged communities were selected from each utility service territory (as opposed to selection across the entire state).¹²

Although selection of census tracts within each utility service territory will ensure that there are eligible census tracts for each participating utility, there will still be many regions that may not have many census tracts eligible for the EJ components. As Clean Coalition pointed out, in the entire city and county of San Francisco, only one census tract is represented in the 20% disadvantaged threshold for the CalEnviroScreen 2.0 results.¹³ Many other regions of California may be similarly lacking in any locations for EJ projects under the current selection process.

Pacific Gas & Electric and Southern California Edison have expansive service territories, and it may be appropriate to select EJ communities within more granular sized regions. There are a number of already defined regional groupings for each utility service territory (e.g., climate zones, which can be grouped into larger regions) that can serve as regions for the EJ component. More granular regional selection of EJ eligible communities can ensure that all regions are represented by the EJ component, while staying true to the requirement of SB 43 that only the most disadvantaged communities be eligible.

¹² See D.15-01-051, p. 55.

¹³ See Clean Coalition Comments on the Proposed Decision, pp. 11-13.

m. Clean Coalition will participate in the shaping a successful ECR component.

D.15-01-051 identified a number of considerations for shaping the ECR component in the next phase of the proceeding. Clean Coalition will be active in ensuring that the ECR component fulfills statutory obligations.

III. CONCLUSION

The Clean Coalition looks forward to participating in Phase IV of this proceeding.

Respectfully submitted,

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