

R.10-05-004

D.11-09-015

**Concurrence of Mark J. Ferron on Item 40 (D.11-09-015) Decision Modifying the Self-Generation Incentive Program and Implementing Senate Bill 412**

Colleagues,

I will be supporting this decision.

First of all I wish to acknowledge the very fruitful discussion that we had on this dais at the last business meeting. This is a very complex and technical subject, but it's clear that the open discussion we had here last time shaped this document in many positive ways. I sincerely hope that this way of working through the details of an issue - - in front of an open audience and without the comfort of a safety net - - will be a model going forward.

As I see it, this decision is about how do we best design an incentive mechanism that best encourages local generation and GHG reduction across an array of technologies - - both established and important emerging technologies - - without creating undesirable long-term distortions in this emerging market.

We are making decisions about the level of incentive payments, allocation of the amount of money to be spent across competing technologies and supplier concentration limits, as well as other matters. We are dangling out a not-insignificant amount of money, and yet it is impossible for the Commission to know whether it has calibrated its parameters correctly. Most likely, we won't get these parameters exactly right in the first instance, so we need to be careful - - and flexible - - in our approach. We do not want to give away ratepayer money unnecessarily to companies that are a "winning technology" solely because we were unintentionally overly generous, nor do we want to waste money by paying excessive incentives to companies that are going to "win" anyway.

At the same time, we need to balance this "flexibility" with the need to have stability in our incentives in order to encourage the world of inventors and investors to come to California and help us transform the market for Distributed Generation. We need to be flexible yet we should resist the urge to tinker and hence introduce uncertainty which discourages the innovation and investment that the decision is designed to encourage. I believe this decision is a good balance across all of these factors.

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I am very pleased that we have put in some additional language requiring Energy Efficiency audits and implementation of EE measures that have a 2-year payback before the applicant can receive an upfront incentive. This is a wonderful step forward, and I hope that we will consider making additional connections between DG and EE going forward. I see this as part of a more holistic, customer-focused approach to these issues - - rather than a silo'd approach - - and will create a greater benefit to ratepayers. I do not think that the language in the PD is as strong as it could be, but I recognize that this is an important first step and that we should continue to take additional steps in the months and years ahead.

I am pleased to offer my support on this item.

Dated September 8, 2011, at San Francisco, California.

/s/ MARK J. FERRON

Mark J. Ferron  
Commissioner