

Decision 16-05-006 May 12, 2016

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

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

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

And Related Matters.

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

**DECISION ADDRESSING PARTICIPATION OF ENHANCED COMMUNITY RENEWABLES PROJECTS IN THE RENEWABLE AUCTION MECHANISM AND OTHER REFINEMENTS TO THE GREEN TARIFF SHARED RENEWABLES PROGRAM**

## Table of Contents

<u>Title</u>	<u>Page</u>
DECISION ADDRESSING PARTICIPATION OF ENHANCED COMMUNITY RENEWABLES PROJECTS IN THE RENEWABLE AUCTION MECHANISM AND OTHER REFINEMENTS TO THE GREEN TARIFF SHARED RENEWABLES PROGRAM .....	1
Summary .....	2
1. Background.....	3
2. Issues Before the Commission .....	5
3. Discussion and Analysis.....	7
3.1. Changes to Promote Procurement of Enhanced Community Renewables Projects .....	8
3.1.1. Implementation .....	18
3.2. Changes to the GTSR Program That Improve Affordability, Longevity, and Understandability of the Program.....	19
3.3. Pricing, Ratemaking, and Rate Design .....	22
3.3.1. Valuing a Renewable Energy Credit.....	22
3.3.2. Reflecting Rate Design Elements from Other Proceedings .....	24
3.3.3. Threshold for Allocation of Overhead Costs .....	24
3.4. Estimating Bill Credits and Charges Over 20 Years Consistent with SB 793 .....	25
3.5. Miscellaneous Items.....	29
3.5.1. Implementation of CalEnviroScreen .....	29
3.5.2. Calculating the Greenhouse Gas Emission Rate for Retail Electricity Projects.....	30
3.5.3. Objective Standards to Evaluate and Accept Securities Opinions from Law Firms Outside of the AmLaw 100 .....	33
4. Safety Considerations .....	34
5. Outstanding Procedural Matters.....	35
6. Categorization and Need for Hearing.....	35
7. Comments on Proposed Decision .....	35
8. Assignment of Proceeding .....	37
Findings of Fact .....	37
Conclusions of Law .....	39
ORDER .....	41

**DECISION ADDRESSING PARTICIPATION OF ENHANCED COMMUNITY RENEWABLES PROJECTS IN THE RENEWABLE AUCTION MECHANISM AND OTHER REFINEMENTS TO THE GREEN TARIFF SHARED RENEWABLES PROGRAM**

**Summary**

The Green Tariff allows investor-owned utility customers to purchase energy from a portfolio of sources with a greater share of renewables than is offered in the utility's standard portfolio. The Enhanced Community Renewables option allows customers to purchase renewable energy from specific community-based renewable generation projects. Jointly these two options are called the Green Tariff Shared Renewables (GTSR) program. In this decision we refine the GTSR program adopted in Decision 15-01-051 to:

- Allow Enhanced Community Renewables projects between 500 kilowatts and 20 megawatts and Enhanced Community Renewables-Environmental Justice projects between 500 kilowatts and one megawatt to participate in Renewable Auction Mechanism solicitations;
- Direct Pacific Gas and Electric Company (PG&E), Southern California Edison Company(SCE), and San Diego Gas & Electric Company (SDG&E) to hold two Renewable Auction Mechanism solicitations a year for Enhanced Community Renewables projects;
- Establish minimum capacity offerings for the Enhanced Community Renewables Renewable Auction Mechanism solicitations with a maximum award price set at or below a specified percentage of the maximum executed contract price in either the Renewable Auction Mechanism as-available peaking category, or the Green Tariff program, whichever is most recent;
- Direct PG&E, SCE, and SDG&E to file Advice Letters to modify their Enhanced Community Renewables riders consistent with this decision;

In addition, we adopt a forecasting methodology to establish a 20 year estimate of bill credits and charges for the Green Tariff Shared Renewables program as required in Senate Bill 793 (Wolk, Stats. 2015, ch. 587).

These proceedings are closed.

## **1. Background**

This decision is part of the Commission's efforts to implement Senate Bill (SB) 43 (Wolk, Stats. 2013, ch. 413). SB 43 directed the three largest electrical utilities to implement the Green Tariff Shared Renewables (GTSR) Program. As set forth in the statute, the GTSR Program included two components: (1) a Green Tariff component and (2) an Enhanced Community Renewables component. The Green Tariff allows customers to purchase energy from a portfolio of sources with a greater share of renewables from the local investor owned utility than is offered in the utility's standard portfolio. The Enhanced Community Renewables option allows customers to purchase renewable energy from specific community-based renewable generation projects. Decision (D.) 15-01-051 approved a Green Tariff Shared Renewables Program for San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), and Southern California Edison Company (SCE) and set forth the steps for PG&E, SCE, and SDG&E (collectively, investor-owned utilities or IOUs) to start to implement their Green Tariff and Enhanced Community Renewables programs, including procuring resources that qualify for the reservations set forth in Section 2833(d).<sup>1</sup>

D.15-01-051 established Phase IV to examine additional ways to optimize participation in the GTSR Program. A Joint Assigned Commissioner and Administrative Law Judge Scoping Ruling for Phase IV of this proceeding issued

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<sup>1</sup> In this decision we distinguish between the Green Tariff and the Enhanced Community Renewables options and use those terms to refer to the individual programs. When we use the term GTSR, we refer to the overall statutory program that includes both options.

April 15, 2015. That Scoping Ruling identified near term program design issues (Track A) and long term implementation issues (Track B) intended to refine implementation of the Green Tariff Shared Renewables Program. A subsequent Administrative Law Judge Ruling issued October 26, 2015 included additional issues following the adoption of SB793 (Wolk, Stats. 2015, ch. 587). The issues before us in Phase IV have been addressed by parties via comments in response to the two Rulings just described and workshops held June 29, 2015, October 12, 2015 and January 5, 2016; no hearings were held related to these issues.

As anticipated in the Scoping Ruling, much of 2015 was focused on: (a) providing feedback to the IOUs on topics in the implementation Advice Letters; (b) timely filing of the Customer-Side, Joint Procurement, and Marketing Implementation Advice Letters; and (c) review and comment on the implementation Advice Letters. The Advice Letters were resolved by Resolution E-4734 on October 1, 2015.

Among other tasks, D.15-01-051 directed the utilities to enter into advance procurement for projects to supply their Green Tariff option.<sup>2</sup> PG&E is the only utility to report enrollment in its Green Tariff option as of February 29, 2016 (*See* PG&E Progress Report of March 28, 2016). PG&E estimates enrolled capacity at 1.207 megawatts (MW) for residential customers and 6.605 for non-residential

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<sup>2</sup> The utility advance procurement activity is approved through an Advice Letter Process. On January 22, 2016, PG&E filed Advice Letter 4780-E for approval of eight contracts for 52.75 MW to serve the Green Tariff. On February 2, 2016, SCE filed Advice Letter 3358-E for approval of a contract for 20 MW to serve the Green Tariff. On January 15, 2016, SDG&E filed Advice Letter 2849-E for approval of a contract for 20 MW to serve the Green Tariff.

customers.<sup>3</sup> No Enhanced Community Renewables projects were reported in the March 2016 reports.

## **2. Issues Before the Commission**

Phase IV was established to address potential refinements to the GTSR program based on implementation experience, or in some cases where there was insufficient information to resolve an issue definitively in earlier decisions. The Scoping Memo and ALJ Ruling laid out the issues, most of which derive from language in D.15-01-051 that identified areas for further exploration. This decision addresses the identified Phase IV Track A and B issues, as well as the issues added by the October 26, 2015 Ruling (ALJ Ruling). Track A was to address the following issues:

1. Options for customers to lock-in rates and have long-term contracts;
2. Options to make the GTSR Program affordable to more customers;
3. Use of the Renewables Auction Mechanism to procure Enhanced Community Renewables projects;
4. Mechanism to include rate design elements from other proceedings (such as the Renewable Integration Charge);
5. Determining the market value of a Renewable Energy Credit;
6. Implementation of CalEnviroScreen;

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<sup>3</sup> Enrollment capacity presented in PG&E's Progress Report is calculated by converting each enrolled customer's past twelve months of historical usage, where available, to MW using the weighted average capacity factor of the interim resources currently serving the Green Tariff program. Because this is a new tariff, actual load is unknown.

7. Threshold at which the Commission should revisit allocation of overhead costs between participating and non-participating customers;
8. Following determination of the statutory requirements for applying the California Alternative Rates for Energy (CARE) discount to the GTSR Program in Application (A.) 14-11-007, approve a CARE discount structure for the GTSR Program;
9. Alternative Enhanced Community Renewables transactions structures; and
10. Safety issues related to or raised by the Track A issues.

The ALJ Ruling added the following topics:

1. Implementing an estimate of reasonably anticipated bill credits and bill charges, as determined by the Commission, for a period of up to 20 years per SB 793; and
2. Whether the Renewable Auction Mechanism is a reasonable procurement tool for Enhanced Community Renewables projects.

Track B was to address:

1. Consideration of sub-500 kilowatt projects;
2. Procurement of renewable resources other than solar;
3. Optimizing procurement under the GTSR Program, including utilizing other mechanisms for procurement aside from Renewables Portfolio Standard solicitation based on the Renewable Auction Mechanism model;
4. Adoption of a uniform methodology for calculating the greenhouse gas emissions rate associated with various retail electricity products;
5. In light of Distribution Resources Plans, more accurately reflecting distribution costs and benefits of GTSR projects;
6. Criteria for demonstrating community interest;
7. Additional definitions of “community” for purposes of siting Enhanced Community Renewables projects;

8. Additional objective standards to evaluate and accept securities opinions from law firms outside of the AmLaw 100;
9. Prioritizing Environmental Justice Projects;<sup>4</sup> and
10. Safety issues related to or raised by the Track B issues.

Because we resolve all remaining issues identified as within the scope of this proceeding, and a number of these issues are interrelated, we address related issues together, rather than retaining the order that they were listed in the scoping process.

### **3. Discussion and Analysis**

The issues before us fall into five primary buckets:<sup>5</sup>

- 1) Changes to the GTSR program to improve the structure, eligibility, duration, and method for procuring Enhanced Community Renewables projects;
- 2) Changes to the GTSR program that improve affordability or longevity of the program;
- 3) Pricing, ratemaking, and rate design;
- 4) SB 793 Forecasting Methodology; and
- 5) Miscellaneous.

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<sup>4</sup> Unless otherwise stated, all statutory references are to the California Public Utilities Code. Environmental Justice Projects refers to facilities sized up to one MW that are located in “the most impacted and disadvantaged communities” as described in § 2833(d)(1)(A) and defined in D.15-01-051.

<sup>5</sup> Some of the scoping issues may not have been covered by the commenters. For example, although D.15-01-051 and the Scoping Memo allowed consideration of alternative Enhanced Community Renewables transactions structures, no changes (other than allowing procurement through the Renewable Auction Mechanism) were proposed as a result of Phase IV, Track A, Issue 9. In addition, Phase IV, Track B, Issue 5 requires action first in R.14-08-013 and therefore is not addressed here. Parties were unanimous that the list of bill credits and charges identified in the ALJ Ruling (Issue 1.2) was comprehensive and therefore is not further addressed here.



### **3.1. Changes to Promote Procurement of Enhanced Community Renewables Projects**

A number of the issues identified for Phase IV relate to refining the structure, eligibility, and method for procuring Enhanced Community Renewables projects. As currently structured, Enhanced Community Renewables projects can only be procured by bidding into the Renewable Market Adjusting Tariff (ReMAT) program, which has a maximum eligible project capacity of 3 MW. The Renewable Auction Mechanism allows projects of a larger size to bid and reflects market prices bid by generators at the time of the auction. ReMAT prices begin at an administratively established price with incremental increases or decreases to the price based on the number of participating projects. Relying solely on the ReMAT as a means of Enhanced Community Renewables procurement does not support the success of the GTSR program, especially in light of the limited duration of the program, which will sunset on December 31, 2018. Therefore, many of the parties' comments focused on whether Enhanced Community Renewables projects should be procured through the Renewable Auction Mechanism.

A threshold issue before us is whether we should direct the utilities to hold a Renewable Auction Mechanism solicitation specific to Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice<sup>6</sup> projects.<sup>7</sup> PG&E, SDG&E, SCE, Solar Energy Industries Association (SEIA), The

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<sup>6</sup> Neither SB 43 nor D.15-01-051 require a specified portion of Environmental Justice projects to be either Enhanced Community Renewables or Green Tariff projects, we use "Enhanced Community Renewables-Environmental Justice" to describe projects that meet both the Enhanced Community Renewables and Environmental Justice criteria.

<sup>7</sup> Phase IV, Track A, Issue 3; Phase IV, Track B, Issue 3; ALJ Ruling Issue 2.1.

Utility Reform Network (TURN), and the Office of Ratepayer Advocates (ORA) all support using the Renewable Auction Mechanism to procure Enhanced Community Renewables projects although some, like PG&E, support retaining a 3 MW project capacity limit. They argue that the Renewable Auction Mechanism is a Commission-approved, tested, predictable, and successful mechanism. Unlike ReMAT, the Renewable Auction Mechanism imposes no ongoing developer obligation to participate, doesn't require developers to maintain interconnection obligations in perpetuity, and ensures the lowest price through a competitive bidding process. In addition, the Renewable Auction Mechanism can easily accommodate larger projects bidding in, whereas ReMAT is limited to projects with a maximum capacity of 3 MW. Some parties favor use of ReMAT, arguing that smaller projects, including those sited in Environmental Justice areas, will result in more local community benefits, such as through job creation, that are unlikely to occur as project size expands. Some parties suggest that Enhanced Community Renewables projects should not have to participate in auctions and should be able to execute power purchase agreements once they have met the minimum Enhanced Community Renewables development requirements. This recommendation runs afoul of § 2833(c) which requires use of tools and mechanisms approved by the Commission for purposes of meeting the procurement requirements of the California Renewable Portfolio Standard Program, and therefore we do not consider it.

One of our goals in this decision is to promote the participation in the GTSR program by Enhanced Community Renewables projects. In addition, we want to encourage disadvantaged communities to share in the benefits of local renewable development. We also want to ensure that non-participating utility ratepayers do not subsidize the GTSR program. This balancing act is tricky. We

must expand opportunities for Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice developers to find customers to participate, and simultaneously limit utility ratepayer exposure to non-performing or under-enrolled Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice projects. We must also overcome potential utility resistance to opening this market to third party providers.

In order to accomplish this balancing act, we direct PG&E, SCE, and SDG&E to each hold two Renewable Auction Mechanism solicitations each year to procure Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice projects until the program sunsets in December 31, 2018.<sup>8</sup> The first auction should occur no later than August 31, 2016. The minimum capacity offered at each solicitation should be 75 MW for PG&E and SCE, and 20 MW for SDG&E, up to the total remaining unsubscribed capacity for each utility's GTSR program at that point in time at the utility's discretion.<sup>9</sup> The final solicitation of 2018 shall offer all remaining unsubscribed capacity up for bid.

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<sup>8</sup> D.15-01-051 at 33 directed the utilities not to start new solicitations after January 31, 2018, unless the IOU's GTSR Program has been re-authorized or extended. This decision provides that extension to the solicitation schedule. We also confirm that only one solicitation need be held in 2016.

<sup>9</sup> For example, PG&E's total allocation of GTSR capacity is 272 MW, with 45 MW reserved for Environmental Justice projects and 20 MW reserved for the City of Davis. Per its February 2016 Progress Report, it has enrolled 7.8 MW on its Green Tariff, leaving 264.2 unenrolled. A Renewable Auction Mechanism solicitation held in March 2016 could be for a maximum of 199.2 MW of Enhanced Community Renewables projects (264.2 less 45 less 20) and a maximum of 244.2 MW (264.2 less 20) Enhanced Community Renewables-Environmental Justice projects.

If Enhanced Community Renewables projects meet their minimum subscription thresholds in the early years of their contracts but produce energy in excess of their subscriber load, the utilities will pay for that excess energy at the bid price from the Renewable Auction Mechanism solicitation. In the first year of the contract this excess energy payment could be paid for 55 percent of the contracted capacity, but by the fourth year the exposure is only for five percent of the contracted capacity. In order to protect non-participating customers, particularly in the early years of Enhanced Community Renewables project operations, we set a maximum award price at or below a specified percentage of the maximum executed contract price from the most recent round of procurement for either the Renewable Auction Mechanism's all source<sup>10</sup> as-available peaking category or Green Tariff program, whichever is most recent at the time of the Enhanced Community Renewables auction up to the capacity offered at that solicitation.

The utilities are directed to award contracts to all Enhanced Community Renewables projects whose bid price is at or below 120 percent of the maximum executed contract price up to the capacity offered at that solicitation. For Enhanced Community Renewables-Environmental Justice projects, the utilities must award contracts to all projects whose bid price is at or below 200 percent of the maximum executed contract price up to the Environmental Justice capacity offered at that solicitation. Because bidders do not know the maximum price the utility will pay as the maximum awarded contract prices are confidential and projects will compete with other projects to be awarded the offered capacity, we

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<sup>10</sup> By all source we mean a general market Renewable Auction Mechanism solicitation.

expect bid prices for non-Environmental Justice projects to be competitive and comparable to recent Renewable Auction Mechanism prices, resulting in limited ratepayer exposure to excess energy costs.

Establishing minimum capacity procurement targets at each Renewable Auction Mechanism solicitation will set the GTSR program on a track to satisfy the 600 MW capacity target authorized by SB 43. In addition, Renewable Auction Mechanism solicitations that focus solely on Enhanced Community Renewables procurement will provide ample opportunity for Enhanced Community Renewables-Environmental Justice projects to participate. We clarify that we do not require the utilities to procure Enhanced Community Renewables projects using ReMAT solicitations or hold parallel ReMAT and Renewable Auction Mechanism solicitations, but they may do so at their discretion.

In the event that the minimum capacity from the prior solicitation is not awarded, that capacity should be added to the minimum offer in the next solicitation.<sup>11</sup> Each solicitation should be open to Enhanced Community Renewables projects sized between 500 kilowatts (kW) and 20 MW and Enhanced Community Renewables-Environmental Justice projects sized between 500 kW and 1 MW consistent with §2833(b). Our goal is to utilize the existing mechanisms as they stand at the time of the Renewable Auction Mechanism or ReMAT solicitations, without change, to the greatest extent possible. By opening the Renewable Auction Mechanism to Enhanced Community Renewables projects we have also effectively opened eligibility to other non-solar projects to

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<sup>11</sup> For example, if SCE's first Enhanced Community Renewables solicitation is for 75 MW and only 65 MW are subscribed, the second solicitation will have a minimum capacity offer of 85 MW (75 MW minimum plus 10 MW unsubscribed from solicitation 1).

participate in GTSR.<sup>12</sup> The same eligibility standards that apply to resources that participate in Renewable Auction Mechanism solicitations should apply to those that participate in Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice Renewable Auction Mechanism solicitations. To the extent that a technology cannot participate in the Renewable Auction Mechanism generally, it may not participate in the Enhanced Community Renewables or Enhanced Community Renewables-Environmental Justice Renewable Auction Mechanism solicitation.

In the event that the capacity offered by the utility in a given Renewable Auction Mechanism solicitation is exceeded, capacity will be awarded first to the least-cost best-fit Enhanced Community Renewables-Environmental Justice projects, within the price limiter described earlier, up to the Environmental Justice reservation amount established in D.15-01-051,<sup>13</sup> and then all remaining projects (both Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice) are to be evaluated against one another on a least cost best fit basis using the least cost best fit methodology approved in each utility's annual Renewable Portfolio Standard Plan filings up to the price limiters described earlier.<sup>14</sup> In response to comments on the Proposed Decision, we

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<sup>12</sup> Phase IV, Track B, Issue 2.

<sup>13</sup> Phase IV, Track B, Issue 9.

<sup>14</sup> For example, using the footnote 9 example's figures, if there were 60 MW of Enhanced Community Renewables-Environmental Justice project capacity bid, and 130 MW of Enhanced Community Renewables project capacity bid, all 190 MW would be awarded. If however 150 MW of Enhanced Community Renewables project capacity were bid, the total capacity bid would be 210 MW, exceeding the available unsubscribed capacity. In this case, the least-cost best fit Enhanced Community Renewables-Environmental Justice projects that result in 45 MW capacity would be awarded, and then all remaining projects would be evaluated in one pool until the remaining 199.2 MW are awarded.

clarify that a utility is not obligated to award bids beyond the amount of capacity on offer in that particular solicitation, but it may acquire additional capacity beyond the minimum offered at its discretion. We do not require the utilities to apportion the Enhance Community Renewables Environmental Justice capacity established in D.15-01-051 across solicitations, but allow them to do so at their discretion.

Rather than setting aside a specific portion of the total GTSR program reservation for the Enhanced Community Renewables or Green Tariff options, this method of awarding the GTSR allocation places the priority on increasing the likelihood that the full 600 MW of GTSR capacity, particularly the Enhanced Community Renewables-Environmental Justice reservation, will be awarded by the time the program sunsets at the end of 2018.

Non-participating customers are protected by limiting exposure to the Enhanced Community Renewable project's bid price to between 55 percent (first year) and five percent (fourth year) of a project's capacity when minimum subscription levels are met and paying the lesser of the Enhanced Community Renewables project bid price (subject to the limiter described earlier) or the hourly day-ahead Default Load Aggregation Point (DLAP) price<sup>15</sup> + Renewable Energy Credit (REC)<sup>16</sup> for unsubscribed energy when minimum subscription levels are not met. Because we expect Enhanced Community Renewables

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<sup>15</sup> There appears to be general agreement that the hourly day-ahead DLAP price is administratively simple and equitable means of fulfilling the requirement of D.15-01-051. (ALJ Ruling Issue 2.2, bullet 1, 5 and 6.)

<sup>16</sup> As defined in D.15-01-051 at 62-63. Through the lesser of the bid price or DLAP + REC, utilities will compensate Enhanced Community Renewables for the value of RECs associated with unsubscribed energy (Phase IV, Track A, Issue 5 and ALJ Ruling Issue 2.2, bullets 2-5). The REC value is described in Section 3.3.1 below.

projects will plan to fully recover their costs from their customer subscriber base, we expect that many bidders will bid at or near a zero price in order to ensure their projects are selected. Limiting the unsubscribed energy price to the maximum of hourly day-ahead DLAP + REC for projects not meeting the minimum subscription levels also provides motivation to the Enhanced Community Renewables developers not to overbid capacity in the Renewable Auction Mechanism beyond the level they will be able to subscribe.

After reviewing the comments and options suggested to redefine the hourly DLAP price, we find no compelling reason to modify our decision to utilize hourly day-ahead DLAP + REC as the unsubscribed energy price. In the event that there is a demonstrated trend of undersubscription (beyond the five percent margin assumed to account for subscription changes as identified in D.15-01-051 at 63) on the part of Enhanced Community Renewables providers once the program is operating, we will entertain a petition to modify this outcome.

For Enhanced Community Renewables-Environmental Justice projects, we recognize that part of the purpose behind establishing a capacity carve out in the statute for projects located in Environmental Justice areas is to ensure that disadvantaged communities share in the benefits of renewable development through potential creation of jobs and future tax revenue in disadvantaged areas. Like non-Environmental Justice Enhanced Community Renewables projects, Enhanced Community Renewables-Environmental Justice projects have a requirement that at least three customers be located within the geographic proximity of the project. Enhanced Community Renewables-Environmental Justice projects are also limited by statute to projects of 1 MW or less per § 2833(b). For these reasons, we provide a preference to Enhanced Community



Renewables-Environmental Justice projects in the bid selection process. There will still be incentive for Enhanced Community Renewables-Environmental Justice bidders to bid zero because if the Environmental Justice reservation is exceeded, they will be evaluated on a least-cost best-fit basis against projects that are more likely to bid zero.

Because one of our goals is to utilize the existing Renewable Auction Mechanism and ReMAT solicitation tools as fully as possible, we do not modify any of the viability and development requirements for an Enhanced Community Renewables project to participate in a Renewable Auction Mechanism solicitation. Criteria like onsite control and meeting interconnection requirements serve as an effective screen for ensuring only viable projects are selected. In addition, we do not modify the community interest requirements adopted in D.15-01-051 and Resolution E-4734<sup>17</sup> for Enhanced Community Renewables projects.<sup>18</sup>

SDG&E has recommended revisions to its Schedule ECR-PDT to allow for consistent treatment of Enhanced Community Renewables projects located in Imperial Valley<sup>19</sup> as was adopted in D.15-01-051 for SDG&E's Green Tariff program. SDG&E argues that the same limitations on permitting and land availability that the Commission found compelling for Green Tariff supply are valid for Enhanced Community Renewables projects. ORA filed in support of

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<sup>17</sup> Except as described below for projects located in Imperial Valley and projects greater than 3 MW.

<sup>18</sup> Phase IV, Track B, Issues 6 and 7.

<sup>19</sup> Imperial Valley is defined as projects attached to the Imperial Valley substation for purposes of GTSR participation.

this exception and no party opposed it.<sup>20</sup> Therefore, we will allow Enhanced Community Renewables projects located in Imperial Valley to count towards SDG&E's GTSR reservation and direct SDG&E to incorporate the edits to its ECR-PDT set forth on pages 10-13 of its November 9, 2015 Opening Comments on Phase IV Track B Scope in its Advice Letter filing.

To ensure that larger projects do not target only a few large commercial or industrial customers and to promote the community aspect of these projects, for projects between 3 and 20 MW, we adopt SEIA's recommendation that we increase the minimum number of required subscribers as project size increases (i.e., 3 subscribers for 3 MW projects but 20 subscribers for 20 MW projects). At least 50% (by number of customers) and at least 1/6<sup>th</sup> (by load) of the demonstrated community interest in the project should come from residential customers. As required by § 2833(h), individual subscribers are limited to 2 MW of load. Because the Enhanced Community Renewables program is in its infancy, we will not require bidders to include a demonstration of community interest in its bid, but instead, an Enhanced Community Renewables project must demonstrate fulfillment of its community interest requirements within 60 days of notification of contract award through the Renewable Auction Mechanism or the awarded capacity will be assigned to the next highest ranking least-cost best-fit Enhanced Community Renewables project in the queue.

The parties split on whether sub-500 kW projects should be allowed to participate in GTSR, either as an Enhanced Community Renewables project or in support of a utility Green Tariff.<sup>21</sup> Parties supporting inclusion of smaller

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<sup>20</sup> ORA December 9, 2015 Reply Comments on Phase IV Track B Scope at 5.

<sup>21</sup> Phase IV, Track B, Issue 1.

projects believe that inclusion can offer additional siting options in densely populated areas. They believe that given the short duration of the program and the lack of a statutory lower limit on project size, all potential bidders should be allowed to participate. Opponents of inclusion note that the California Independent System Operator (CAISO) requires a minimum of 500 kW aggregated load to participate in its markets which means that sub-500 kW projects will have to be aggregated. This scenario would add additional fixed telemetry costs, reducing economic viability of sub-500 kW projects. They note that aggregation of distribution-level resources is still under review and metering and telemetry proposals have not been finalized as part of the CAISO's Distributed Energy Resource Provider Proceeding. Thus it would be premature to open the GTSR procurement process to sub-500 kW projects.

Given the lack of established rules for participation of projects less than 500 kW in size in both the Renewable Auction Mechanism and ReMAT solicitations, the requirement of a minimum load of 500 kW to receive a CAISO meter and participate in CAISO markets, and the lack of participation of Enhanced Community Renewables projects that are less than 3 MW to date, we find that it is premature to allow participation of sub-500 kW projects in GTSR. If the CAISO Distributed Energy Resource Provider proceeding resolves issues surrounding participation of sub-500 kW projects in the market, the utilities should file, within 30 days, Advice Letters to modify their Enhanced Community Renewables rider to expand eligibility accordingly.

### **3.1.1. Implementation**

Allowing Enhanced Community Renewables projects to participate in the Renewable Auction Mechanism requires that the IOUs submit a proposed rider to be used with their standard Renewable Auction Mechanism contracts.

Therefore we direct PG&E, SCE, and SDG&E, to file a Tier 2 Advice Letter by June 15, 2016 to implement the provisions described above. To the extent that the ReMAT riders need to be updated by the utilities to reflect the adopted REC value, the utilities should file a rider to reflect that contract term. If the Commission approves the Advice Letter on or before July 31, 2016, the IOUs should commence their first Renewable Auction Mechanism solicitation for Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice projects no later than August 31, 2016. If the Commission does not approve the Advice Letters on or before July 31, 2016, the IOUs should commence their first solicitation no later than 30 days after the Advice Letters are approved. Contracts awarded in each solicitation should also be submitted for Commission approval through a Tier 2 Advice Letter process. From 2017 onwards, the utilities should submit revisions to the Enhanced Community Renewables rider with their annual Renewable Portfolio Standard procurement plans for Commission approval.

### **3.2. Changes to the GTSR Program That Improve Affordability, Longevity, and Understandability of the Program<sup>22</sup>**

The genesis of this issue stemmed from comments on the proposed decision that ultimately became D.15-01-051. At the time, California Environmental Justice Alliance (CEJA) recommended that the Commission consider other mechanisms to make the GTSR program more accessible, consistent with §2833(j). The resulting proposals cover a broad range of options. PG&E and SCE suggest giving customers the option to participate for 50 percent

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<sup>22</sup> Phase IV, Track A, Issue 2.

of their energy requirements with the remaining 50 percent of their energy requirements being met through utility bundled service. ORA and SDG&E suggested the use of CPUC-approved procurement mechanisms to reduce administrative costs. CEJA suggested a “blended” portfolio and pricing, assigning marketing and administrative costs to shareholders, removal of the PCIA charge, and additional subsidies. Greenlining suggests that CARE and Family Electric Rate Assistance (FERA) discounts be carried over to GTSR customers. Clean Coalition suggests a monetized locational benefit.

We find that the options presented are insufficiently developed at this time to adopt specific affordability initiatives. The most viable appears to be applying CARE and FERA discounts to the GTSR program which D.15-01-051 deferred to A.14-11-007, et al.<sup>23</sup> We do not revisit that decision today. When a final decision has been approved in A.14-11-007, et al., PG&E, SCE, and SDG&E will file Tier 3 Advice Letters to apply Commission approved CARE and FERA discounts to GTSR program participants as required in D.15-01-051.

D.15-01-051 did not require either a minimum one-year term for enrolling in the Green Tariff or early termination fees, although both remain options that the utilities may utilize, as long as the utility can demonstrate ratepayer indifference between participating and non-participating customers when Green Tariff subscribers leave the program. Phase IV, Track A, Issue 1 requested parties to comment on whether utilities should offer options for customers to lock-in rates and have long-term contracts.<sup>24</sup> SDG&E, CEJA, and the Sustainable

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<sup>23</sup> Phase IV, Track A, Issue 8.

<sup>24</sup> Likewise ALJ Ruling, Issue 1.7 seeks comments on whether a 20 year subscription period is mandated by SB 793.

Economics Law Center (SELC) support locked-in rates suggesting that long-term contracts with locked-in rates may appeal to commercial and industrial customers, remove the uncertainty associated with fluctuating rates, and match the long-term commitments from the IOUs to the Enhanced Community Renewables developers. These parties suggest that rate stability could be especially attractive to lower income customers. Parties opposing this concept, including ORA and SCE, suggest that long-term contracts with locked-in rates provide a level of price assurance to Enhanced Community Renewables customers that exceeds the price assurance provided to non-participating customers, increasing the risk of revenue undercollection and shifts costs to the general body of ratepayers.

We find it reasonable to allow Enhanced Community Renewables customers to sign-up for contracts with their provider for up to 20 years as this is a mutual, private arrangement. However, potential subscribers must understand that the rates offered under a private agreement may not ultimately be cheaper than those offered under utility service.<sup>25</sup> The only aspect of service that can be locked in for up to 20 years is the generation rate component of the subscriber's bill. This rate component shall be a term in the agreement between the subscriber and the Enhanced Community Renewables provider. Aside from locked in generation rates that may be negotiated in Enhanced Community Renewables customer developer agreements, all other GTSR rate components remain variable.

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<sup>25</sup> The information that must be provided is described in Section 3.4.

Green Tariff customers have the option of remaining enrolled in their respective utilities' Green Tariff program on a month-to-month basis after the first year of enrollment. We clarify that Green Tariff customers may continue to subscribe to the Green Tariff program for a period of up to 20 years, as required by SB 793. This necessitates that each utility's SB 43 Green Tariff program will remain in effect until at least 20 years after the date that the final subscriber enrolls.

### **3.3. Pricing, Ratemaking, and Rate Design**

The Scoping Memo and ALJ Ruling identified a number of pricing, ratemaking, and rate design related issues to be resolved in Phase IV. In addition, while Phase IV was pending SB 793 was adopted, which added a requirement that a participating utility's Green Tariff Shared Renewables program permit a participating customer to subscribe to the program and be provided with a nonbinding estimate of reasonably anticipated bill credits and bill charges, as determined by the Commission, for a period of up to 20 years.

#### **3.3.1. Valuing a Renewable Energy Credit<sup>26</sup>**

If an Enhanced Community Renewables project produces unsubscribed renewable energy in excess of its customer requirements, when the excess energy is transferred to the utility, the utility also receives the REC associated with that energy.<sup>27</sup> A REC is a certificate for energy produced by a renewable project that is tradable and used to demonstrate compliance with the Renewable Portfolio Standard requirement. Because the REC has value to ratepayers in meeting

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<sup>26</sup> Phase IV, Track A, Issue 5.

<sup>27</sup> D.15-01-051 at 51.

Renewable Portfolio Standard compliance requirements, utility ratepayers should pay the Enhanced Community Renewables developers for the value of the REC. The parties have proposed a range of methodologies and values for a REC associated with an Enhanced Community Renewable project's unsubscribed energy. The proposed approaches for pricing RECs range from the use of the Green-e National Solar average price (October 2015 price of \$2.88/MWh)<sup>28</sup> to the use of the average Western Electricity Coordinating Council renewable price premium (October 2015 price of \$16.45/MWh).<sup>29</sup> All proposed approaches to pricing suffer from being difficult to verify, non-transparent, and not California specific. In reply comments, SCE proposes that the Commission adopt a REC value of \$10/MWh as an administratively simple compromise. We adopt that recommendation as the REC value for Enhanced Community Renewables unsubscribed energy at this time. Because the market for RECs is evolving, we direct SCE to convene a working group in April 2017 to evaluate and assess the accuracy and efficacy of the \$10/MWh REC value and to file a May 15, 2017 compliance report in this docket summarizing the perspectives of the parties, including relevant supporting documentation, about the ongoing validity of the adopted REC value.<sup>30</sup> Following issuance of the compliance report, any party that recommends a change to the REC value may do so through a petition to modify this outcome.

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<sup>28</sup> PG&E November 20, 2015 Opening Comments at 10.

<sup>29</sup> SEIA November 20, 2015 Opening Comments at 30.

<sup>30</sup> ALJ Ruling Issue 2.2 bullet 6.



### **3.3.2. Reflecting Rate Design Elements from Other Proceedings<sup>31</sup>**

The GTSR programs rely on a number of externally calculated or adopted inputs to calculate the credits and charges a GTSR participant receives on its bill. For example, the Renewable Integration Charge (RIC) is currently set at zero but the Commission could adopt a RIC consistent with D.14-11-042 for use in the GTSR program as set forth in D.15-01-051. Consistent with D.15-01-051, the utilities would then file a Tier 3 Advice Letter setting forth how the RIC will be allocated to customers.<sup>32</sup> D.15-01-051 determined that incorporating charges, other than the RIC, should be reviewed through an application,<sup>33</sup> but that credits should be proposed in a Tier 2 or 3 Advice Letter depending on the type of credit.<sup>34</sup> Some parties recommend integrating updates to these various charges and credits via advice letter or the annual electric rate update proceeding, reflecting the RIC adder specifically into bid evaluation methodology, or retaining the methodology adopted in D.15-01-051. We see no compelling reason presented in the comments to change our prior decision on how to integrate charges and credits.

### **3.3.3. Threshold for Allocation of Overhead Costs**

SB 43 requires participating customers to pay the administrative costs of the GTSR program. D.15-01-051 determined that it was premature to perform any allocation of overhead costs but required the utilities to track their

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<sup>31</sup> Phase IV, Track A, Issue 4.

<sup>32</sup> D.15-01-051 at 119.

<sup>33</sup> D.15-01-051 at 120.

<sup>34</sup> D.15-01-051 at 126.

incremental costs associated with the GTSR program in memorandum accounts for future recovery, and established cost recovery mechanisms for incremental costs. The Scoping Memo allowed parties to suggest a threshold for when the Commission should revisit its determination to not allocate overhead costs to GTSR program participants.<sup>35</sup> Although some parties support establishment of a threshold or triggering level of departing load for revisiting this determination, none of the comments suggested a specific trigger level. Because these programs remain in their infancy and no specific triggers were recommended, we make no changes to our determination in D.15-01-051.

### **3.4. Estimating Bill Credits and Charges Over 20 Years Consistent with SB 793<sup>36</sup>**

Because we direct PG&E, SCE, and SDG&E to allow customers to enroll in the GTSR programs for up to 20 years, we must adopt a framework for providing potential subscribers with a forecast of bill credits and charges available under the GTSR program. Parties generally agree that estimating these credits and charges for 20 years (or even 5 to 10 years) is challenging and unlikely to be accurate. In light of the inherent inaccuracy of the forecasts of these credits and charges, we will adopt a starting price for each credit or charge with defined escalators. This approach results in a simple to understand forecast, that allows customers to more effectively evaluate their options over an inherently uncertain time frame.

Resolution E-4734 requires that the utilities break down individual bill components and publish their 10-year historical trends where possible. The

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<sup>35</sup> Phase IV, Track A, Issue 7.

<sup>36</sup> ALJ Ruling Issues 1.1, 1.3, 1.4, and 1.6.

utilities have implemented this requirement and trend information is now available on each of their websites. As suggested by TURN, we will rely on the rolling five year average from the trend analysis to set the escalator for the Class Average Generation rate. In addition, it appears that there is data available for trend purposes for the Resource Adequacy charges, Grid Management (CAISO) charges, Western Renewable Energy Generation Information System charges, and the Power Charge Indifference Adjustment (PCIA).

In each of these cases, the utilities should utilize the 2016 price as the starting point for the 20 year forecasts and escalate based on the five year rolling average. Because the methodology for developing the escalator was not defined, we establish the definition as follows:

$$\text{YearX Escalator} = \frac{\text{average YearX-4 through YearX}}{\text{average YearX-9 through YearX-5}} ^{(1/5)}$$

For Resource Adequacy charges, Grid Management (CAISO) charges, and Western Renewable Energy Generation Information System charges this is fairly straightforward because there is one rate adopted each year. Because the PCIA has different pricing based on when a customer leaves the system (referred to as a “vintage”) and is differentiated by customer class, the forecasting for the PCIA requires further explanation. For the PCIA, the adopted vintage rate by class for the year of the forecast should be used as the starting point, for example, the rate for “PCIA Vintage 2016” would be the starting point for the 2016 forecast. To calculate the five year average to develop a PCIA price forecast escalator, the utility should use the sales weighted average of all customer class rates from the first year of the applicable years vintage, for example, to calculate the numerator

for 2016, the first year rates from PCIA vintage 2012, 2013, 2014, 2015, and 2016 would be used for the escalator formula.<sup>37</sup>

The Renewable Energy Value Adjustment,<sup>38</sup> Renewable Integration Charge, Program Administration and Marketing, and Renewable Power Rate<sup>39</sup> (Green Tariff only) do not have five years of data available. The utilities should apply the average of the prior year's third quarter Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) as an escalator to all but the Renewable Power Rate.

There is not a historical Renewable Power Rate, and there is a downward trend in solar prices. In addition, the standard terms of a Renewable Auction Mechanism contract do not contain an escalator for generation pricing. Therefore, we adopt a zero escalator for the Renewable Power Rate 20 year forecast.

Because the GTSR is scheduled to sunset December 31, 2018, the utilities are only required to update the forecast charges and credits once per year. The annual updates should reflect any changes to the values of the credits that have

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<sup>37</sup> At the March 8, 2016 PCIA workshop in A.14-05-024 (PG&E's Energy Resource Recovery Account application), parties discussed the possibility of forecasting the PCIA for each vintage and allowing customers to pay it down on a levelized basis rather than paying an unpredictable rate that fluctuates from year-to-year. If the Commission eventually adopts a levelized PCIA mechanism, it would presumably also be available to Green Tariff and Enhanced Community Renewables participants.

<sup>38</sup> Given that a variety of renewable technologies are now permitted to bid into GTSR solicitations, the Solar Value Adjustment should be henceforth be referred to as the Renewable Energy Value Adjustment.

<sup>39</sup> This charge goes by different names depending on the utility. SCE retains the Renewable Power Rate name, but PG&E calls this charge the Solar Generation Price and SG&E refer to the SunRate.

occurred during the previous year.<sup>40</sup> The forecasts should be filed via Tier 1 Advice Letter, and upon approval by the Commission should be published online and incorporated into the utilities' educational materials. For 2016, the forecast should be published within 60 days of the date of this Decision. The 2017 and 2018 forecasts should be published no later than February.

Nothing in the legislative history of SB 793 appears to require a specific format for presentation of future estimates of bill charges or credits.<sup>41</sup> Parties generally support web-based presentation of forecasted charges and credits forecast either from each utility's main GTSR page or linking to a separate site from that main page. All parties support the concept that forecasts and explanatory language be easy to understand and make clear that the estimates are non-binding. SEIA suggests that utilities report prior year actual bill prices as compared to their forecasts as a reality check.

We agree that a link from the main GTSR website to a separate webpage that has rate forecasts with proper citations emphasizes that they are non-binding estimates and may be simpler in light of the amount of information that needs to be conveyed. The webpage must be clear about the non-binding nature of the forecasts and private agreements with an Enhanced Community Renewables provider may not ultimately be cheaper than utility service. We direct the utilities to convene an informational session to demonstrate their websites to interested parties within 45 days of the date of this Decision.

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<sup>40</sup> For example, if the CAISO Grid Management charge changes July 1, 2016, that change in starting price would not be reflected until the 2017 update.

<sup>41</sup> ALJ Ruling Issue 1.5.

### **3.5. Miscellaneous Items**

#### **3.5.1. Implementation of CalEnviroScreen**

D.15-01-051 deferred the determination of the appropriate way to apply the CalEnviroScreen tool when identifying areas eligible for projects under the Environmental Justice reservation specified in SB 43 to Phase IV.<sup>42</sup> At the Prehearing Conference, the parties stated that this issue could be resolved quickly in a workshop process by a working group of interested parties, followed by a joint filing. A working group was formed in April 2015 and included participation from 1) California Environmental Justice Alliance, 2) Clean Coalition, 3) Greenlining Institute, 4) Sustainable Economies Law Center, and 5) the three IOUs. Working group conference calls were held on May 1, May 18, and May 28, 2015, culminating in a June 1, 2015 workshop at the Commission. The recommendation of the working group is described in a June 15, 2015 Joint Statement.

The CalEnviroScreen tool identifies and ranks disadvantaged California communities that are disproportionately burdened by, and sensitive to, multiple sources of pollution. The working group parties agree that, consistent with D.15-01-051, the IOUs should use the current version of CalEnviroScreen<sup>43</sup> to select eligible census tracts for Environmental Justice reservations for the solicitation at issue. The working group recommends that once Environmental Justice reservation eligible census tracts are established for a given solicitation, they should not change even if there are subsequent changes to the

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<sup>42</sup> Phase IV, Track A, Issue 6.

<sup>43</sup> Currently CalEnviroScreen 2.0.

CalEnviroScreen tool or other Environmental Justice criteria before the solicitation is concluded.

Because utilities will be making procurement decisions and entering into agreements with counterparties based upon the approved rules at the outset of every solicitation, we agree that it is important that the rules not change midstream. Should a project be deemed to count towards the Environmental Justice reservation of the GTSR Program based upon the approved rules at the time of the solicitation, that project should continue to be considered as such, even if the CalEnviroScreen tool is amended, or other changes occur in regards to the definition of Environmental Justice under the GTSR program. Future solicitations will use the then-current version of CalEnviroScreen.

### **3.5.2. Calculating the Greenhouse Gas Emission Rate for Retail Electricity Projects<sup>44</sup>**

Section 2833(w) requires a participating utility to:

provide a municipality with aggregated consumption data for participating customers within the municipality's jurisdiction to allow for reporting on progress toward climate action goals by the municipality. A participating utility shall also publicly disclose, on a geographic basis, consumption data and reductions in emissions of greenhouse gases achieved by participating customers in the utility's green tariff shared renewables program, on an aggregated basis consistent with privacy protections as specified in Chapter 5 (commencing with Section 8380) of Division 4.1.

In order for a utility to calculate and disclose how GTSR participant consumption has resulted in reductions in greenhouse gas emissions, we must specify the appropriate greenhouse gas emissions rate to use as the baseline for purposes of calculating the reduction and we must decide whether an Enhanced

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<sup>44</sup> Phase IV, Track B, Issue 4.

Community Renewable project (or the utility's Green Tariff program) can market its greenhouse gas emissions rate to potential subscribers.

In the Self-Generation Incentive Program, the Commission adopted a methodology, applicable in all Commission-jurisdictional electric utilities' service territories, to estimate the emissions associated with electricity purchased from the grid so that the Commission could estimate the emissions avoided when customers self-generate electricity or otherwise avoid purchasing bundled electricity from the electric utilities. This methodology was most recently revised in D.15-11-027, and is based on the Commission's assessment that long-term reductions in purchases of grid-delivered electricity will avoid emissions from existing marginal generating units and the need for future capacity additions, including renewable energy capacity procured to comply with the Renewables Portfolio Standard. The resulting marginal emission rate was adjusted by a line loss factor to account for energy lost in transmission and distribution. Although the Commission defined this methodology to establish Self-Generation Incentive Program eligibility rules intended to ensure that projects are net-emissions reducing, it is reasonable to apply this same methodology with one modification when estimating the greenhouse gas emissions avoided by GSTR participants. Because the renewable energy used by GSTR participants is not generated on-site, it does not avoid line losses as Self-Generation Incentive Program projects do. When estimating greenhouse gases avoided by GSTR purchases, the utilities should remove the line loss factor from the calculation.

There is currently no statewide methodology to calculate a greenhouse gas emissions rate associated with the generation resources included in a load-serving entity's retail products, like Enhanced Community Renewables or the Green Tariff. Under current statute, all retail electricity providers are currently



required to disclose the electricity sources for each of their retail offerings to the California Energy Commission (CEC), which is responsible for establishing guidelines for the format of this disclosure.<sup>45</sup> At present, the CEC's Power Source Disclosure requirements do not include an assessment of the greenhouse gas emission intensity of these retail offerings. However, if the statute is revised to require all retail suppliers to report greenhouse emissions as part of the Power Source Disclosure requirement, or if the Commission and the CEC define consistent methods to report the emissions associated with all retail electricity products, it would be preferable for the Commission to rely on a consistent statewide method, as this would minimize duplicative reporting requirements and ensure consistency among all retail electricity providers.

Until such time as a statewide methodology is adopted for calculating greenhouse gas emissions associated with retail products, the GTSR program may not be marketed to potential subscribers by making specific claims about portfolio greenhouse gas emissions for specific products, consistent with the direction provided in a March 17, 2015 letter by Executive Director Sullivan to Marin Clean Energy (MCE), Sonoma Clean Power, and PG&E. Thus all retail suppliers (including Investor Owned Utilities, Community Choice Aggregators, Electric Service Providers, and Enhanced Community Renewables Providers) will be treated consistently.

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<sup>45</sup> § 398.4.

### **3.5.3. Objective Standards to Evaluate and Accept Securities Opinions from Law Firms Outside of the AmLaw 100<sup>46</sup>**

D.15-01-051 identified that subscriber participation in an Enhanced Community Renewables contract could present securities litigation risk and required the Enhanced Community Renewables developer to “include a securities opinion from an AmLaw 100 law firm stating that the arrangement complies with securities law, and that the IOU and its ratepayers are not at risk for securities claims associated with the project.”<sup>47</sup> In light of comments on the proposed decision that ultimately became D.15-01-051, the Commission allowed parties to propose additional standards that can be used to evaluate and accept securities opinions from firms outside of the AmLaw 100 in order to provide lower cost options for obtaining an opinion.

On March 22, 2016, SEIA filed a motion to adopt a Safe Harbor proposal that would provide two alternative approaches to obtaining a securities opinion from a firm other than an AmLaw 100 firm. Comments on the proposal were filed on March 28, 2016 by SELC and jointly by PG&E, SCE, and SDG&E. The joint utility comments identify a number of points in the SEIA proposal that require additional detail to ensure that ratepayers are protected from securities risk and a fundamentally different view of what a safe harbor provision is designed to accomplish. SELC recommends that the Commission eliminate the securities opinion requirement entirely and in the alternative offers a number of alternative approaches and requests additional opportunity for the parties to comment.

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<sup>46</sup> Phase IV, Track B, Issue 8.

<sup>47</sup> D.15-01-051 at 71.

Because the proposal from SEIA came so late in this proceeding and there is no agreement among the parties, we do not adopt changes to the AmLaw 100 requirement at this time. The motion is denied without prejudice.

We would welcome a fully fleshed out proposal to modify this element of D.15-01-051 if the parties are able to reach agreement on a proposal to limit customer and ratepayer risk and simultaneously reduce cost to developers. To this end, we direct Energy Division and Legal Division to host a workshop within two months of the effective date of this Decision to provide a facilitated forum for the parties to discuss and develop a petition to modify D.15-01-051.

#### **4. Safety Considerations<sup>48</sup>**

The Scoping Ruling specifically requested parties to identify safety issues raised by Track A and B issues. No parties identified issues. Because the primary outcome of this decision is to expand the use of the Renewable Auction Mechanism to procure Enhanced Community Renewables projects, the standard contract terms and conditions offered under the Renewable Auction Mechanism address how renewable generation providers must safely connect to the utility system. Renewable Auction Mechanism contracts contain Commission approved safety provisions, which require, among other things, the seller to operate the generating facility in accordance with Prudent Electrical Practices, as defined in the contracts, and all applicable requirements of law, including those related to planning, construction, ownership, and/or operation of the projects. These provisions specifically require that all sellers take a list of reasonable steps to ensure that the generation facility is operated, maintained, and

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<sup>48</sup> Phase IV, Track A, Issue 10 and Phase IV, Track B, Issue 10.

decommissioned in a safe manner. Because Enhanced Community Renewables projects will be treated consistently with other renewable generation providers, there are no unique safety issues to address.

## **5. Outstanding Procedural Matters**

On January 4, 2016, the California Housing Partnership Corporation filed a motion for party status in this proceeding. Because the time period for comments on all issues within the scope has already passed (Track A Comments were filed August 7, 2015, Track A Replies were filed August 28, 2015, Track B Comments were filed November 9, 2015, Track B Replies were filed December 9, 2015, Comments in response to the October 26, 2015 Ruling were filed November 20, 2015, and Replies in response to the October 26, 2015 Ruling were filed December 11, 2015), we deny the motion as moot.

The Commission affirms all rulings made by the Assigned Commissioner and Assigned Administrative Law Judge. All motions not previously ruled on are denied as moot.

## **6. Categorization and Need for Hearing**

In the Assigned Commissioner and Administrative Law Judge's Scoping Ruling for Phase IV of Consolidated Proceeding dated April 15, 2015, the Commission affirmed that these Applications were ratesetting, and determined that hearings may not be necessary. No hearings were held, however because no final determination was made to change the hearing determination, the *ex parte* rules as set forth in Rules 8.1, 8.2, 8.3, and 8.5 and §1701.3(c) continue to apply.

## **7. Comments on Proposed Decision**

The Proposed Decision of the Administrative Law Judge in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of

Practice and Procedure. Comments were filed on May 2, 2016 by PG&E, SCE, SDG&E, ORA, TURN, SEIA, MCE, CEJA, Clean Coalition, and SELC; and reply comments were filed on May 9, 2016 by PG&E, SCE, SDG&E, ORA, SEIA, MCE, and jointly by CEJA, Clean Coalition, and SELC.

We have made small changes throughout the Proposed Decision to clarify the requirements that are established. The most significant changes:

- Clarify that the utilities need not take all bids offered by bidders during a solicitation, but rather that the utilities may decline to award capacity after the minimum capacity offered is exceeded;
- Clarify that while we require the utilities to hold two Renewable Auction Mechanism solicitations to procure Enhanced Community Renewables and Enhanced Community Renewables- Environmental Justice projects each year, we do not require the utilities to procure Enhanced Community Renewables projects using ReMAT solicitations or hold parallel ReMAT and Renewable Auction Mechanism solicitations, but they may do so at their discretion;
- Require utilities to file Tier 2 Advice Letters to expand eligibility to sub-500 kW projects within 30 days of CAISO action to include such projects in its market;
- Require that at least 50% (by number of customers) and 1/6<sup>th</sup> (by load) of the demonstrated community interest in Enhanced Community Renewables projects come from residential customers; and
- Eliminate the requirement for the utilities to prepare an informational video regarding the rates and forecasts.

## **8. Assignment of Proceeding**

Michael Picker is the assigned Commissioner and Michelle Cooke is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. PG&E is the only utility to report enrollment in its Green Tariff option as of February 29, 2016.
2. No Enhanced Community Renewables projects were reported as of February 29, 2016.
3. The GTSR program is scheduled to sunset on December 31, 2018.
4. Renewable Auction Mechanism is a CPUC-approved, tested, successful mechanism that is predictable, with no ongoing developer obligation to participate, doesn't require developers to maintain interconnection obligations in perpetuity, and ensures the lowest price through a competitive bidding process.
5. The Renewable Auction Mechanism accommodates projects up to 20 MW, whereas ReMAT is limited projects with a maximum size of 3 MW.
6. Providing preference to Enhanced Community Renewables-Environmental Justice projects in the selection process promotes local renewable development benefits flowing to disadvantaged communities.
7. Non-participating customers are protected from rate impacts of the GTSR program by limiting exposure to Enhanced Community Renewable project's bid price to between 55 percent (first year) and five percent (fourth year) of a project's capacity when minimum subscription levels are met and paying the lesser of the Enhanced Community Renewables project bid price (subject to a maximum bid price) or the hourly day-ahead DLAP + REC for unsubscribed energy when minimum subscription levels are not met and by establishing a maximum awarded bid price.

8. CAISO requires a minimum load of 500 kW to receive a CAISO meter and participate in CAISO markets.

9. In the case of SDG&E, because of limitations in its service territory, it is reasonable to allow Enhanced Community Renewables projects in Imperial Valley that are eligible for the Renewable Auction Mechanism to count towards SDG&E's GTSR capacity.

10. It is reasonable to allow Enhanced Community Renewables customers to sign-up for contracts with their Enhanced Community Renewables providers for up to 20 years as this is a private arrangement between the subscriber and their Enhanced Community Renewables provider.

11. The proposed REC pricing approaches resulted in values ranging from \$2.88/MWh to \$16.45/MWh in October 2015.

12. Parties generally agree that estimating credits and charges for 20 years is challenging and unlikely to result in accurate forecasts.

13. Ten years of historical data are available for Class Average Generation rate, Resource Adequacy charges, Grid Management (CAISO) charges, Western Renewable Energy Generation Information System charges, and the Power Charge Indifference Adjustment.

14. Ten years of historical data is not available for the Renewable Energy Value Adjustment, Renewable Integration Charge, Program Administration and Marketing, and Renewable Power Rate (Green Tariff only).

15. The CEC's Power Source Disclosure requirements do not include an assessment of the greenhouse gas emission intensity of retail electricity provider offerings.

16. Renewable Auction Mechanism contract provisions require that all sellers take reasonable steps to ensure that the generation facility is operated, maintained, and decommissioned in a safe manner.

### **Conclusions of Law**

1. The premise that Enhanced Community Renewables projects should not have to participate in auctions is inconsistent with §2833(c).

2. The utilities should hold two Enhanced Community Renewables Renewable Auction Mechanism solicitations each year through 2018.

3. Each of the ordered Renewable Auction Mechanism solicitations should be open to Enhanced Community Renewables projects between 500 kW and 20 MW and Enhanced Community Renewables-Environmental Justice projects between 500 kW and 1 MW consistent with §2833(b).

4. The same eligibility standards that apply to resources that participate in Renewable Auction Mechanism solicitations should apply in the Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice Renewable Auction Mechanism solicitations.

5. Disadvantaged communities should share in the benefits of local renewable development.

6. Unsubscribed energy provided by Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice projects should be compensated at the lesser of the bid price or hourly day-ahead DLAP + REC when the required minimum subscription levels are not met as described in D.15-01-051 at 63.

7. To limit non-participating ratepayer exposure, PG&E, SCE, and SDG&E should limit contract awards to Enhanced Community Renewables projects whose bid price is at or below 120 percent of the maximum executed contract



price in either the Renewable Auction Mechanism's as-available peaking category or Green Tariff program, whichever is most recent.

8. To limit non-participating ratepayer exposure, PG&E, SCE, and SDG&E should limit contract awards to Enhanced Community Renewables-Environmental Justice projects whose bid price is at or below 200 percent of the maximum executed contract price in either the Renewable Auction Mechanism's as-available peaking category or the Green Tariff program, whichever is most recent.

9. Enhanced Community Renewables projects located in Imperial Valley should be eligible to count towards SDG&E's GTSR reservation.

10. To ensure that larger projects do not target only a few large customers, the minimum number of required subscribers should be increased as project size increases by at least one customer for each additional MW of project capacity.

11. At least 50% (by number of customers) and at least 1/6<sup>th</sup> of the demonstrated community interest in Enhanced Community Renewables projects should come from residential customers.

12. It is premature to allow participation of sub-500 kW projects in GTSR.

13. Locked-in rates would provide a level of price assurance to GTSR customers that exceeds existing rate design and increases the risk of revenue undercollection and shifting costs to the general body of ratepayers.

14. The Commission should adopt a REC value of \$10/MWh as a compromise.

15. For charges and credits with ten years of historical data, the forecast should rely on five year rolling averages to develop an escalator to create a 20-year forecast. Charges and credits without sufficient historical data, except the Renewable Power Rate, should be escalated using the average of the prior

year's third quarter Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The Renewable Power Rate should not be escalated.

16. Should a project be deemed to count towards the Environmental Justice reservation of the GTSR Program based upon the approved rules at the time of the solicitation, that project should continue to be considered as such, even if the CalEnviroScreen tool is amended, or other changes occur in regards to the definition of Environmental Justice under the GTSR Program.

17. The methodology established in D.15-11-027 should be adopted with a modification to remove the line loss adjustment for estimating the greenhouse gas emission avoided by GSTR participants.

18. No unique safety issues are presented by this decision.

## **O R D E R**

### **IT IS ORDERED** that:

1. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) must hold one Renewable Auction Mechanism solicitations in 2016 and two each year thereafter to procure Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice projects until the program sunsets in December 31, 2018, the first occurring no later than August 31, 2016, or no later than 30 days after approval of the Advice Letters required in Ordering Paragraph 4 if approval occurs after July 31, 2016, with the capacity offered at each solicitation being a minimum of 75 megawatts, 75 megawatts, and 20 megawatts for PG&E, SCE, and SDG&E respectively, up to the total remaining unsubscribed capacity for each utility's Green Tariff Shared Renewables program

at that point in time. In the event that the minimum capacity from prior solicitations is not procured, that capacity must be added to the minimum offer of the subsequent solicitation. The final solicitation in 2018 must offer all remaining unsubscribed capacity allocated for each utilities' Green Tariff Shared Renewables program for bid.

2. In the event that capacity bid into the required Renewables Auction Mechanism solicitations exceeds the offered capacity for that solicitation, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company must select least-cost best-fit Enhanced Community Renewables-Environmental Justice projects up to the Environmental Justice reservation amount established in Decision 15-01-051, and then all remaining projects (both Enhanced Community Renewables and Enhanced Community Renewables-Environmental Justice) are to be evaluated against one another on a least-cost best-fit basis using the least cost best fit methodology approved in each utility's annual Renewable Portfolio Standard Plan filings up to the capacity offered for that solicitation.

3. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company may decline to award contracts to Enhanced Community Renewables projects whose bid price exceeds 120 percent of the maximum executed contract price in either the Renewable Auction Mechanism's as-available peaking category or the Green Tariff program, whichever is most recent. For Enhanced Community Renewables-Environmental Justice projects, the utilities may decline to award contracts to projects whose bid price exceeds 200 percent of the maximum executed contract price in either the Renewable Auction Mechanism's all source as-available peaking category or the Green Tariff program, whichever is most recent. The

utilities may decline to award contracts to projects at or below these price thresholds if procurement will exceed the capacity offered for that solicitation.

4. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company must file a Tier 2 Advice Letter by June 15, 2016 to revise their Enhanced Community Renewables rider consistent with this Decision. To the extent that Renewable Market Adjusting Tariff riders need to be updated to reflect the adopted Renewable Energy Credit value, the utilities may file a rider to update that contract term.

5. If the California Independent System Operator expands eligibility in the market to sub-500 kilowatt projects, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company must file a Tier 2 Advice Letter within 30 days of California Independent System Operator action to revise their Enhanced Community Renewables rider to allow participation by sub-500 kilowatt projects.

6. San Diego Gas & Electric Company's Advice Letter to implement this Decision must incorporate the edits to its ECR-PDT tariff as set forth on pages 10-13 of its November 9, 2015 Opening Comments.

7. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company must prepare and publicly file a 20-year forecast of bill credits and charges via Tier 1 Advice Letter, and upon approval by the Commission must publish the forecasts online within 60 days of the date of this Decision using the methodology described in Section 3.4. Forecasts for 2017 and 2018 must be published no later than February each year.

8. All Green Tariff Shared Renewables program subscribers have the option of remaining on the Green Tariff or Enhanced Community Renewables tariffs to

a period of up to 20 years, but all Green Tariff Shared Renewables rate components remain variable.

9. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company must convene informational sessions to demonstrate their websites that provide a 20 year forecast of the bill credits and charges to interested parties within 45 days of the date of this Decision.

10. Southern California Edison Company must convene a working group in April 2017 to evaluate and assess the accuracy and efficacy of the \$10/MWh Renewable Energy Credit value and file a May 15, 2017 compliance report in this docket summarizing the perspectives of the parties, including relevant supporting documentation, about the ongoing validity of the adopted Renewable Energy Credit value.

11. Until such time as a statewide methodology is adopted for calculating greenhouse gas emissions associated with a retail product, the Green Tariff Shared Renewables program may not be marketed by any retail seller to potential subscribers by making specific claims about portfolio greenhouse gas emissions for specific products.

12. Energy Division and Legal Division must host a workshop within two months of the effective date of this Decision to provide a facilitated forum for the parties to discuss and develop a petition to modify D.15-01-051 as it relates to the AmLaw 100 securities opinion requirement.

13. All rulings made by the assigned Commissioner and assigned Administrative Law Judge are affirmed. All motions not previously ruled on are denied as moot.

14. Applications (A.) 12-01-008, A.12-04-020, and A.14-01-007 are closed.

This order is effective today.

Dated May 12, 2016, at Sacramento, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners