



Brian K. Cherry
Vice President
Regulation and Rates

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-6520

December 19, 2011

Mr. Honesto Gatchalian
California Public Utilities Commission
Energy Division
Tariff Unit, Room 4005
505 Van Ness Avenue
San Francisco, CA 94102

Re: Reply to Protests of Pacific Gas and Electric Company (PG&E) Advice Letter 3253-G/3940-E; California Center for Sustainable Energy (CCSE) Advice No. 24; Southern California Edison Company (SCE) Advice No. 2651-E; Southern California Gas Company (SCG) Advice No. 4292: Proposed Revisions to the Self-Generation Incentive Program Handbook to Implement D.11-09-015 - Implementation of the Hybrid-Performance-Based Incentive Payment Structure; Metering and Monitoring Protocols; Other Amendments

Dear Mr. Gatchalian:

Pacific Gas and Electric Company ("PG&E"), on behalf of the Self-Generation Incentive Program (SGIP) Program Administrators¹ ("PAs"), hereby replies to the protests to PG&E's Advice Letter 3253-G/3940-E, et seq. ("Advice Letter"), filed by FlexEnergy, Inc. ("FlexEnergy"), Debenham Energy, California Energy Storage Alliance ("CESA"), California Clean DG Coalition ("CCDC"), Ballard Power Systems, Bloom Energy, and SolarCity Corporation.

On November 7, 2011, PG&E, on behalf of the SGIP PAs, filed the above-referenced joint Advice Letter proposing revisions to the SGIP Handbook as part of implementing Decision ("D.") 11-09-015. Specifically, the SGIP PAs proposed revisions to implement the hybrid-Performance-Based Incentive ("PBI") payment structure, the metering and monitoring protocols, and other amendments, in accordance with D.11-09-015.

On November 28, 2011, seven parties filed protests to the Advice Letter.² On

¹ Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the California Center for Sustainable Energy in the service territory of San Diego Gas & Electric Company.

² On December 16, 2011, Bloom Energy withdrew their protest to the Advice Letter.

December 1, 2011, PG&E, on behalf of the SGIP PAs, requested to extend the due date to submit their reply to the protests because of the large number of protests that were submitted and the complexity of the issues addressed. The request was granted on December 5, 2011.

This reply is organized into three sections: I) clarifications the PAs agree to be included in the SGIP Handbook; (II) protests the Commission should reject; and (III) protests that should be rejected because they are not relevant to this Advice Letter.

I. CLARIFICATIONS THE SGIP PAS AGREE SHOULD BE INCLUDED IN THE SGIP HANDBOOK

In response to several of the protests received, PG&E, on behalf of the SGIP PAs, will file supplemental advice letter(s) in early 2012 as discussed below in order to clarify the following sections of the SGIP Handbook:

- **Section 11:** Cost of Metering and Monitoring Requirements. The PAs agree that metering and monitoring costs should be kept at a reasonable level and to implement an approach in which metering requirements are more differentiated by size.³
- **Section 11.3:** Direct Exhaust Combined Cooling Heating and Power.⁴

II. PROTESTS THAT SHOULD BE REJECTED

PG&E, on behalf of the SGIP PAs, respectfully requests that the California Public Utilities Commission (“CPUC” or “Commission”) reject the following issues raised by parties in their protests to the Advice Letter:

LIMITATION OF LIABILITY⁵

The SGIP PAs disagree with CESA that Section 11.8 of the SGIP Handbook is not justified by or discussed in D.11-09-015. Ordering Paragraph 3 of D.11-09-015 generally directed the PAs to propose metering and monitoring protocols, and limitation of liability for the performance/non-performance of a Performance Data Provider (“PDP”) is a necessary and important part of those protocols.

There is no conflict with state law caused by this provision since it does not improperly shield the PAs from liability for their own actions. This provision simply makes it clear to SGIP participants that the PAs are not liable for problems that may result from the actions of third party PDPs.

³ CCDC Protest, p. 2.

⁴ *Id.*, p. 4.

⁵ CESA Protest, Section VI, p. 3.

ACCEPTABLE ELECTRICAL METERING POINTS⁶

The PAs disagree with the request from FlexEnergy to remove language pertaining to net generation output metering from section 11.2.11 of the Handbook.⁷ Removal of this language will result in gross generation output metering that overstates the grid impact of the self-generated power by not taking into account the parasitic loads of the generator. In addition, it will result in an underestimation of the project's greenhouse gas emissions and an overestimation of the demand reduction. FlexEnergy also proposes to modify the language in this section to eliminate the possible use of a meter with multiple channels to measure the net generation output of the generator as well as the charge and discharge of an Advanced Energy Storage system. The PAs believe the use of such meters presents an opportunity to reduce metering costs by project developers and as such this language should be left in the Handbook.

ACCEPTABLE THERMAL METERING POINTS⁸

The SGIP PAs disagree with FlexEnergy's request to add language to Section 11.3.8 of the SGIP Handbook. The elements of the metering plan, including thermal metering points, are already detailed in Section 3.1 of the SGIP Handbook.⁹

III. PROTESTS THAT SHOULD BE REJECTED BECAUSE THEY ARE NOT RELEVANT TO THIS ADVICE LETTER

Lastly, the SGIP PAs also request the Commission reject the following protested items that are not relevant to the November 7, 2011 Advice Letter:

PROTESTS TO PREVIOUS VERSIONS OF THE HANDBOOK SHOULD BE REJECTED

The "red-line" language that appeared in the SGIP Handbook attached to the Advice Letter reflect changes associated with a previously filed advice letter that were pending before the Commission at the time of this filing on November 7, 2011.¹⁰ The red-line language was approved by the Commission on November 9, 2011. Any protests regarding the red-line changes to the Handbook are not relevant to the current Advice Letter and must be rejected. The pending changes to the SGIP Handbook that are the subject of this Advice Letter appear in "green-line" formatting. However, despite parties' protests to some of the red-line language already approved by the Commission, the SGIP PAs may address these protests as part of the annual Handbook release,

⁶ FlexEnergy Protest, Section 2.a, p. 3.

⁷ *Id.*, p. 3.

⁸ *Id.*, Section 2, p. 3.

⁹ SGIP Handbook, dated November 7, 2011, Proposed Monitoring Plan, Item 11, p. 15.

¹⁰ The "redlines" were associated with the PAs joint advice letter, Advice No. 3245-G/3923-E (PG&E), Advice No. 22 (CCSE), Advice No. 2637-E (SCE), and Advice No. 4286 (SCG), which was filed on October 10, 2011; Protests to that advice filing were due by October 31, 2011.

currently scheduled for January 2012, in the following sections of the SGIP Handbook:

- **Section 1.1, 9.1.3 and 20:** Eligibility for Advanced Energy Storage systems coupled with PV.¹¹
- **Section 2.1:** System Size Parameters for Wind and Advanced Energy Storage Systems.¹²
- **Section 2.1 and Table 2-1:** Required Attachments for Renewable Fuel Projects.¹³
- **Section 6.13:** Disclosure Requirements for other incentives and eligible tax credits.¹⁴
- **Section 8:** Acceptable Methods for Determining Peak Demand.¹⁵
- **Section 9.1.3:** System Size Limitations for Advanced Energy Storage (AES) Systems.¹⁶
- **Sections 9.4 and 9.5:** Generator System Equipment Eligibility.¹⁷
- **Section 9.5 and Attachment A:** Greenhouse Gas Emission Requirements for Advanced Energy Storage.¹⁸
- **Section 9.6:** Thermal Load Coincidence.¹⁹

PROTEST TO D.11-09-015

Some parties filed protests that essentially reargue issues already decided by the Commission in D.11-09-015. The proper vehicle for protesting the Commission decision is through a petition to modify the Decision. Therefore the following protests (or relevant portions thereof) should be rejected:

- Ballard Power System's protest and suggestions to modify Section 6.2 of the SGIP Handbook (PBI Incentive Calculations).²⁰

¹¹ CESA Protest, Section II, p. 1.

¹² Debenham Energy Protest, Section II, p. 1.

¹³ FlexEnergy Protest, Section 3, p. 3.

¹⁴ CESA Protest, Section IV, p. 2.

¹⁵ SolarCity Protest, Section III.4, p. 6.

¹⁶ CESA Protest, Section V, p.2; SolarCity Protest, Section III.1, III.3, and V, pp. p.5-7.

¹⁷ FlexEnergy Protest, Section 4, p. 4.

¹⁸ CESA Protest, Section III, p. 2.

¹⁹ CCDC Protest, p. 4.

²⁰ D.11-09-015, pages 43-44, provides that the PBI portion of the incentive is "paid based on expected kWh generation over five years, calculated as **nameplate** capacity * capacity factor 37 * hours per

- FlexEnergy's request to waive the 25% Export to Grid cap for on-site renewable projects.²¹
- Definition of Advanced Energy Storage. The Joint Parties recognize that D.11-09-015 did not change the definition of an Advanced Energy Storage technology. The request for language clarification requires a policy change.²²
- SolarCity Corporation's request that the Commission address the difference between the 10% capacity factor of AES and the required ability to discharge for two hours at Rated Capacity in D.11-09-015.²³

Sincerely,



Vice President - Regulation and Rates

cc: Ann Trowbridge, Attorney - Day Carter & Murphy LLP (on behalf of California Clean DG Coalition)
Jason Keyes, Attorney – Keyes & Fox (on behalf of SolarCity)
Donald Liddell, Attorney – Douglass and Liddell (on behalf of California Energy Storage Alliance and Debenham Energy)
Kevin Bell, Director, Distributed Power Projects - Ballard Power Systems
Carlie Peisley – FlexEnergy, Inc. (on behalf of Joseph Perry, CEO – FlexEnergy, Inc.)
Edward Randolph, Director – Energy Division
Maria Salinas – Energy Division
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year * five years.²⁰ D.11-09-015, pp. 43-44²⁰ (Emphasis added). The proper procedure for Ballard Power to seek this change is through a petition to modify D.11-09-015 rather than a protest to the November 7, 2011, Advice Filing.

²¹ FlexEnergy Inc Protest, Section 1, p. 2.

²² *Id.*, Section 5, p. 4.

²³ SolarCity Protest Corporation, Section III.2, p. 4.