



California Onsite Generation

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Regulatory and Policy Update

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NEWS AND ANALYSIS
POLITICS AND POLICY

FINAL PUSH BEGINS

SGIP, CLIMATE CHANGE ON THE PLATE

The Legislature returned to Sacramento on August 4, facing a full plate of issues. From the budget to hundreds of policy bills, the 120 members of the Senate and Assembly, along with their staffs, will be busy, busy, busy until the final gavel falls. The official date for the end of session is August 31, but Democrats would like to be done a week earlier than that in order to participate in the Democratic Party's National Convention, scheduled for August 25-28 in Denver.

The budget has been the focal point in the Capitol for the past two months. Both Democrats and Republican leadership appears to be motivated to resolve the budget headache. There is some sign even now that the impasse is loosening, with a potential deal pivoting around some form of increase in the state sales tax.

For policy measures, the deadlines will come fast and hard at this point. August 15 is the last day that the Senate and Assembly Appropriations Committees can consider bills. August 31 is the official end of session. Of course, all deadlines are frequently violated for bills that the leadership wants to move to the Governor's desk.

Both Self Generation Incentive Program bills, AB 1064 (Lieber) and SB 1012 (Kehoe), are awaiting a vote from the Appropriations Committee in the opposite house. The Senate and *California Onsite Generation*

Assembly Appropriations Committees are scheduled to take up their Suspense Files, where bills with a price tag to the state have been parked, on Thursday, August 7.

Other bills currently resting in the Suspense File are AB 1851, which calls for regulation and disclosure of voluntary GHG offsets; AB 2466, which offers local government a method to export and be compensated for, renewable generation surplus to its needs; SB 1438, the Smart Grid bill, and AB 1714, which modifies the so-called Feed-In Tariff.

There are continuing discussions reportedly being held by the Governor's office to produce a new Renewable Portfolio Standard statute. Draft language circulating would establish a 33% RPS standard, adopt a significant revision to renewables' price benchmarks and offer utilities and ESPs additional compliance options. However, insiders say that the bill is still "not ready for prime time."

NEWS AND ANALYSIS
PUBLIC UTILITIES COMMISSION

**CHP ADVOCATES, UTILITIES
PRESENT IDEAS ON CHP**
BUT, TWO SIDES TO EVERY STORY

In the new Order Instituting Rulemaking ([R.08-06-024](#)) on Combined Heat and Power issues issued in June, the Commission requested that parties provide comments on six specific questions, and proposals on the "pay-as-you-save" pilot program to finance the

August 5, 2008

upfront costs for the purchase and installation of CHP systems. The Commission was mandated to examine these topics by legislation approved last year, [AB 1613](#) by Assemblyman Sam Blakeslee. By the July 31 deadline, at least seven parties took advantage of the Rulemaking's request for information, offering sometimes conflicting opinions and recommendations.

The [California Clean DG Coalition](#) (CCDC) presented its assessment of the market barriers obstructing development of small CHP systems, pointing to the inability to sell excess power as one of the greatest hurdles. Since Rule 21 and other regulatory measures in place bar export, projects are not sized to maximize use of waste heat, undermining both the economics of CHP projects and the efficient use of the state's gas supply, according to the group. CCDC believes that a utility tariff to purchase excess kWhs is necessary to allow customers to tailor CHP units to meet their thermal requirements. Until some actual experience is gained with such a tariff, no cap on total amount of energy that the utility would be obliged to purchase is justified, according to the CCDC. The CCDC also supports a simplified contract form for small CHP systems. They also advocate for additional options for CHP customers to hedge their natural gas costs by purchasing through the gas utilities. CCDC suggests that workshops to address some of the issues could be useful.

[Fuel Cell Energy](#) (FCE) is especially interested in the implementation of PU Code section 2841(b)(3), which requires "flexible rates with options for different durations, not to exceed 10 years, and

fixed or variable rates relative to the cost of natural gas." FCE urges the Commission to take into account the needs and characteristics of both conventional cogeneration *and* emerging alternatives such as fuel cells. Sharing CCDC's concern about exposure to natural gas risks, FCE believes the Commission needs to develop a regulatory solution enabling the customer or third party investor to recover the cost of natural gas (or alternative fuel) plus capital (capacity) costs. The terms and conditions must also fully and accurately reflect the value of avoided GHG emissions, which also may vary by technology and application. The factors must be addressed in a contract or tariff, according to FCE, as a critical threshold consideration. FCE suggests a workshop to examine how the policies adopted in the QF proceeding ([D.07-09-040](#)) may come into play in this Rulemaking.

The [California Cogeneration Council](#) (CCC), which was intimately involved in the QF proceeding that culminated in D.07-09-040, offered its own perspective on the implementation of AB 1613. While not disputing that the Legislature addressed small CHP systems in AB 1613, CCC points out that 90% of the existing CHP capacity in the state is in projects larger than 20 MW, and suggests that much of the potential for additional CHP development in California is in those larger CHP units. CCC recommends the Commission find that the AB 1613 tariffed rates and standard contracts should be available to any CHP project that provides 20 MW or less of firm capacity to the interconnecting utility rather than total nameplate capacity, which would include capacity to serve on-site load.

CCC also points out that the Commission has established avoided cost prices for CHP QFs smaller than 20 MW for many years, so that it is both logical and non-discriminatory to apply the same avoided cost rates to both small QFs and AB 1613 CHP projects. CCC also proposes that the Commission, in adopting tariffs, compensate a CHP for the locational benefits it provides to the distribution system.

The utilities, not surprisingly, are not always on the same page as the CHP advocates, nor necessarily with each other. [PG&E](#) complains that the explosion in specific resource programs has begun to fracture the Long Term Procurement Process and asks the Commission to minimize different programs for different resources. To that end, PG&E proposes that CHP facilities, regardless of size, be eligible to execute the QF standard contract that each utility has presented to the Commission, rather than establishing an entirely new contract for small CHP. With respect to a cap, PG&E proposes that the Commission determine that the D.07-09-040 cap of 110% includes both QFs and CHP.

SCE (*comments not yet posted*) does not agree that the policy adopted in the QF proceeding is suitable for all CHP systems. While the standard QF contract developed can form the basis of a new CHP contract, SCE contends, contract rules must account for the fact that there are different requirements in AB 1613 than those adopted for small QFs in D.07-09-040, including terms and conditions addressing efficiency and maintenance requirements. SCE also believes that a cap is in order, and that the utility should not be ordered to take

excess electricity that it does not need. However, SCE suggests that the Commission can control the effects of additional CHP on resource planning and reliable grid operations by implementing AB 1613's intent that an eligible CHP System be "sized to meet the eligible customer-generator's onsite thermal demand" and designed to capture waste heat that is already being produced, but not captured. Enforcement of these requirements, says SCE, would minimize the excess electricity from CHP systems that are purposely designed to take advantage of standard offer contracts offered under AB 1613.

The [Sempra Energy Utilities](#) (Southern California Gas and SDG&E) concur with PG&E that the policies for QFs and small CHP should be regulated under a single uniform policy. SEU also suggests that SoCalGas and SDG&E be permitted to offer utility ownership of CHP at customer facilities. SEU argues that it is uniquely placed to respond to customer needs by owning, operating, and maintaining CHP at customer facilities. SEU expects that the utility investments in CHP will be rate based but the participating customer will pay a fee equal to the revenue requirement for the benefits from the utility-owned CHP investment.

Reply comments will be due August 15.

**PD TAKES AIM AT
NONBYPASSABLE CHARGES
ONSITE GENERATION EXEMPT FROM
PAYING FOR NEW GENERATION**

The Commission is finally tackling an important unresolved issue concerning how new utility stranded costs will be levied upon onsite generation customers.

A Proposed Decision issued July 22 delineates how charges will be levied upon direct access, QFs, self-generation and community aggregation. In the Commission's lexicon, these customers are referred to as "departing load", while DG/CHP load is specifically called "customer generation departing load" (CGDL). The potential exit fees are called "nonbypassable charges" (NBCs).

This issue has been evolving since 2003. The Commission ruled in [D0304030](#) that renewable generation, QFs and most onsite generation (up to a total of 3,000 MW) would be exempt from paying stranded costs of "old" generation, that is, units in service prior to electric restructuring. DG/CHP customers were found to be liable for DWR power and bond charges components, on the basis that all Californians benefit when DWR stepped in to buy power when the utilities could not.

In 2004, the Commission further determined that as part of the utilities' long term procurement planning process, customer generation departing load customers may be obligated to pay for the utility's stranded costs for generation that was included in a plan approved by the Commission.

The PD by ALJ Fukutome in the current proceeding determines that once departed from bundled service, CGDL will not have to pay the new generation related NBCs because the IOU will not have incurred costs on behalf of the loads of these customers. The case turned chiefly on the question of whether the IOUs' load forecasts reflect reasonable amounts of municipal departing load and CGDL. If that is the case, then the PD reasons that the IOUs

should not be procuring for that amount of forecasted DL. In the most recent Long Term Procurement Plan (D.07-12-052), load forecasts included a historic level of departing load, meaning that the utilities did not procure any generation to serve them.

Since there is no cost of generation attributed to customer generation, the PD finds that new generation NBCs should not be imposed on those customers departing bundled service to generate onsite. As long as historic trends are the basis for reflecting the departing load in the load forecast, the PD concludes that bundled customers are protected against cost shifting over the long term.

The PD finds that it is a different story with respect to direct access and community aggregation. The PD determines that those loads are included in the utilities' adopted load forecasts for their LTPPs. Therefore, the PD reasons, the IOUs are procuring resources on behalf of DA and CCA loads. NBCs should be imposed on these customers when they cease taking procurement services from the IOUs, in order to maintain bundled customer indifference.

While the PD represents a clear victory for the California Clean DG Coalition and QF advocates that supported the CCDC position, the utilities and TURN will likely lobby against the exemption for customer generation departing load.

Comments on the Proposed Decision are due August 11.

**PLAN SETS AGGRESSIVE
ENERGY EFFICIENCY TARGETS
LOOKS TO DG TO MEET THE CHALLENGE**

On July 14, the Commission issued a Rulemaking with its [Energy Efficiency Strategic Plan](#). This document establishes a long term vision, building upon utility efforts, but including additional “stretch” goals. Unlike the draft Joint Utility Strategic Plan, the CPUC’s version leaves more implementation details to be hashed out later.

The Strategic Plan, along with Energy Efficiency goals adopted on July 31, are a critical compliance strategy to meet the goals of AB 32, California's landmark climate change law.

The Plan establishes a three-part vision:

1. All cost-effective, reliable, and feasible energy efficiency measures and actions are implemented in an integrated systems or whole-building approach.
2. Strategies, programs, measures and institutional structures must provide long-term energy savings.
3. Energy efficiency will generate significant reductions in greenhouse gas emissions.

There are four specific goals to achieve this vision (known as the “Big Bold Energy Efficiency Strategies”) included in this plan:

1. All new residential construction in California will be zero net energy by 2020;
2. All new commercial construction in California will be zero net energy by 2030 (50% of existing commercial buildings will be retrofit to zero net energy through deep levels of energy efficiency and with

the addition of clean distributed generation;

3. Heating, Ventilation and Air Conditioning (HVAC) will be transformed to ensure that its energy performance is optimal for California’s climate; and

4. All eligible low-income customers will have a meaningful opportunity to participate in the LIEE program and will be provided all cost effective energy efficiency measures in their residences by 2020.

This aggressive plan is accompanied by strategies including incentives, codes and standards, education and information and market transformation efforts.

Notably, many of the Commission’s goals, such as Zero Net Energy New Homes, rely upon clean onsite distributed generation as well as energy efficiency to meet the goals. Similarly, for the commercial sector, deep levels of energy efficiency and clean DG are the twin pillars to meet goals both for new construction and retrofitting existing buildings. The strategy for the industrial sector is slightly different, since industry uses energy in a more complex operational chain than residential and commercial customers. The Plan seeks to integrate energy efficiency with GHG compliance strategies mandated by CARB under its AB 32 mandate. To assist customers, the Commission plans to focus on customer outreach, and centralized technical assistance.

The Commission intends to fast-track adoption of the Strategic Plan. An initial round of stakeholder comments was due on July 31, while the Commission intends to issue a Proposed Decision on

August 19. Adoption is scheduled for September 19.

In addition to the Strategic Plan, the Commission has adopted interim electricity and natural gas savings goals for 2012 through 2020 for the state's IOUs. For 2012 through 2020, total energy savings are expected to reach over 4,500 MW, the equivalent of nine major power plants. Further, the CPUC expects savings of over 16,000 gigawatt-hours of electricity and 620 million therms of natural gas over that period.

The Decision ([News Release](#)) issued on July 31 adopted a new approach known as a total market gross basis. The total market gross approach encompasses not just savings expected from utility programs, but also savings from other critical activities such as state building standards, federal appliance standards, and Big Bold Energy Efficiency Strategies. The adopted targets will be updated in 2010 to ensure that the best available data is reflected in the CPUC's goals before the next round of energy efficiency portfolio planning.

Energy efficiency continues to be a work in progress, however. The IOUs submitted a slate of plans for programs to be delivered in 2009-2011 ([A.08-07-021, -022, -023 and -031](#)) on July 21. These plans were designed to meet the goals and objectives of the “Big Bold Energy Strategy” that the Commission approved last year.

SCE's 2009-2011 portfolio is comprised of HVAC, lighting, refrigeration and other miscellaneous end uses, with a budget of \$1.3 billion, the bulk of which is dedicated to actual program deployment.

PG&E wants to offer customers On-Bill financing for energy efficiency investment.

SDG&E's nonresidential portfolio will include revisions to its On-Bill financing program to make it even more attractive to small commercial and institutional customers by increasing the cap on loan value and lengthening the minimum pay-back period. SDG&E is also proposing a pilot program to determine the value of utility ownership of new and/or refurbished large HVAC systems on customer facilities.

Comments and protests on the applications are due August 21. We don't expect the Commission to take a serious look at the utility plans until after the Energy Efficiency Strategic Plan is adopted in September. Then the utilities will face a short deadline to modify their plans to reflect the new priorities.

NEWS AND ANALYSIS
CALIFORNIA ENERGY COMMISSION

**CEC, CPUC TACKLING
BARRIERS TO 33% RPS**
WORKSHOPS TEE UP POLICY, TECHNICAL
BARRIERS, SOLUTIONS

There is general acknowledgement among policymakers that there are a number of integration problems and incremental costs associated with connecting a large percentage of renewables to the grid. Identified obstacles include lack of transmission capacity, intermittency, and/or reliability issues.

The IEPR Committee held a workshop on July 21 ([Presentations](#)) to discuss how the 2020 electricity system could be structured to accommodate higher levels of renewables, potential impacts to the system, and further analysis needed to identify barriers and strategies to address those barriers.

On July 31st, ([meeting materials](#)) the IEPR Committee's attention was shifted to how emerging technologies could support the integration of renewables. Research in the areas of transmission technology, storage and smart grid initiatives were reviewed.

The utilities and CAISO assert that further study of intermittent generation "backup" is needed before high levels can be considered feasible or the full costs can be understood. Even advocates admit that there will be a negative ratepayer impact 2011 to 2020, but argue that the long term savings will make such investments worthwhile.

As part of the IEPR, the CEC intends to expand upon its Renewable Energy studies to examine ways to develop technical solutions to address market barriers to reaching 33% renewable energy deployment. Distributed generation and matching "firming" resources to the intermittent resource, energy storage, and smart grid solutions are all under review.

The CPUC, too, is examining how to move beyond the goals to actual achievement of 33% RPS. The Energy Division has scheduled a workshop on August 26 to define the methodology, scope, and stakeholder process for the 33% RPS implementation analysis, which will inform the IOUs' 2010 long

term procurement plans (LTPPs). The workshop will be held 9:30 – 4:00, at the Milton Marks Conference Center, 455 Golden Gate Ave., San Francisco. Please RSVP to the workshop by Thursday, August 21 by following this link: docs.cpuc.ca.gov/rpswkshop.

CEC SPOTLIGHTS RD&D FOR RENEWABLE COMMUNITIES

The California Energy Commission will hold three workshops on August 6, 8, and 12, 2008 in Sacramento, Downey and San Francisco, respectively. The main goal of these workshops is to identify critical RD&D issues and potential solutions or opportunities to help accelerate RD&D and increased deployment of Renewable-Based Energy Secure Communities (RESCO).

The CEC is seeking input and comments from renewable industry, experts, and other interested parties on ongoing activities and interests concerning RESCO. RESCO is defined as RD&D of mixed renewable energy technologies in an integrated, sustainable, and optimum manner coupled with advancements in energy efficiency, smart grid integration, energy storage, combined cooling, heating and power, and co-production of value-added products such as biofuels in communities that will help make California's electricity and transportation fuels more diverse, safer, cleaner, and affordable.

The notice for the workshop is posted at: www.energy.ca.gov/research/notices/index.html

NEWS AND ANALYSIS
GHG

**CARB RELEASES GHG
SCOPING PLAN APPENDICES**
MORE DATA, NO DEFINITE CONCLUSIONS

In the [July 5th issue](#) of COG we reported on the California Air Resources Board’s Draft Scoping Plan, presented compliance with AB 32 GHG reduction requirements. At that time we reported that the appendices for the Plan would be released in July. They are now posted and can be viewed or downloaded [here](#).

The Appendices (264 pages) include background, analysis and alternatives for a number of possible programs, but do not contain specific decisions or recommendations. Taken in total, the documents offer a look at approaches that the agency is considering, but does not provide conclusions.

The following is a look at the programs that might be of interest to the DG industry.

Cap-and-trade program

The C&T section says “A broad cap-and-trade program could cover up to 85% of the State’s emission sources by 2020. This includes the electricity, transportation fuels, natural gas, and large industrial sectors. Emissions or energy use from most of the capped sectors would also be reduced by other measures, including performance standards, efficiency programs, and direct regulations.”

The program is intended to be a part of the Western Climate Initiative (WCI) C&T program, which would mean that

trading could be accommodated over the 10 western states and provinces covered by the WCI. The program would require regulated sources in each category to have allowances to cover their GHG emissions. “The WCI calls for a portion of the allowances in the system to be auctioned in the first year, with a minimum level between 25 and 75 percent to be established for each Partner. Some free distribution of allowances is likely appropriate during the early stages of the program, but distribution of allowances would quickly transition from a system in which the State provides some free allowances to a system in which majority of allowances are auctioned in the trading market.”

“Participating in a cap-and-trade program will not excuse facilities from obligations imposed on them by other measures adopted under AB 32. Rather, reductions achieved through those other measures will result in reduced emissions and the need for fewer allowances to comply with the cap-and-trade program.”

The program would start in January 2012. The ARB will hold stakeholder meetings to discuss several key program design issues that must be addressed in developing the California cap-and-trade program and in creating the western regional market through WCI.

2020 Sector caps (MMTCO₂E)

Sector	Business as Usual	Emissions after Implementation of Other Measures
Electricity	139	94
Commercial & Residential	47	42
Industrial	101	101

Offsets

The Plan addresses the virtues of an offset program and discusses a number of alternatives. It appears that the final plan will include an Offset program.

Co-benefits

A co-benefit is a reduction in criteria or toxic emissions resulting from implementation of a GHG reduction program. Co-benefit is not a category or program in the Appendices, but it is mentioned in almost every section of the report. AB 32 stipulates that there shall be no *backsliding* in criteria and toxic emissions, but both the Scoping Plan and the Appendices give a lot of coverage to reductions well beyond those required by the statute. In some of the discussions, it appears that the co-benefits are the primary motivation, and the GHG reductions are coincidental.

Increasing Combined Heat and Power

The report makes a Preliminary Recommendation for a target of an additional 4,000 MW of installed CHP capacity by 2020.

“California has supported CHP for many years, but market barriers stand in the way of CHP reaching its full market potential. A 2005 draft report prepared for the California Energy Commission by the Electric Power Research Institute (EPRI) examined these barriers and their effects upon the market for CHP. ... Efforts to increase the deployment of CHP may require a multi-pronged approach that includes addressing significant market barriers, incentives where appropriate, and potential mandates.”

The report discusses the barriers and solutions for various categories of CHP in considerable detail. Most of the items

discussed have been covered separately in past issues of this publication.

It is encouraging to see that the ARB has paid so much attention to CHP, there appears to be something of a disconnect between the policy goals and the actual regulatory plan for CHP. Appendix E is a List of Measures, similar to the one contained in the Climate Action Team final report. However, this list differs from the CAT report since it does not list CHP as a measure for reducing GHG. In appendix F which lists the inventory of current GHG sources, CHP is broken down into 4 categories of CHP, including Commercial, Industrial and Instate Electrical Generation broken down again into commercial and industrial. This again is very troubling. CHP is viewed as a source to be regulated, not as a potential solution in the GHG measures.

Renewable Portfolio Standards

“Given the importance of renewables to the success of AB 32, an appropriate target for 2020 should be set that is realistic yet pushes California’s renewable energy use forward as far as possible. Based on Governor Schwarzenegger’s call for a statewide 33 % RPS, ARB has included 33% RPS as a Preliminary Recommendation.”

Carbon Fee

The ARB describes a carbon fee as a fee intended “to achieve emission reductions through changes in economic activity and individual behavior.” Several possible design scenarios are currently being evaluated. “Under a “downstream” approach, fees would be imposed on facilities that fall within ARB’s mandatory reporting jurisdictional authority. This would include facilities

like power plants, electricity retail providers and marketers, oil refineries, hydrogen plants, cement plants, cogeneration facilities, and other industrial sources that emit more than 25,000 tons per year of CO₂. Under this approach, transportation sources of GHG emissions, which account for approximately 40 percent of statewide GHG emissions, would not be covered.

Under an “upstream” approach, fees would be levied at or closer to the point that natural gas, gasoline, diesel fuel, and electricity imports enter the California economy. This option would achieve broader coverage of emissions sources, potentially covering over 90 percent of GHG emissions in the state if expanded to include industrial process and high global warming potential emissions. It would also be possible to implement a fee that reflected a hybrid of the two primary approaches.”

The Appendices conclude that “To incent significant reductions, fees would likely need to be set between \$10 to \$50 per metric ton of MMTCO₂E.” [*sic: MMT should be deleted*]. “For every \$10/metric ton, the fees would increase the wholesale price of coal-fired electricity by \$0.01 per kilowatt-hour, of gasoline by \$0.10 per gallon, and natural gas by \$0.05 per therm.”

While it is anticipated that this type of price signal would have some effect on consumer buying patterns, CARB believes that the larger effect would be on the investment decisions and fuel choices made by suppliers of goods and services.

WCI DRAFT REGIONAL CAP & TRADE PROGRAM PUBLISHED 10 STATES AND PROVINCES TRADING PROGRAM

On Thursday, July 24th, the Western Climate Initiative (WCI) released its recommended design for a cap-and-trade program as part of regional efforts being undertaken to reduce greenhouse gas emissions.

This is one important component of the AB 32 implementation strategy. CARB’s Draft Scoping Plan states its intent to work closely with the WCI. Language within the Draft Scoping Plan states, “California’s participation in WCI creates an opportunity to provide substantially greater reductions in GHG emissions from throughout the region than could be achieved by California alone... The creation of a robust regional trading system can complement the other polices and measures included in this Draft Plan, and provide the means to achieve the emission reductions needed from a wide range of sectors as cost-effectively as possible.”

To see the WCI Draft Design of the Regional Cap-and-Trade Program, go to: www.westernclimateinitiative.org/ewebe ditpro/items/O104F18808.PDF.



CAISO’S MARKET REDESIGN SLIPS AGAIN 2009 DATE NOW LIKELY

At the July meeting of the CAISO Board of Governors, CAISO

management provided an update on MRTU readiness. The plan was to achieve a level of readiness that would support an August decision for a November MRTU Go Live date.

Work has continued on the full range of outstanding readiness issues, and CAISO cites significant progress, but confesses that issues continue that must be resolved before setting a Go Live date. Consequently, the August meeting of the Board of Governors has been cancelled and readiness of both the CAISO and market participants will be considered at the September 9 Board meeting. During discussions regarding a new Go Live date, the CAISO intends to take into account market participants' request to avoid launching MRTU in December or January.

UTILITIES' INVESTMENT IN SMART GRID UNDERWAY SMART METERS BEING DEPLOYED

PG&E has selected Silver Spring Networks to support its PG&E's SmartMeter™ Program Upgrade. Silver Spring Networks and PG&E have signed a definitive agreement and deployment activity is underway, with full metering deployment expected to be completed by 2012.

PG&E will initially focus on using Silver Spring Networks' technology to support advanced metering and home

networking applications. In addition, Silver Spring Networks provides an open networking platform that will enable PG&E to realize additional operational and environmental benefits in the future.

Itron Inc. is working with SDG&E to replace or upgrade the utility's 2.3 million electric and gas meters with Itron OpenWay technology for its smart meter initiative. Itron will provide its OpenWay electric meters and gas modules and Itron Enterprise Edition™ Meter Data Management software, as well as implementation, project management and installation services for the utility's smart meter project. Itron's OpenWay system provides a foundation for smart metering and supports smart transmission and distribution grids by providing a two-way communication network between the utility and each meter. OpenWay provides interval data collection, time-of-use metering, load-limiting, remote disconnect and reconnect, outage detection, net metering capability and ZigBee® home area network connectivity, which empowers customers to participate in energy management and conservation.

SDG&E's smart meter initiative and funding gained CPUC approval in 2007. SDG&E plans to begin deploying the new system broadly in February 2009, with completion by the second quarter of 2011.

DG IN THE NEWS...

Novato-based SolarCraft announced the recent completion of a 35.4 kilowatt solar energy system at the new Hamilton Marketplace Complex in Novato, California. The highly anticipated new Hamilton Marketplace, built on the former site of Nave Lanes, will power the shopping center with clean, green, renewable energy. All commons areas, certain parking lot areas and walkways will be powered by 100% solar energy. The 94,000-square-foot center now supports 165 high efficiency SunPower solar modules. The new system is expected to generate 44,950 kilowatt hours annually and spans 2,210 square feet. There is potential for each tenant to purchase individual solar energy systems to power their space with renewable, clean power.

A sound investment, the system will pay for itself in approximately 6 years and will continue to provide free, clean, renewable energy for decades to come.

Capstone Turbine Corporation (www.microturbine.com) announced that it has received an order from HelioFocus for the development and modification of Capstone Turbine's C65 Micro Turbine® to operate on solar energy.

Founded in 2007 and headquartered in Ness Ziona, Israel, HelioFocus Ltd. is engaged in the development of modular, high efficiency Concentrated Solar Power (CSP) systems. These systems will convert sunlight to grid electricity using a parabolic solar concentrator to focus the sun's energy into a solar receiver that provides enough heat energy to drive Capstone's modified turbine and power electronics. Under the initial phase of development, Capstone will make modifications to the existing microturbine to operate on superheated air and integrate the microturbine with the HelioFocus solar concentrator system.

Capstone Turbine has been evaluating product development opportunities to combine the benefit of the microturbine and solar concentrator technologies. The traditional Capstone microturbine engine uses gaseous or liquid fuels to heat combustion air. The HelioFocus Solar Concentrator focuses enough sunlight energy to provide an equivalent amount of combustion heat to drive the microturbine. This fuel free renewable solution offers higher solar conversion efficiencies over traditional solar photovoltaic systems. In addition the increased power density of this system should reduce the amount of required real estate for siting these systems.

Clear Skies Solar, Inc., a developer of solar energy products and a full-service integration company specializing in the turnkey installation of commercial photovoltaic (PV) solar systems, today announced the successful installation of the Hawthorne Machinery solar energy system at the company's 25-acre headquarters in Rancho Bernardo, CA.

For this \$1,276,684 project, Clear Skies Solar installed a 155.39 kw DC solar photovoltaic (PV) system designed to offset current energy usage charges incurred by Hawthorne's headquarters. Following the initial engineering and permitting periods, total installation time was a mere five weeks. Through a reduction in energy cost and government incentives, Hawthorne is expected to recoup its initial investment in approximately seven years.

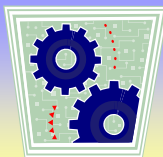
Energy Calendar

If you have an event you would like to have included in COG's event calendar, please email the information to COG@lindhassociates.com

<i>CEC</i>	<i>Workshop on Defining the Pathway to the California Smart Grid of 2020 Request for Proposals (RFP)</i>	<i>August 5</i>
<i>CARB</i>	<i>Regional AB 32 Scoping Plan Workshop – Sacramento</i> www.arb.ca.gov/cc/scopingplan/meetings/meetings.htm	<i>August 8</i>
<i>CARB</i>	<i>Comments on AB 32 Scoping Plan and Appendices Due</i>	<i>August 11</i>
<i>CEC</i>	<i>CEC Business Meeting</i>	<i>August 13</i>
<i>CARB</i>	<i>Regional AB 32 Scoping Plan Workshop – San Diego</i>	<i>August 15</i>
<i>CPUC</i>	<i>CPUC Business Meeting</i>	<i>August 21</i>
<i>CPUC</i>	<i>Workshop on Solar Water Heating Pilot Project</i>	<i>August 26</i>
<i>CEC</i>	<i>CEC Business Meeting</i>	<i>August 27</i>
<i>Leg</i>	<i>Last Day for any Bill to be Passed in 2008</i>	<i>August 31</i>
<hr/>		
<i>CPUC</i>	<i>CPUC Business Meeting</i>	<i>September 4</i>
<i>CARB</i>	<i>AB 32 ETAAC (Advisory Committee) Meeting</i>	<i>September 4</i>
<i>Conf</i>	<i>CEC's 5th Annual Climate Change Research Conference</i> Register	<i>Sept. 8-10</i>
<i>CEC</i>	<i>CEC Business Meeting</i>	<i>September 10</i>
<i>Conf</i>	<i>CAPCOA "The Future is Green" Conference & Expo</i> www.capcoagreen.com/registration/	<i>Sept. 14-16</i>
<i>CPUC</i>	<i>CPUC Business Meeting</i>	<i>September 18</i>
<i>CEC</i>	<i>CEC Business Meeting</i>	<i>September 24</i>
<i>Gov</i>	<i>Last Day to Sign 2008 Legislation</i>	<i>September 30</i>
<hr/>		
<i>CPUC</i>	<i>CPUC Business Meeting</i>	<i>October 2</i>
<i>CEC</i>	<i>CEC Business Meeting</i>	<i>October 8</i>
<i>Conf</i>	<i>CSI Quarterly Program Forum</i>	<i>October 15</i>
<i>CPUC</i>	<i>CPUC Business Meeting</i>	<i>October 16</i>
<i>CEC</i>	<i>CEC Business Meeting</i>	<i>October 22</i>

We always strive to publish accurate and timely information in California Onsite Generation. If you feel that an item reported in our newsletter is in error, or if you have an opinion on news or analysis contained in the report that you would like to share, please let us know, so that we can set the record straight. Contact us at:

Email: COG@lindhassociates.com
Phone: **Karen Lindh 916-729-1562**
 Chuck Solt 916-729-5004



2008 Legislation at a Glance

New text indicated in italics

Bill Number	Summary	Status
AB 578 Blakeslee	DG Projects: T&D Impacts Last amended July 14, requires the CPUC, in conjunction with the CAISO, to study, and submit a study to the Legislature and the Governor by January 1 2010 2009 , and biennially thereafter, on the impacts of distributed energy generation on the state's distribution and transmission grid. The bill would require the CPUC to specifically assess the impacts of the California Solar Initiative program, the self-generation incentive program, and the biogas customer-generator net energy metering pilot program.	Senate Floor
AB 1064 Lieber	Self Generation Incentive Program Last amended June 30, extends until January 1, 2012, the self-generation incentive program and require the PUC to limit the eligibility for incentives pursuant to the program to distributed generation resources that the PUC determines support the state's goals for the reduction of emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006. Requires that CHP units meet certain efficiency and emissions requirements to receive level 3 incentives and be adequately maintained and serviced so that during operation, the unit continues to meet or exceed the efficiency and emissions requirements. Requires the CPUC to ensure that, after 2009, no costs of the SGIP are recovered from residential customers.	<i>Aug. 7 hearing on Suspense file in Senate Appropriations Committee</i>
AB 1506 Arambula	GHG: Financial Incentives Last amended July 17, requires the Business, Transportation & Housing Agency to contract with the University of California or other postsecondary institution to conduct a study investigate the most effective ways for the state to provide incentives to businesses to reduce GHGs-and report back to the Legislature by 2009.	S-Approps

<p>AB 1851 Nava</p>	<p>Sale of Voluntary GHG Offsets: Disclosure and Registration <i>Last amended August 4, requires CARB by January 1, 2011, to establish a process for compiling a list of all offset sellers within the state would require, January 1, 2010, that a person selling voluntary greenhouse gas emission offsets in the state clearly and conspicuously disclose specified information in its marketing materials for those offsets. Beginning January 1, 2011, a person selling an a voluntary offset within the state would be required to ensure that the offset has been a unique serial number and is registered with and tracked by a registry. States legislative intent that CARB develop a separate regulatory process to regulate mechanisms used in compliance with AB 32.</i></p>	<p><i>Aug. 7 hearing on Suspense file in Senate Appropriations Committee</i></p>
<p>AB 1920 Huffman</p>	<p>Solar and Wind: NEM <i>Last amended August 4, requires IOUs and municipal utilities to compensate customers that use net metering in association with a system to generate wind or solar power and who generate excess energy over a 12-month cycle, to receive compensation at a value to be determined by the CPUC by January 2010.</i></p>	<p><i>Aug. 7 hearing on Suspense file in Senate Appropriations Committee</i></p>
<p>AB 2267 Fuentes</p>	<p>Climate Change: California Preference <i>Last amended June 26, states that public interest energy research, demonstration, and development projects should provide economic benefits for California by promoting California-based technology firms, jobs, and businesses. The bill would require the CEC to give priority to California-based entities in making awards pursuant to the program. The bill would define a California-based entity.</i></p>	<p><i>Aug. 7 hearing on Suspense file in Senate Appropriations Committee</i></p>
<p>AB 2269 Fuentes</p>	<p>Municipal Utilities: Solar <i>Last amended June 12, authorizes the electricity generated by a solar energy system receiving specified incentive payments to be sold to the local publicly owned electric utility if specified requirements are met.</i></p>	<p>Senate Floor</p>
<p>AB 2466 Laird</p>	<p>Local Govt.: Renewable Self-Generation Program <i>Last amended August 4, creates a new program to authorize a local government to receive a bill credit against electricity it has consumed at one or more sites for electricity it has generated and exported supplied to the grid at one or more renewable generating facilities by establishing a "benefiting account." Establishes the specific billing components governing the transaction.</i></p>	<p><i>Aug. 7 hearing on Suspense file in Senate Appropriations Committee</i></p>

<p>AB 2768 Levine</p>	<p>CSI Rates Last amended June 16, revises <i>CSI</i> by deleting the requirement to impose time-variant pricing on ratepayers with a solar energy system and, instead, authorizing the commission to develop a time-variant tariff.</p>	<p>Senate Floor</p>
<p>AB 2791 Blakeslee</p>	<p>"Pay as You Go Financing" Pilot Revises Sec. 2842 of the PU Code expanding eligibility to government facilities for "pay as you go" financing pilot established by AB 1613 for CHP customers with a generating capacity of not more than 20 MW.</p>	<p><i>Chaptered by Secretary of State - Chapter 253, Statutes of 2008</i></p>
<p>AB 2863 Leno</p>	<p>Independent Solar Energy Producers Last amended August 4, creates an exception from the definition of an "electrical corporation" for an independent solar energy producer <i>and establishes contractual disclosure provisions for Solar Energy Producers.</i></p>	<p><i>Aug. 7 hearing on Suspense file in Senate Appropriations Committee</i></p>
<p>SB 1012 Kehoe</p>	<p>Self-Generation Incentive Program: CHP Last amended July 1, would extend until January 1, 2013 the SGIP. Provides that the Commission establish eligibility to DG resources that it determines supports the state's AB 32 goals. Requires that CHP units meet certain efficiency and emissions requirements to receive incentives. The bill would require a customer receiving incentives for a CHP unit to adequately maintain and service the unit so that during operation, the unit continues to meet or exceed the efficiency and emissions requirements. Requires the CPUC to ensure that all ratepayers are eligible for incentives to install DG resources. Further requires the CPUC to provide an additional incentive of 20% from existing program funds for the installation of eligible DG resources that are manufactured in California by companies that maintain their principal place of business in California. Eliminates the Commission's authority to adjust rebates and evaluate other public policy interests in administering this program.</p>	<p><i>Aug. 7 hearing for bills on A-Approps Suspense File</i></p>
<p>SB 1438 Padilla</p>	<p>Smart Grid Last amended June 30, requires the CPUC, by July 1, 2010, and in consultation with the CEC and the Independent System Operator, to determine the requirements for a smart grid deployment plan consistent with federal law. The commission shall institute a rulemaking or expand the scope of an existing rulemaking to adopt standards and protocols to ensure functionality and interoperability developed by public and private entities. The bill would require each electric utility, by July 1, 2011 to develop and submit a smart grid deployment plan to the CPUC for approval and would authorize the Commission to authorize the utility to</p>	<p><i>Aug. 7 hearing for bills on A-Approps Suspense File</i></p>

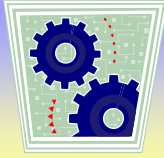
	recover reasonable costs of deploying smart grid technologies and services from ratepayers. Each local publicly owned electric utility, shall, by July 1, 2011, develop, and, adopt a smart grid development plan, consistent with federal law.	
SB 1512 Wiggins	Private Energy Producers: Agricultural Customer-generators Last amended June 30. For the purpose of determining whether an agricultural customer-generator using wind or solar electric generation was a net consumer or a net producer of electricity during a 12-month period, require that the electrical corporation aggregate the electrical load of the agricultural customer-generator under the same ownership located on property adjacent or contiguous to the generation facility. The bill would further require that each aggregated account be billed and measured according to a time-of-use rate schedule	Assembly Floor Consent Calendar
SB 1550 Florez	Disclosure Standards: Climate Change Last amended July 2, requires the State Controller to develop a voluntary, investor-based standard for use by listed corporations doing business in California that addresses climate change risks in order to help investors make better informed decisions.	Assembly Floor
SB 1672 Steinberg	Renewables Bond Act Last amended July 2, this bill enacts the Renewable Energy, Climate Change, Career Technical Education, and Clean Technology Creation Bond Act of 2010 if approved by voters. The Act would authorize the issuance of \$2,250,000,000. Of the bond revenues generated, \$1,250,000,000 would be deposited into the Renewable Energy, Climate Change, Career Technical Education, and Clean Technology Job Creation Fund of 2010, for the purposes of the construction of new facilities or the reconfiguration of existing facilities to enhance the educational opportunities for pupils to provide them with the skills and knowledge necessary for careers directly related to clean technology, renewable energy, or energy efficiency. The remaining \$1,000,000,000 would be deposited into the Renewable Energy, Climate Change, Career Technical Education, and Clean Technology Job Creation Revolving Loan Fund, which be available for loans awarded for capital outlay projects undertaken by specified entities to provide job training and development for specified individuals.	Aug. 7 hearing for bills on A-Approps Suspense File

<p>SB 1714 Negrete McLeod</p>	<p>Renewables: Tariffs Last amended July 2, this bill requires the CPUC, effective July 1, 2009, to modify the feed in tariff (FIT) by increasing the maximum capacity of eligible energy facilities to 3 MW (subject to tariffs up to a statewide capacity of 500 MW) allow third party ownership, and adjust the rate of the FIT to reflect time of day and other attributes of renewable generation. The CPUC is authorized to adopt performance standards for generators and to lower the 3 MW limit to protect system reliability. Requires municipal utilities to adopt and implement a tariff, for electricity generated by an electric generation facility up to 3 MW subject to deliverability, interconnection requirements and approved performance standards up to a total of 250 MW.</p>	<p><i>Aug. 7 hearing for bills on A-Approps Suspense File</i></p>
<p>SB 1760 Perata</p>	<p>Climate Action Team Last amended May 27, creates, by statute, a Climate Action Team, composed of representatives of various state agencies.</p>	<p><i>Aug. 7 hearing for bills on A-Approps Suspense File</i></p>

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Assembly - www.assembly.ca.gov/committee_hearings/defaulttext.asp

Senate - www.senate.ca.gov/~newsen/audiotv/audiotv.htm



2008 Regulation at a Glance

MAJOR POLICY INITIATIVES		
Energy Action Plan		
Activity	Summary	Status
Direct Access		
R.07-05-025 Rulemaking Regarding Whether, or Subject to What Conditions, the Suspension of Direct Access May Be Lifted	Phase II(a) will address the full range of effects relating to the removal of DWR from its power supply role (not just the legal implications relating to the DA suspension). One concern created by novation is the potential for new stranded costs and exit fees. <ul style="list-style-type: none"> Proposals on cost allocation of contracts among utilities due July 28; replies on Aug. 11. Comments on net costs/net benefits due Aug. 4; replies on Aug. 18. Comments on other legal issues related to DWR exiting its role as power supplier due Aug. 28; replies on Sept. 8. Phase II(b) of the proceeding will address the substantive merits of reinstating DA and relevant market prerequisites whereby DA would be in the public interest.	<i>Comment period ongoing.</i>
Greenhouse Gas (GHG) Regulation		
CPUC		
R.06-04-009 Rulemaking re: GHG Emission Standards	<u>Electric and Natural Gas</u> The CEC and CPUC forwarded a joint proposal to the ARB that adopts comprehensive regulatory strategies to meet AB 32 greenhouse gas reduction goals. (Interim Opinion on Greenhouse Strategies (Docket # 07-OIIP-1) and CPUC recommendations).	D.08-03-018 approved on March 13.
R.06-04-009 Rulemaking re: GHG Emission Standards (cont.)	<u>Ruling</u> issued May 1 providing further guidance regarding treatment of CHP facilities, which included a staff proposal for the regulation of CHP. Two goals were identified for the proposal: <ul style="list-style-type: none"> Discuss how CHP should be treated under the AB 32 framework, since CHP units emit GHG, but typically less than conventionally generated electricity. Discuss whether CHP should be considered a potential emission reduction measure for the purposes of AB 32. In response, over 30 parties presented their recommendations on GHG allocation, flexible compliance and the Staff's CHP white paper proposal . All comments available as part of R.06-04-009 .	Comment period has expired.

California Air Resources Board (CARB)		
<p>AB 32 (California Global Warming Solutions Act of 2006) Implementation www.arb.ca.gov/cc/cc.htm</p>	<p>Reporting The Board adopted a new rule imposing Facility-based reporting for Cement Plants, Power Plants, Cogeneration units over 1 MW, Refineries, Hydrogen Plants, and Large Combustion units emitting over 25,000 metric ton CO₂/year. The first report from all affected CHP facilities will be required April 2009 and annually thereafter.</p> <p>Modifications to the text under consideration. Documents and the associated "formal" regulatory materials can be accessed at: www.arb.ca.gov/regact/2007/ghg2007/ghg2007.htm</p>	<p>Public comments were due July 15.</p>
<p>AB 32 Scoping Plan</p>	<p>Staff released the first draft of the Scoping Plan on June 26. It was presented as an agenda item in the regularly scheduled ARB meeting. The Draft Scoping Plan and the Staff Presentation present the Preliminary Recommendations in the form of a mix of strategies that combine market mechanisms, regulations, voluntary measures, and fees. The key elements are:</p> <ul style="list-style-type: none"> - Energy efficiency programs; - Increasing the Renewables Portfolio Standard to 33% by 2020; - Linking the California cap and trade program to the Western Climate Initiative (a program involving 10 Western states and provinces); - Existing laws and policies including items like the Pavley automobile efficiency standards; - Targeted fees to fund implementation. <p><i>The Appendices to the Draft Scoping Plan include the following:</i> <i>AB 32: The Global Warming Solutions Act of 2006</i> <i>List of Acronyms and Glossary</i> <i>Sector Overviews and Emission Reduction Strategies</i> <i>May 16, 2008 Western Climate Initiative Recommendations</i> <i>List of Draft Scoping Plan Measures</i> <i>California's Greenhouse Gas Emissions Inventory.</i></p>	<p><i>Appendices published July 22: Comments on appendices due August 11.</i></p>
<p>AB 32 Committees</p>	<p>The Economic and Technology Advancement Committee (ETAAC) is planning to meet to discuss and comment on the draft AB32 Scoping Plan. www.arb.ca.gov/cc/etaac/meetings/090408pubmeet/090408pubmeet.htm.</p>	<p><i>September 4, 9:00 a.m. - 1:00 p.m., Cal-EPA, 1001 I Street, Sacramento.</i></p>
<p>California Climate Action Registry (CCAR)</p>	<p>The California Registry is soliciting public comment on the following protocols: Draft Urban Forest Project Protocol :</p>	<p>Written comments due: August 4.</p>

US EPA		
<p><u>Advance Notice of Proposed Rulemaking (ANPR)</u></p>	<p>On July 11, 2008, the U.S. Environmental Protection Agency (EPA) released an <u>Advance Notice of Proposed Rulemaking (ANPR)</u> inviting public comment on the benefits and ramifications of regulating greenhouse gases (GHGs) under the Clean Air Act (CAA).</p> <p><i>Key Issues for Discussion and Comment in the ANPR:</i></p> <ul style="list-style-type: none"> • Descriptions of key provisions and programs in the CAA, and advantages and disadvantages of regulating GHGs under those provisions • How a decision to regulate GHG emissions under one section of the CAA could or would lead to regulation of GHG emissions under other sections of the Act, including sections establishing permitting requirements for major stationary sources of air pollutants • Issues relevant for Congress to consider for possible future climate legislation and the potential for overlap between future legislation and regulation under the existing CAA • Scientific information relevant to, and the issues raised by, an endangerment analysis • Information regarding potential regulatory approaches and technologies for reducing GHG emissions. 	<p>Published in Federal Register on July 30. Comments due in 120 days.</p>

California Public Utilities Commission www.cpuc.ca.gov/		
Solar/DG/CHP		
Activity	Summary	Status
<p>Rulemaking into Combined Heat and Power Pursuant to AB 1613 <u>R.08-06-024</u></p>	<p>Rulemaking will examine implementation of AB 1613. Among the issues: defining a "new" CHP system, establishing policies for the purchase of excess electricity from a CHP system by the utility, and the rates and tariffs governing such sale are all topics for discussion in the new proceeding.</p>	<p>Issued June 26; comments due July 31.</p>
<p>Rulemaking Regarding Rules for the CSI, the SGIP and Other DG Issues. <u>R.08-03-008</u></p>	<p><u>Rulemaking</u> The new docket, R.08-03-008 is intended to address and refine policies, rules and programs for the CSI and the Self-Generation Incentive Program (SGIP). Scope of new CSI/DG rulemaking will be very narrow, addressing budgets, programs and incentives offered under the current SGIP and CSI programs. Final approval for a cost-benefit analysis for DG and CHP applications will be on the agenda. <u>Scoping memo</u> and schedule published May 15.</p>	<p>Most DG activity scheduled to occur 3rd, 4th quarter 2008 or 1st quarter 09.</p>
<p>Rulemaking Regarding Rules for the CSI, the SGIP and Other DG Issues. <u>R.08-03-008</u></p>	<p><u>Self Generation Incentive Program</u> <ul style="list-style-type: none"> ➤ <u>New Technologies for SGIP Proposed</u> President Peevey issued a <u>ruling</u> on April 4 inviting interested parties to comment on recommendations for new technologies to be added to the SGIP. The ACR, the Working Group recommendations,</p>	<p>Comments were due April 21.</p>

<p>continued</p>	<p>the Energy Division recommendations and the new proposed PMR process are available at: www.cpuc.ca.gov/EFILE/RULINGS/80849.htm.</p> <p>On July 1, ALJ Ebke issued a ruling calling for an additional round of comments on a proposal to add advanced energy storage (AES) by StrateGen Consulting LLC and VRB Power Systems Inc. (VRB). VRB advocates a \$3/watt incentive.</p> <p>➤ Rule 21</p> <p>Energy Division of the CPUC is assuming responsibility for the Rule 21 portion of R.08-03-008. The CEC and CPUC jointly held meeting of the existing Rule 21 Working Group on June 20 to assess priorities and identify areas for the CPUC to consider when addressing Rule 21. Presentations include the CEC Role in Rule 21 Improvements by Steve Ghadiri of the CEC and an Overview of Rule 21 Changes and Current Status. Nick Chaset, Energy Division. <i>The report is available here and responses are all posted in docket R.08-03-008.</i></p> <ul style="list-style-type: none"> ○ <i>SDG&E recommends that the status of the current working group be modified to a "maintenance working group" that would meet twice yearly, with membership limited to utility and CPUC representatives, similar to the SGIP Working Group.</i> ○ <i>SCE says the working group focus should be on resolution of technical and implementation issues.</i> ○ <i>PG&E is generally supportive of the continuation of the Rule 21 Working Group under the CPUC's auspices.</i> ○ <i>The Interstate Renewable Energy Council (IREC) supports continuation of the uniform Rule 21 tariff. IREC also supports a streamlining of interconnection requirements between conflicting FERC/CAISO Small Generator Interconnection Process and CPUC/IOU Distribution rules.</i> <p>➤ SGIP Impact Report</p> <p>Program Administrators (PA) of the Self- Generation Incentive Program submitted a motion seeking approval of a time extension for submittal of the 2007 Impacts Report for the Self Generation Incentive Program (SGIP). On June 24, ALJ Ruling granted extension, although expressed concern that the delay of the 2007 impact report will make it unlikely that the CPUC can use it to consider program modifications before the start of the 2009 program year.</p>	<p>Comments submitted July 11.</p> <p>Comments submitted July 14.</p> <p>Impact Report now due October 1.</p>
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	<p><u>California Solar Initiative</u></p> <p>➤ <u>Solar Water Heating Pilot</u></p> <p>The California Center for Sustainable Energy and the California Solar Energy Industry Association jointly filed a petition to modify D.06-01-024, seeking to extend the Solar Water Heating pilot for 6 months and expand it to the PG&E and SCE service territories. The PD, issued May 21, approves the proposal to extend the duration of the \$3 million pilot for SWH incentives. If approved by the full Commission, CCSE would be authorized to extend the pilot until December 31, 2009, or until the \$3 million pilot program budget is exhausted, whichever occurs first. However, the PD rejects CCSE's request to extend the pilot to customers in other utilities' service territories.</p> <ul style="list-style-type: none"> • Energy Division will hold a workshop to discuss issues related to the evaluation of the Solar Water Heating Pilot Program. Contact is Nick Chaset (415) 703-1184 or nlc@cpuc.ca.gov. <p>➤ <u>CSI M&E</u></p> <ul style="list-style-type: none"> • <i>President Peevey established a CSI Program Evaluation Plan on July 29. The next steps will be to implement the plan and use the results for the first review of the CSI program in a later portion of the rulemaking.</i> • Workshop held July 14 on California Solar Initiative budget, potential unspent program funds, and issues surrounding incentive applications that drop-out. Commission staff will lead a discussion of these issues and potential options for program modifications. <p>➤ <u>Progress Report</u></p> <p>Staff cites these accomplishments of the CSI in the CSI Jul 08 Progress Report):</p> <ul style="list-style-type: none"> • In the first six months of 2008, the CSI program has added an additional 59.4 MW of new solar, a quantity that equals the total amount of solar PV installed statewide in all of 2006. • If the solar installation trend continues, the CSI program will add more than 100 MW of new installed solar PV in 2008, driving a California solar industry growth rate of 35% to 40% over 2007 levels • A record number of projects were completed in the second quarter of 2008 • New demand for solar incentives under the CSI program remains robust midway through the program's second year • Total Demand in the CSI Program over the first 18 months puts the program roughly on target to meet its 10-year goal of adding 1,750 MW of solar generating capacity by 2016 	<p>D.08-06-029 approved on June 26.</p> <p>1:00 - 5:00 p.m., August 26, CPUC, SF, Courtyard Room.</p> <p><i>RFP for Evaluation Contractor expected in October.</i></p> <p>Post workshop comments due August 4.</p>
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QF Issues		
<p>R.04-04-003/ R.04-04-025 Avoided Cost</p>	<p>In September, (D.07-09-040) the Commission approved new rules for short and long term utility contracts, and market pricing, for QFs selling power to the utility.</p> <ul style="list-style-type: none"> • Nearly every party representing the QF, utility and consumer side has submitted an Application for Rehearing of D.07-09-040, challenging one or more elements of the final decision. • Development of standardized contracts underway. On May 7, each utility issued a revised contract template, paired with a matrix of issues showing where there is agreement, and where there are continuing differences. SCE's 62-page draft contract shares many similarities with PG&E and SDG&E, but there are also cases where the contract templates differ. Generally, PG&E and SDG&E contracts were modeled after existing commercial contracts for energy and capacity commercial products. SCE often includes provisions that are more detailed and/or more stringent than the other two utilities. <ul style="list-style-type: none"> ○ On July 11, the electric utilities each submitted Advice Letters revising proposed standard contracts for QF projects. The uniform contract form is modeled after the SCE contract template first proposed. The utilities reported that negotiations "narrowed" differences. PG&E's proposed contract language is included in AL 3197-E-A; SCE's is AL 2200-E-A and SDG&E's is AL 1958-E-A. 	<p>Issues remain unresolved.</p> <p><i>CAC requested extension in protest date until August 7.</i></p>
<p>R.06-02-013 Long Term Procurement Proceeding</p>	<p>The Commission modified, and approved, the utilities Long Term Procurement Plans.</p> <ul style="list-style-type: none"> • The utilities are jointly seeking rehearing of the Decision, challenging provisions that require IOUs to preserve current levels of QF capacity either by re-contracting with existing QFs or contracting with new QFs. Current QF capacities are recorded as 2,166 MW for PG&E; 4,162 MW for SCE; and 270 MW for SDG&E. The utilities allege that the Commission has committed legal error by approving this requirement without regard for need or cost. 	<p>D.07-12-052.</p> <p>Application for Rehearing submitted on January 22. Comments were due February 21.</p>
RPS Issues		
<p>R.06-02-012 2006 RPS Rulemaking</p>	<p>Tradable RECs</p> <ul style="list-style-type: none"> • In a revised scoping memo, President Peevey has extended the schedule to complete remaining tasks in the design of the Renewable Portfolio Standard, including whether and how Renewable Energy Credits (RECs) can be used by utilities and ESPs for RPS compliance. • On May 9, the Center for Resource Solutions submitted a Motion for Leave to File Additional Comments. CRS 	

	<p>contends that language of Public Utilities Code §399.12(h)(2) requires RECs to include “all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resource.” Failure to make a determination on this basis, CRS argues, could make any REC decision subject to judicial challenge...” CRS, supported by SMUD, urges the Commission to adopt their recommended definition, while the utilities, DRA oppose.</p> <ul style="list-style-type: none"> On July 15, ALJ Anne Simon released for public comment a Proposed Decision (PD) to create legal certainty around the definitions and attributes of Renewable Energy Credits (REC). The PD concludes that: <i>“A REC for California RPS compliance is a certificate of proof, issued through WREGIS, that one MWh of electricity was generated and delivered by an RPS-eligible renewable energy resource. A REC includes all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resource, including any avoided emissions of pollutants to the air, soil or water; any avoided emissions of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, or any other GHGs that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of global climate change; and the reporting rights to these avoided emissions, such as Green Tag reporting rights.” (footnotes excluded).</i> 	<p>Comments due August 4; reply comments August 11.</p>
<p>R.06-05-027 Administration of RPS Program</p>	<p>Feed in Tariff The Commission approved D.07-07-027, which requires utilities to purchase output from certain renewables facilities at a market price determined by the CPUC, implementing AB 1969 (Yee).</p> <p>President Peevey issued Revised Scoping Memo on June 5 asking for comments on whether to expand Feed-In Tariffs (FIT) to renewable projects up to 20 MW, and related FIT issues.</p> <ul style="list-style-type: none"> PG&E argues that the statute precludes an increase in project size to 20 MW. PG&E says the cap established in the law is a cap on total capacity (MW), not energy (MWH), and that the distinction between buy/sell and excess sales arrangement is largely irrelevant for purposes of determining the cap. SCE asks the Commission to allow the utilities to develop voluntary programs, rather than the “must take” purchase obligation that the feed-in tariff represents. SCE argues that placing too much emphasis on these standard contracts 	<p>Two rounds of comments have been submitted.</p>

	<p>will "directly conflict" with a successful RPS competitive solicitation process.</p> <ul style="list-style-type: none"> California Farm Bureau Federation and Sustainable Conservation argue that the existing program should be extended to SDG&E's other customers generating renewable energy. The Division of Ratepayer Advocates supports expanding eligibility for the feed-in tariff, suggesting that it provides a good supplement to the RPS program by providing an administratively simpler option for smaller generators. DRA supports increasing the project size for the feed-in tariff /standard contracting program to 20MW and, with that, a proportional increase in the total program limits. The Green Power Institute supports properly structured feed-in tariffs as an effective contracting option for maintaining existing renewable generating capacity, and for the development of new renewable projects in California. GPI rebuts the utilities' claim that competitive solicitations should be the preferred contracting mode, claiming that most of the projects that have come to fruition have been the result of bilateral contracts, and not the utilities RFO process. GPI notes that the current tariff price is probably too low to attract much additional renewable supply, however. 	
Departing Load Charges		
<p>R.06-02-013 LTPP Phase 3</p>	<p>In the third phase of LTPP the CPUC will consider whether any change in the manner that new generation stranded costs should be reflected in nonbypassable charges (NBCs) imposed on muni, DA or Customer Generation Departing Load customers.</p> <ul style="list-style-type: none"> Cogen/DG interests argue that Customer Generation Departing Load (CGDL) should be exempted from departing load charges for utility procurement. TURN and utilities respond that whether departing load should be categorically exempt from NBCs is not within the scope. TURN also believes that even accurate forecasting of departing load cannot avoid the occurrence of stranded costs at times when the market price is below the utility's average portfolio cost, and that therefore departing load should not be excused from paying NBCs. 	<p>Briefing has concluded; <i>Proposed Decision issued August 4.</i></p>
Rate and Tariff Issues		
<p>A.08-03-002 Southern California Edison General Rate Case - Rate Phase</p>	<p>In the revenue requirement phase of its General Rate Case (SCE Application.) SCE asks the Commission to authorize a \$726 million increase over currently authorized base revenues.</p> <p>Under SCE's straw proposal, TOU-8-sub customers' rates would go up by 15%, while TOU-8-Pri would be increased 5.3%, for a</p>	<p>Scoping memo issued May 14.</p>

	<p>total class increase of 8.5%.</p> <p>A Prehearing Conference was held May 1. According to the Scoping Memo, dynamic pricing, including mandatory CPP will be considered along with the issues typically associated with the rate design phase of a GRC: marginal costs, revenue allocation and rate design. Testimony is due October 17 and evidentiary hearings set to begin January 12, 2009.</p> <p>The rate and tariff changes approved in this phase are expected to take effect on October 1, 2009, assuming a Commission decision by July, 2009.</p>	
<p>PG&E General Rate Case Dynamic Pricing phase A.06-03-005</p>	<p>On June 10, Commissioner Rachele Chong released her Proposed Decision establishing default Critical Peak Pricing rates for PG&E's large customers. The PD does not by itself adopt particular rates, rather it specifies a timeline when PG&E is required to propose specific dynamic pricing rates. This PD establishes a number of policies that PG&E must take into account when developing the CPP rate design proposal. Among the provisions for Commercial and Industrial customers:</p> <ul style="list-style-type: none"> o Dynamic pricing rates should include a capacity reservation charge, or a similar feature, that allows a customer to pay a fixed charge for a predetermined amount of its load and pay the dynamic price for consumption in excess of the reserved capacity. (note: the capacity reservation charge approach was adopted as part of the SDG&E default CPP tariff). o Customers should have the opportunity to opt out of a default dynamic pricing rate to another time variant rate. o Utilities should offer optional bill protection to customers on default dynamic pricing rates. o The utilities should bid demand reductions due to dynamic pricing into the CAISO's day-ahead market. 	<p>D. 08-07-045 <i>approved July 31.</i></p>
<p>SCE AL 1969-E-C Net Energy Metering</p>	<p><u>Combined Technologies - Net Energy Metering</u></p> <p>On July 14, 2008, SCE submitted a tariff change to come into compliance with Resolution E-3992. The following substantive changes to the draft tariff have been made at the request of the CPUC's Energy Division:</p> <ol style="list-style-type: none"> 1) Metering requirements for a group of NEM-eligible generators. A group of NEM-eligible generators consist of multiple generators utilizing the same renewable technology, thus two wind generators would form one group, and two solar generators would form another group. 2) NEM credit treatment when one or more groups of NEM-eligible generators are served under the provisions of Schedule NEM, BG-NEM, or FC-NEM. 3) The requirement of a completed Generating Facility Interconnection Application (Form 14-732) when the interconnection includes a biogas digester generator, or a 	<p>SCE requests an effective date of August 21, 2006, the date E-3992 was issued.</p>

	<p>fuel cell generator, or a multiple tariff generating facility.</p> <p>4) Including the definition of a multiple tariff generating facility in Schedules NEM, BG NEM, and FC-NEM.</p> <p>5) Adding Table C.2, summary of producer cost responsibility for multiple tariff interconnections, within Rule 21.</p> <p>6) Revisions to the <i>Generating Facility Interconnection Agreement</i> (Form 14-773) to address the contractual obligations applicable to a customer's generating facility that consist of one or more NEM-eligible generators and one or more non-NEM generators, and where all generators are located at a premises.</p> <p>7) Revisions to the <i>Generating Facility Interconnection Application</i> (Form 14-732).</p>	
<p>PG&E Distribution Application A.08-05-023</p>	<p>PG&E submitted an application on May 15, asking the Commission to approve and fund a six-year, \$1 billion program designed to decrease the frequency and duration of outages. PG&E requests a cumulative revenue requirement increase of \$2.3 million in 2009, \$23.6 million in 2010, \$96.6 million in 2011, \$193.1 million in 2012, \$298.1 million in 2013, and \$373.6 million in 2014 to fund the program. These costs would be recovered in the distribution rates paid by all customers.</p> <p>In response, TURN and DRA have submitted a motion asking the Commission to reject the application. Instead, these parties urge, the issue should be deferred to PG&E's next General Rate Case. Industrial customer groups filed in support of TURN and DRA.</p>	<p><i>No action either on motion to dismiss or to set a procedural schedule.</i></p>
<p>A.08-02-001 SoCalGas and SDG&E BCAP www.socalgas.com/regulatory/cpuc.shtml</p>	<p>SoCalGas' proposed rates in this Application would result in total annual revenues that are about \$67 million, or 4%, greater than revenues at present rates. Revenues from SoCalGas core customers will increase approximately \$66 million, a 4.7% increase. Revenues from SoCalGas noncore customers will decrease approximately \$35 million annually: a 16% decrease from noncore revenues at present rates. SDG&E's proposed rates in this Application would result in total annual revenues that will decrease approximately \$11 million or 3.9%. Revenues from SDG&E core customers will decrease by approximately \$3 million: a 1.4% decrease from core revenues at present rates. Revenues from noncore customers will decrease by approximately \$14 million annually, a 35% decrease.</p>	<p>Phase 2 (rates) testimony due November 14, and hearings set for January 20 - 30, 2009.</p>

California Energy Commission www.energy.ca.gov		
Activity	Summary	Status
2008 Integrated Energy Policy Report Update Docket No. 08-IEP-1	<i>The IEPR Committee will hold a workshop to discuss refinements needed in the Energy Commission's electricity and natural gas forecasting process that are designed to clarify the amount and improve the measurement of energy efficiency savings incorporated in the forecast.</i>	<i>10 a.m., August 12, 1516 Ninth Street First Floor, Hearing Room A, Sacramento.</i>
2009 Integrated Energy Policy Report	<p>During the first workshop, staff covered the topics for the 2009 IEPR:</p> <ul style="list-style-type: none"> • Electricity and Natural Gas • Strategic Transmission Investment Plan • Environmental Performance Report • Transportation • Public Interest Energy Strategies <p>Transcript posted: www.energy.ca.gov/2009_energy policy/documents/index.html</p>	Workshop held June 3.
<i>PIER Industrial/Agricultural/Water End-Use Energy Efficiency</i>	<i>The CEC has issued a Notice of Proposed Award in RFP #500-07-502, Demonstration Projects for Waste Heat Recovery from Industrial Processes in California. Both successful projects are proposed to be awarded to the Gas Technology Institute.</i>	<i>Posted August 1.</i>

Western Renewable Energy Generation Information System (WREGIS) www.wregis.org		
Activity	Summary	Status
User Training	<ul style="list-style-type: none"> • On June 2, 2008, WREGIS Account Holders were notified that modifications to the Terms of Use Agreement ("TOU") have been proposed, relating to Sections 24 and 27. The WREGIS Committee will be considering this proposal and has determined the process and timing for receiving comments from stakeholders on the proposed changes. Both a clean and a redline version of the proposed revisions are available at www.wregis.org. <ul style="list-style-type: none"> ○ <i>Comments on the newly proposed TOU revisions have been posted to www.wregis.org/.</i> • The WREGIS Administrator will be holding a system user training session on September 3, 2008. Registration is required for attendance and space is limited, contact Mary Frantz at mfrantz@wecc.biz. 	<p><i>Comment period closed.</i></p> <p>September 3, 2008, WECC office, Salt Lake City, Utah</p>

California Independent System Operator

www.caiso.com

Reference	Summary	Status
<p>Generator Interconnection Process Reform</p>	<p>The CAISO filed a petition with FERC for waiver of certain provisions of the Large Generator Interconnection Procedures (LGIP) to facilitate the transition to the GIPR. The ISO held a GIPR Stakeholder Meeting on June 10, 2008 to discuss proposed Tariff revisions to implement the GIPR. By June 25, CAISO will post a set of tariff revisions: www.caiso.com/1f42/1f42c00d28c30.html</p> <p><i>In a related FERC order, CAISO was given approval to waive certain rules and timelines for handling requests from new power plants hoping to hook up to the transmission system. Also the ISO will now be allowed to create three study groups:</i></p> <ul style="list-style-type: none"> • <i>A grandfathered serial study group that would give expedited treatment to projects already in the queue</i> • <i>A transition cluster, comprising non-grandfathered projects submitted on or before June 2, 2008</i> • <i>An initial cluster for projects submitted on or after June 3, 2008</i> 	<p>GIPR proposal approved by Board of Governors on July 9. Tariff changes expected to be submitted to FERC in mid-July.</p>

Air Issues

California Air Resources Board		
Activity	Summary	Status
DG Certification	<ul style="list-style-type: none"> ➤ CARB issued Executive Order DG-026 for Distributed Generation Certification to FuelCell Energy, Inc. The EO applies to FuelCell Energy's 1.2 MW DFC-1500B fuel cell technology. ➤ CARB issued Executive Order DG-025 to apply to UTC Power's PureComfort® System, a combined heat and power technology. The system uses exhaust heat from gas turbine engines to power an absorption chiller. UTC Power has four models listed below: <ul style="list-style-type: none"> -195MC using three turbines producing 195 kW electrical output with a 122 ton cooling capacity; -260MC using four turbines producing 260 kW electrical output with a 152 ton cooling capacity; -325MC using five turbines producing 325 kW electrical output with a 177 ton cooling capacity; -390MC using six turbines producing 390 kW electrical output with a 200 ton cooling capacity. ➤ CARB issued Executive Order DG-027 to Ingersoll Rand Energy Systems' 250 kW, 250SW Landfill Gas Microturbine certifying that the unit meets 2008 Waste Gas Standard. ➤ CARB issued Executive Order DG-028 to Ingersoll Rand Energy Systems' 250 kW, 250ST Digester Gas Microturbine certifying that the unit meets 2008 Waste Gas Standard. 	<p>Expires June 10, 2013.</p> <p>Expires June 10, 2013.</p> <p>Expires June 24, 2013.</p> <p>Expires June 24, 2013.</p>
Local Districts		
San Joaquin Valley APCD www.valleyair.gov Rule 2201 New Source Review	Staff has published a draft report proposing rule changes needed to satisfy the federal requirements associated with the change in compliance status from serious to extreme. This rule change (along with a change to Title V - Rule 2530) is necessary to comply with the ozone National Ambient Air Quality Standard (NAAQS). The definition of a NOx major source in Rule 2201 will be changed from 50 tons per year to 10 tons per year NOx. Potential changes to offsets are also under review. Public Notice , Staff Report , Draft Rule 2201 , Draft Rule 2530 .	<i>Workshop held July 29.</i>
San Joaquin Valley Air Pollution Control District www.valleyair.gov GHG Study	The District is considering a measure to analyze and reduce area greenhouse gases. Under the proposed plan, district officials would spend months querying the public and businesses about their greenhouse gas emissions. Officials would bring recommendations back to the board for further consideration next spring. Board presentation available.	To be reconsidered during August 21 Board agenda.

Acronyms

AL – Advice Letter, a regulatory process to change a provision of the utility tariff.
ALJ – Administrative Law Judge, assigned to a CPUC or FERC proceeding.
BACT – Best Available Control Technology
BARCT – Best Available Retrofit Control Technology
CAISO – California Independent System Operator
CCA – Community Choice Aggregator
CCGT – Combined Cycle Gas Turbines
CCSE – California Center for Sustainable Energy (Formerly San Diego Regional Energy Office)
CEC – California Energy Commission
CHP – Combined Heat & Power
COG – California Onsite Generation (this publication)
CPUC – California Public Utilities Commission
CRS – Customer Responsibility Surcharge (exit fee)
DER – Distributed Energy Resources
DG – Distributed Generation
DRA – Division of Ratepayer Advocates (formerly ORA), representing small consumers
ESP – Energy Service Provider
FERC – Federal Energy Regulatory Commission
GHG – Greenhouse Gases
IOU – Investor Owned Utility
LSE – Load Serving Entity, any entity that provides retail service.
MPR – Market Price Referent
NEM – Net Energy Metering
NOPR – Notice of Proposed Rulemaking issued by FERC
OIR – Order Instituting Rulemaking
PBI – Performance Based Incentive
PD – Proposed Decision
PGC – Public Goods Charge
PIER – Public Interest Energy Research program implemented by CEC
PPA – Power Purchase Agreement
PURPA – Public Utilities Regulatory Policy Act of 1978
QF – Qualifying Facility under the Public Utility Regulatory Policy Act of 1978 (PURPA)
REC – Renewable Energy Credit
RFO – Request for Offer
RPS – Renewable Portfolio Standard
SRAC – Payment by CA IOUs to QFs, based on short run avoided cost
SGIP – Self Generation Incentive Program
WREGIS – Western Region Energy Generation Information System

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The Report is designed to provide information and analysis of public policy developments to Distributed Generation and Cogeneration developers, manufacturers, consultants and other interested parties in the onsite generation industry. Lindh & Associates has prepared the information contained herein to the best of their knowledge, but assume no liability for damages caused by the use of any content.