BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas And Electric Company (U39E) for Review of the Disadvantaged Communities – Green Tariff, Community Solar Green Tariff and Green Tariff Shared Renewables Programs.	Application 22-05-022 (Filed December 2, 2022)
And Related Matters	Application 22-05-023 Application 22-05-024

CLEAN COALITION COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING RESPONSES TO QUESTIONS REGARDING IMPLEMENTATION OF DECISION 24-05-065

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I. INTRODUCTION

Pursuant to Rule 6.2 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") the Clean Coalition respectfully submits these comments in response to the *Administrative Law Judge's* ("ALJ") *Ruling Directing Responses to Questions Regarding Implementation of Decision* ("D.") 24-05-065*,* issued at the Commission on June 5, 2024, and the *Email Ruling Granting Request for Extension of Deadlines*, issued at the Commission on June 13, 2024. The Community Solar market in California has yet to mature, leaving an enormous opportunity untapped. The siting opportunities are significant in both the investor-owned utility service territories ("IOU") and community choice aggregator ("CCA") service territories if the economic opportunities are available to incentivize developer participation and successful deployments. However, the new programs adopted by the Commission compensate projects based on an avoided cost methodology under the Public Utilities Regulatory Policy Act ("PURPA"). Existing PURPA programs including the Renewable Market Adjusting Tariff ("ReMAT") and the Standard Offer Contract ("SOC") have had very little success in recent years, with fewer than five projects deployed since 2020. Clean Coalition recommends that the Commission should work with the Energy Commission to verify that the Community Renewable Energy program and the modified DAC-GT are Title 24 compliant. With the low base compensation and a requirement for subscriber savings, properly allocating additional non-ratepayer funds is the only way that the new programs have a chance of viability. Clean Coalition supports awarding funds in a manner that reduces risk and rewards project

features and locational value created. We also advocate for allowing CCAs to develop tariffs that provide additional compensation to projects that is greater than compensation under the IOU's ReMAT or SOC.

II. DESCRIPTION OF PARTY

The Clean Coalition is a 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 and interconnection of distributed energy resources ("DER") — such as local renewables, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

III. COMMENTS

1. How should these streams of funding be applied to provide both developer compensation and subscriber savings or revenue share (i.e., percentage split of total revenue from a project between the developer or generator account and benefiting or subscriber accounts)?

D. 24-05-065 notes, "SCE states that the company 'acknowledges that generator compensation under PURPA may not be sufficient to allocate a portion to fund a bill credit for subscribing customers," which is one part of the Commission's rationale for allocating non-ratepayer funds.[1] However, the reality is that base PURPA compensation is not sufficient to effectively incentivize project deployments, even before factoring in subscriber savings. Low pricing under PURPA tariffs coupled with high interconnection costs and long wait times associated with the front-of-meter wholesale distribution access tariff ("WDAT") process leads to high uncertainty and risk which must be shouldered entirely by a developer. The combination of low-compensation and high uncertainty are two leading reasons why very few contracts have been signed—and even fewer projects have reached operational status—in recent years under the existing PURPA programs. If the trend continues, and few projects are deployed, low-income Californians will not have the ability to subscribe in large numbers, certainly not at the level

[1] D. 24-05-065, at p. 114.

intended by the Commission (and by the legislature in the passage of Assembly Bill 2316). In D. 24-05-065, the Commission concluded that there is not a specific procurement target that the community solar programs must achieve.[2] However, the base measure of success should be comparing procurement under the new Community Solar programs to deployments under the previous programs. Since the Commission ruled that the existing programs must either be modified or eliminated, it logically follows that the new programs must have a greater level of success, or the market in California will remain stagnant and subscriber savings will not be available for most low-income ratepayers. Therefore, ensuring that developers can receive funding at levels to incentivize taking on the risk associated with deploying a project under the new Community Renewable Energy ("CRE") program should be prioritized.

Additional non-ratepayer funds are needed to close the gap. The $33 million set aside in Assembly Bill ("AB") 102 and the $250 million from the federal Solar for All program are essential sources of capital that can help get the Community Solar market off the ground, though we continue to caution that the existing funds earmarked for community-scale renewables will not be sufficient to promote the development of a sustainable program or the deployment of the level of renewable capacity needed to meet California's energy goals.

Furthermore, the new and modified DAC-GT and CRE program offer developers the ability to deploy paired storage on a voluntary basis, without providing compensation for the additional value created by the energy storage. Energy storage is the main cost driver in solar+storage projects, even as prices for storage continue to fall. The lack of direct compensation for energy storage, which appears antithetical to the policies the Commission has promoted over the last four years, makes it highly unlikely that a project will choose to deploy paired storage without some sort of incentive. Clean Coalition supports incentivizing solar+storage deployments via a higher level of non-ratepayer funds than is available for solar only projects. If the level of additional funding available is kept at the same level regardless of project type or grid benefits, California will have a Community Solar market that is made up entirely of solar only projects.

At least a portion of the $33 million allocated for renewable generation and storage backed renewable generation projects in disadvantaged communities must go toward paired solar+storage projects. However, the $33 million will not last nearly as long as the $250 million appropriated by the federal government in Solar for All funding. While the Solar for All funding

[2] *Ibid.*

does not include a requirement for backing paired storage projects, the Clean Coalition supports an ongoing adder for paired storage, available from both funding sources so the market will not be impacted once initial funding dries up. As will be discussed in the answer to Question 4, we support up-front funding and a number of adders based on value creation and location to encourage developer participation. Subscriber savings should come from any additional non-ratepayer funds once the project is operational.

3. Propose, in detail, how a low-income and non-low-income bill credit should be applied, including billing presentment.

The bill credit should be presented as a line item on each subscriber's bill, clearly showing the subscription level and the amount saved on the bill each month.

4. What should be the developer incentive or adder per project and how should it be calculated? Potential funding sources include the Environmental Protection Agency's (EPA) Solar for All grant funding, General Funds allocated to the Commission, and others to be determined.

Since parties have made clear that the base compensation provided from the PURPA tariffs is not sufficient to incentivize deployments, strategically dispersing Solar for All funding is critical to ensure that any capacity is deployed under the new CRE program. Non-ratepayer funds should be allocated in a format that allows a developer to rationalize the high initial investment involved in planning a project, acquiring a site, and submitting an interconnection agreement. There is also risk associated with keeping a position in the interconnection queue, paying for studies and upgrades, and attempting to receive deliverability. The full interconnection process, especially when Resource Adequacy ("RA") is part of the value stack, can take upwards of three years.[3] If there is a possibility that funding initially available when an application is submitted is no longer available by the time the interconnection process is completed, the initial investment will be wasted and a developer will be less likely to shoulder the risk of participating in the program in the first place. Clean Coalition supports allocating a portion of non-ratepayer funds per project on an up-front lump sum basis. A project should be eligible to receive up-front funds once an interconnection application has been submitted—meaning the project has a position in the queue—and site control has been demonstrated. The initial up-front funding will help reduce the barrier to entry of participating in the CRE program, making the long timeline associated with

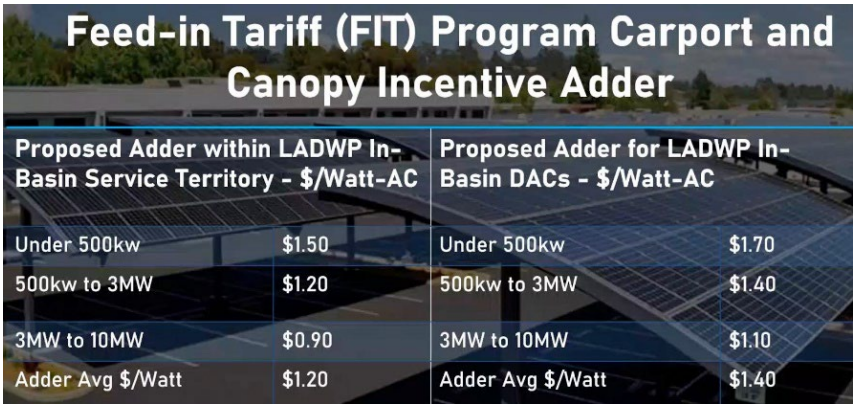
[3] With the increased size of Cluster 15 and even larger Cluster 16 as compared to previous cluster studies, interconnection timelines are longer than ever.

the interconnection process more palatable. Funding should increase the likelihood of participation in the program without providing any easy opportunity to take advantage of the availability of additional capital. While it is stating the obvious, the non-ratepayer funding sources should not be used to subsidize failed projects. To receive up-front funds, a developer must sign an agreement making it explicitly clear that projects that do not receive a generator interconnection agreement or permission to operate within five years must return the full amount of money. Terms of the contract should be transferrable. In the event that a project is purchased by a third party before the commercial operations date or a developer is acquired by another company, any non-ratepayer funds must still be returned to the state if the end result is not a project deployment that leads to tangible subscriber benefits.

In addition to a lump sum payment, Clean Coalition advocates for three project adders to support the Commission's longstanding policy goals based on the location and makeup of a project, (1) an energy storage adder, (2) a built environment adder to incentivize rooftop and carport/canopy infill projects, and (3) a brownfield adder. Proposing these adders is consistent with comments we have made throughout this proceeding, going all the way back to the initial Clean Coalition party proposal for a feed-in-tariff in January 2023. The first, an energy storage adder, is based on the additional grid benefits. Energy storage enables solar energy produced in the middle of the day when renewable energy is overabundant to be time shifted to later in the day when the both the cost and carbon content of energy is higher. In addition, dispatchability enables community solar projects to support the needs of the grid during emergencies and extreme weather conditions, providing clean local energy close to load centers when the transmission grid is strained. In the long term, solar+storage projects also help set the stage for community-scale resilience, such as deployments of Community Microgrids. While the adopted program guidelines include energy storage as voluntary, the lack of additional compensation actively discourages solar+storage projects.

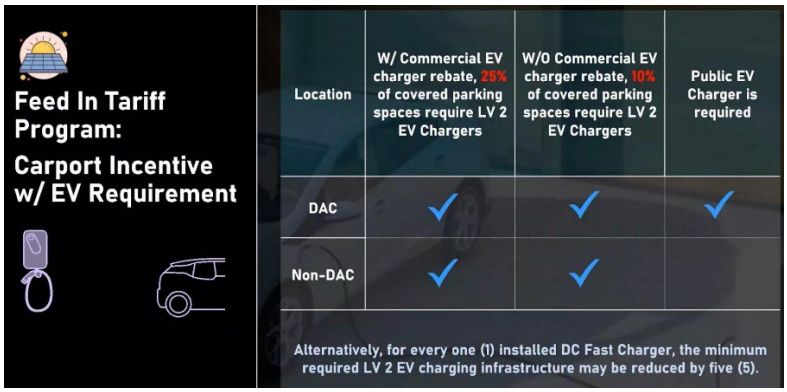
The second and third adders, a built environment adder and a brownfield adder, are based on locational value. On the subject of built environments, policies that preserve California's natural landscape should be promoted wherever possible. Siting infill projects on a building, parking lot, or parking structure more efficiently uses the existing space and reduces permitting times (projects deployed on built environments are exempt from the California Environmental Quality Act), leading to faster deployments. Moreover, projects sited on the built environment

will lead to more projects actually located in disadvantaged communities where subscribers reside, rather than near them, which is a clearly a priority for the Commission based on the way that the new CRE program and modified DAC-GT program are structured. Rooftop solar projects should receive the built environment adder; carport and canopy solar projects will require a slightly higher adder. Due to the higher cost associated with installing a greater amount of steel compared to rooftop projects, the Los Angeles Department of Water and Power ("LADWP") feed-in tariff ("FIT") program includes a unique adder for carport and canopy solar projects, incentivizing infill projects and promoting projects sited in disadvantaged communities ("DAC"). Carports and canopies provide valuable shade in urban heat islands,[4] creating a tangible non-energy [societal] benefit of increasing value as temperatures continue to rise.



For carport and canopy projects, the Commission should look to meet multiple policy objectives at the same time due to multiple value creation opportunities from infill projects. Deploying carport solar, especially in DACs, provides a perfect opportunity to help meet the state's electrification goals through the deployment of electric vehicle ("EV") chargers. LADWP's FIT program includes an EV charging requirement, with a rebate for all chargers deployed in a DAC.

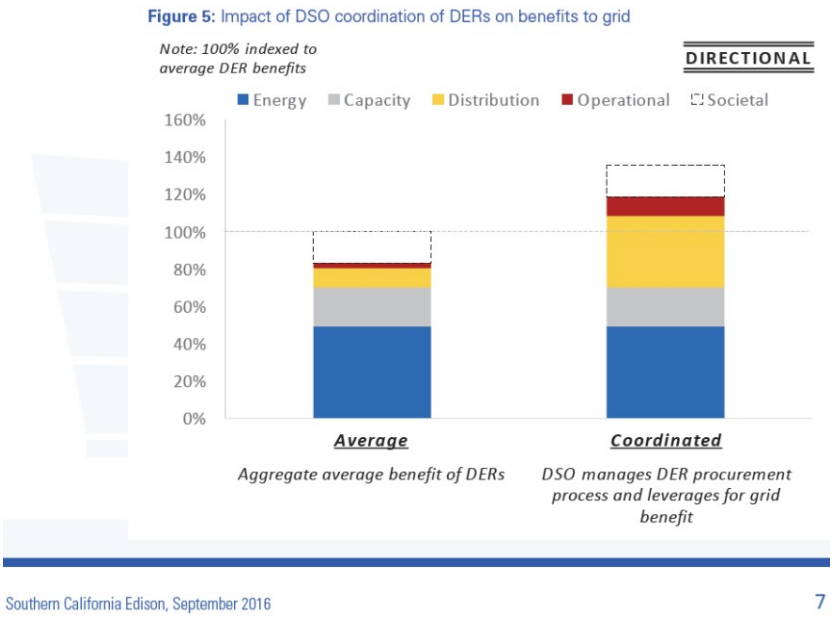
[4] Los Angeles dedicates 23% of land to parking lots, which can be at least 35 degrees higher than the air above a grassy field. https://www.scientificamerican.com/article/parking-lots-cause-more-heat-and-flooding-heres-how-100-u-s-cities-rank/ & https://pelr.blogs.pace.edu/2023/10/18/climate-resiliency-parking-structures/#:~:text=The%20same%20researchers%20also%20found,risk%20of%20heat%20related%20illnesses.



There is additional locational value created by siting renewable energy projects on infill land that is otherwise unusable for residential or commercial purposes without a substantial investment in cleanup efforts. According to the California Environmental Protection Agency, California is estimated to have nearly 90,000 brownfield sites, most of which are located in urban settings and/or disadvantaged communities.[5] Given the correlation between load centers and the industry/commercial operations that have resulted in the creation of brownfield sites,[6] many brownfields are also located in one of the California Independent System Operator's ("CAISO") Local Reliability Areas (most recently studied for years 2025 and 2029). There is value in siting renewable energy projects on previously unusable land, especially when the resulting distribution-interconnected project is close to the end-users the energy is benefitting.

Lastly, while we do not recommend the adoption of a fourth adder at this time, we do suggest that the Commission should study the increased benefit from coordinated dispatch of DER deployments. As the utilities rollout DER management systems ("DERMS") that are currently being developed and tested, the incremental value of each DER deployment may be more valuable than initially calculated when the Commission adopted D. 24-05-065. A study of the benefits from a distribution system operator conducted by Southern California Edison ("SCE") demonstrates that the distribution and operational benefits of a DER may increase significantly with coordinated dispatch of resources.

[5] http://publichealth.lacounty.gov/EH/safety/brownfields.htm#:~:text=The%20General%20Accounting%20Office%20has,the%20Brownfield%20problem%20is%20growing.
[6] https://www.arcgis.com/apps/mapviewer/index.html?layers=58c1723c7c29460988899576e77423cd



If the Commission finds that the overall value to the grid and the ratepayers provided by each project increases, compensation should be increased commensurately. Perhaps such a determination can be made when the programs are evaluated again in a few years.

a. *Should the incentives for developers be based on dollars per watt, dollars per kilowatt-hour, a lump sum, or some other scheme? Explain why.*

The Clean Coalition's response to this question is based on the four types of funding recommended in the answer to Question 4. The up-front lump sum payment should be made on a dollars-per-watt basis, incentivizing projects that benefit from economies of scale, but must still be sized appropriately to remain eligible for Solar for All funding. The dispatchability adder should be allocated on a dollars per kilowatt hour ("kWh") basis, the built environment adder on a dollars-per-watt basis, and the brownfield adder on set percentage (such as 5%) basis.

b. *What process should the Commission use for determining the incentive or adder? Should the Commission set the incentive or adder price administratively or should it require the utilities to use a method such as a reverse auction that would introduce price discovery? If you recommend a price discovery method, specify the method you propose and the justification for using that method.*

Clean Coalition supports administratively set incentives for the sake of programmatic stability. Funding should be consistently available, and the dispersal process should be transparent. A reverse auction or price discovery makes it unlikely that a developer will have up-front knowledge about what it takes to make a "winning bid". Even preparing a bid can cost as

much as $100,000, potentially making it prohibitively risky for a developer—especially a smaller developer or those unfamiliar with the California market—to take the initial steps required to put a successful project together. For an immature market, creating additional challenges to program participation is not necessary. In addition, the amount of funding available per project should be transparent, which will enable developers to conduct an economic analysis to justify whether pursuing a deployment under the CRE is feasible. With clear incentives in place, developers and policymakers will have a direct view of how funds will be dispersed and the rate at which non-ratepayer funds are decreasing.

c. *Should the incentive or adder be based on a minimum dollar amount per customer or a minimum percentage of project revenue share? Should the incentive or adder increase if more low-income customers are signed up beyond the 51 percent per project minimum threshold?*

Project incentives should be based on size, performance, and location rather than the number of low-income customers signed up. With auto-enrollment in place subscribing low-income customers to receive benefits from a project should not be the limiting factor inhibiting developers from participating in the new programs. The main barrier will be too low economic compensation.

d. *What other non-monetary incentives or assistance could utilities or Community Choice Aggregators (CCAs) provide to community renewable energy program projects and developers?*

CCAs offering additional funding from local energy program revenue will undoubtedly increase the number of projects deployed in CCA territories compared to IOU service territories. The Commission should clarify that the base compensation for the CRE program should come from the existing PURPA programs (e.g., ReMAT and the SOC), but additional compensation for projects in CCA service territories is permitted. Other than monetary compensation, ensuring that information is available in multiple languages is an important way to ensure that low-income customers are well informed about the savings opportunities and the way auto-enrollment works. Each LSE need not recreate the wheel in creating outreach materials, though the number of different languages may change based on the region.

5. Should the new community renewable energy program follow a similar process for leveraging the federal incentives available in the Inflation Reduction Act including the Low-Income Community Bonus Credit and other new and available tax credits?

Yes, a similar process should be followed to the current practices for leveraging tax credits under the Inflation Reduction Act.

6. How should the external funding be disbursed to the projects and participating customers of Utilities and CCAs?

The lump sum payment should be made up front once the interconnection application is submitted—meaning the project has a place in the queue and an expected commercial operations date. The remaining adders should be dispersed when a project has permission to operate, and the state has certainty that the subscribers will benefit from a deployment.

8. CCA Participation and Revised Tariffs

a. *What process should be employed to enable CCA participation in the community renewable energy program? This would include discussion of how CCAs must notify the Commission of their participation in accordance with Pub. Util. Code Section 769.3(b)(2)(B) and the process for CCAs to access external funds?*

Each interested CCA should submit a Tier 2 Advice Letter notifying the Commission of intention to participate in the new Community Solar programs, the tariff that will be used for base compensation, and the number of customers eligible for auto-enrollment.

b. *Which CCA tariffs should be eligible for the program?*

CCAs should have the flexibility to develop feed-in-tariffs with additional compensation beyond what is provided in ReMAT or the SOC, as explained in the answer to Question 4(d). Some CCAs have existing FITs, while others have FITs under development that may be more effective in drawing interested developers than ReMAT or the SOC.

9. How should the Commission account for reporting for various potential tax incentives and funding types? How should the Commission incorporate this efficiently into the community renewable energy program design?

Additional reporting requirements are not necessary. Use of tax credits under the Inflation Reduction Act is a separate issue from the Solar for All and AB 102 funding. Making the Community Solar program report on tax credits in addition to the non-ratepayer funds and the base PURPA compensation is onerous. Adding reporting requirements may increase the administrative burden, reducing the long-term cost-effectiveness, when doing so is not necessary.

10. Should Utility-facilitated or CCA-facilitated auto-enrollment be the only enrollment pathway for low-income customers in DAC-GT and the new community renewable energy program? What other enrollment options are available? What are the benefits or drawbacks of either approach?

Auto-enrollment should be the priority, but not the only option, if a developer can demonstrate that a project will be subscribed without the use of auto-enrollment. For example, if a neighborhood has an agreement with a developer and the plan is for the Community Solar project to serve as the compliance mechanism with Title 24 requirements, a developer should retain the ability to fully subscribe a project prior to eligibility for auto-enrolled customers. However, in such a case, the applicant should notify the proper utility or CCA of the intention for the project to benefit a certain set of subscribers in local proximity to the project and verify that low-income ratepayers are being served.

11. If you recommend auto-enrollment, describe the criteria that should be used for i) determining which customers would be auto-enrolled in the community renewable energy program and ii) ensuring that customers aren't enrolled in more than one program (i.e. community renewable energy program and DAC-GT). Additionally, explain which program (i.e. community renewable energy program and DAC-GT) would low-income customers be enrolled in first?

Keeping a single auto-enrollment list for both programs, with a check box that makes it clear which program a subscriber is enrolled in and the actual project the savings is coming from will simplify the auto-enrollment process and eliminate the possibility of double enrollment.

IV. CONCLUSION

The Clean Coalition respectfully submits these comments and looks forward to continuing the dialogue in reply comments.

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