

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: February 26, 2013

To: The Commission
(Meeting of February 28, 2013)

From: Lynn Sadler, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 217 (Bradford) – Electricity: Solar Electricity: Low-income Households**
As introduced: January 31, 2013

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION:

SUMMARY OF BILL:

This bill authorizes the CPUC to adopt a program which provides monetary incentives for the installation of solar energy systems on low-income residential housing beginning January 1, 2015 through December 31, 2021. The program is to be funded by investor-owned utility ratepayers in the amount of \$108 million.

CURRENT LAW:

- Public Utilities (PU) Code 2852 requires the CPUC to ensure that not less than 10 percent of the overall California Solar Initiative (CSI) funds be used to provide monetary incentives for the installation of solar energy systems on low-income residential housing until December 31, 2015.
- PU Code 2852 further requires all moneys set aside for the purpose of funding solar systems on low-income housing that is unencumbered on January 1, 2016 shall be used for existing energy efficiency measures on low income homes.

AUTHOR'S PURPOSE:

Assembly Bill (AB) 217 helps increase the accessibility of solar to low-income communities by allowing the CPUC to continue to provide solar incentives to low income residences beyond 2015.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

This bill should be **support if amended** for the following reason(s):

- (1) While the cost of solar systems has declined since the inception of the MASH and SASH programs, incentives are still needed to make PV systems affordable to low income households. The CSI General Market program continues to be in high demand despite all-time low rebates of \$0.20 per watt – an incentive that represents less than 5 percent of total PV system costs. The General Market program has no need for additional incentives once funds are exhausted. In contrast, the SASH and MASH programs subsidize 25 to 100 percent of the total system cost in order to make solar accessible to low income families. Solar low-income incentives make solar energy accessible to communities, and should be made available beyond 2015.

SUMMARY OF SUGGESTED AMENDMENTS:

AB 217 should be amended in the following way(s):

- 1) Direct the utilities to maintain consumer protection requirements within the new low income solar program that are equally, or more, protective than those found in the CSI program.
- 2) To clarify language in the bill requiring the program be a cost effective investment by ratepayers.
- 3) Use a funding mechanism similar to that used in the SASH and MASH programs.

DIVISION ANALYSIS (Energy Division):

- 1) Pursuant to PU Code 2852, the CPUC established the Single-family Affordable Solar Homes (SASH) Program in 2007 and the Multifamily Affordable Solar Housing (MASH) in 2008. MASH and SASH are set to operate through December 31, 2015. The SASH program is likely to exhaust its incentive funds within the next two years, and the MASH program is nearly fully subscribed.
- 2) The bill, as written, uses the same eligibility requirements, defined in PU Code 2852, as SASH and MASH. However, the bill imposes an additional requirement that the new low income program be “a cost-effective investment by ratepayers in peak electricity generation capacity where ratepayers recoup the cost of their investment through lower rates as a result of avoiding purchases of electricity at peak rates, with additional system reliability and pollution reduction benefits.” Currently, SASH and MASH provide significantly higher incentives to make solar accessible to low income households, as well as to incentivize affordable housing building owners to install solar to benefit low income renters. In order to be affordable to low income

homeowners, SASH incentives cover most to all of the installed cost of the photovoltaic (PV) system.

- 3) A cost-benefit evaluation report was conducted for the SASH program. The evaluation report determined that the SASH program is cost effective from the participant perspective, but not from the ratepayer perspective.¹ It is important to consider that although a low-income program may not be considered cost-effective from a ratepayer perspective, the program provides additional benefits by making solar accessible to low income communities. Currently, higher incentives are necessary in order to make solar affordable to low income households. The concern is that the cost-effectiveness requirement would require the CPUC to lower the incentives to levels significantly lower than those currently used in the MASH and SASH programs in order to satisfy the cost-effectiveness requirement in this bill. If the new low income program incentives are drastically reduced to meet a cost-effectiveness requirement, the incentives may be too low to make the economics of installing solar work for these households.
- 4) This bill requires participants of this new low income solar program to enroll in the Energy Savings Assistance Program (ESAP), if eligible. The bill also requires the new program to provide job training and employment opportunities in the solar energy and energy efficiency sectors of the economy. The SASH program requires all eligible participants to enroll in ESAP, and has a job training components. The SASH ESAP and job training requirements would be maintained and may be modified within the new low income program to meet the mandates of this bill.
- 5) This bill imposes a requirement for reasonable and cost-effective energy efficiency improvements in existing buildings as a condition of receiving incentives, with appropriate exemptions to accommodate financial limitations of low income residential housing. This rule may require the CPUC to modify existing energy efficiency requirements within the MASH and SASH programs to meet the mandates within this bill.

PROGRAM BACKGROUND:

This new program proposal applies lessons learned from the CSI MASH and SASH programs.

- 1) PU Code 2851 authorized the CSI Program to provide monetary incentives to support the adoption of solar energy systems. The CSI Program had an original budget of \$2.16 billion. The CSI Program has five program components:
 - a. The General Market Program, which provides declining incentives for homes and businesses.

- b. The CSI-Thermal Program, which provides incentives for solar water heating systems.
 - c. The CSI RD&D Program, which provides grants for innovative projects that further the adoption of solar technologies.
 - d. The SASH Program, which provides higher incentives for low-income homeowners.
 - e. The MASH Program, which provides higher incentives for affordable housing residences.
- 2) In 2011, Senate Bill (SB) 585 authorized an additional \$200 million in ratepayer collections to be allocated to the incentive budget of the CSI General Market Program.
 - 3) The MASH and SASH programs each have a total budget of \$108 million, and provide monetary incentives for the installation of solar PV systems on single and multifamily low income residences through December 2015. SASH is currently implemented by GRID Alternatives (GRID), a non-profit solar contractor, while MASH has been implemented by the respective investor-owned utilities, Pacific Gas & Electric (PG&E), Southern California Edison (SCE) and California Center for Sustainable Energy (CCSE) in San Diego Gas and Electric territory.
 - 4) The MASH and SASH programs have installed approximately 25 MW to low-income residences.
 - 5) As of February 2013, 2,500 single-family homes and over 280 multifamily residences have received solar energy systems through the SASH and MASH programs, respectively.

SAFETY IMPACT:

The solar energy systems installed under the program authorized by this bill would be subject to existing utility safety and interconnection requirements for customer-side solar generators. This bill, as written, does not maintain the existing consumer protection requirements in the MASH and SASH programs. Consumer protection requirements should be addressed with a suggested amendment.

RELIABILITY IMPACT:

This bill could enhance the reliability of service for beneficiaries of the solar energy system since there is less reliance on the utility service. The program may also potentially enhance reliability of service to ratepayers since the installation of new solar facilities can help reduce demand at peak times.

RATE IMPACT:

This bill authorizes \$108 million in ratepayer collections to fund this program.

FISCAL IMPACT:

This bill would require an administrative law judge and Energy Division staff to develop a petition to modify current decisions to establish the new low income program. Though this is a new program, this work can be accomplished as part of a current CSI proceeding. No fiscal impact.

ECONOMIC IMPACT:

This bill has the potential to bring positive economic benefits to businesses and local governments. The bill has a workforce development component that trains and provides employment opportunities to individuals in the solar energy and energy efficiency sectors.

Through the SASH program, nearly 10,000 volunteers have completed the mandatory solar orientation, most of which have gone on to participate in a solar installation. Further, since the inception of the SASH Sub-Contractor Partnership Program (SPP), over 1,100 paid job opportunities have been provided to California solar job trainees.

LEGAL IMPACT:

This bill's legal impact is difficult to precisely determine. It has a number of provisions that are very specific requirements or prohibitions, such as which ratepayers can be charged for the costs of the program, and what ratepayers must do to receive funds from the program. Because of the very specific and prescriptive wording of these provisions, and the potential difficulty of determining full compliance with those same provisions, the possibility of a violation of the language of the bill may be relatively high. The consequences of such a violation are not specified, so it is not clear what the ramifications of such a violation might be.

Proposed PU Code section 2859 reads:

“The Low Income Solar Energy Fund is hereby established in the State Treasury. Moneys collected pursuant to this article shall be deposited into the fund and made available to the commission for the purposes of this article upon appropriation by the Legislature.”

Since the CPUC does not typically obtain ratepayer funds, but rather directs the utilities to spend ratepayer funds on specific programs, the CPUC recommends the bill use a funding mechanism similar to the mechanism in the current SASH and MASH programs. This will avoid potentially significant legal issues relating to administration, budgets and appropriations.

OTHER STATES' INFORMATION:

Not applicable.

LEGISLATIVE HISTORY:

In 2006, the Legislature passed Assembly Bill 2723 (Pavley), Chapter 864, Statutes 2006, requiring the Commission to ensure that not less than 10 percent of the overall CSI funds be used for the installation of solar energy systems on low-income residential housing. Of that designated funding, \$216 million was equally distributed between single-family residences (SASH) and multifamily residences (MASH).

STATUS:

AB 217 is pending hearing in the Assembly Utilities and Commerce Committee.

SUPPORT/OPPOSITION:

None on file.

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BILL LANGUAGE:

BILL NUMBER: AB 217 INTRODUCED
BILL TEXT

INTRODUCED BY Assembly Member Bradford
(Principal coauthor: Senator De León)

JANUARY 31, 2013

An act to add Article 1.5 (commencing with Section 2855) to Chapter 9 of Part 2 of Division 1 of the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 217, as introduced, Bradford. Electricity: solar electricity: low-income households.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations. Decisions of the PUC adopted the California Solar Initiative. Existing law requires the PUC to ensure that not less than 10% of the funds for the California Solar Initiative are utilized for the installation of solar energy systems, as defined, on low-income residential housing, as defined. Pursuant to this requirement, the PUC adopted decisions that established the Single-Family Affordable Solar Homes Program (SASH) and the Multifamily Affordable Solar Housing Program (MASH), which provide monetary incentives for the installation of solar energy systems on low-income residential housing. The SASH and MASH programs will operate until December 31, 2015, or until budgeted funds are exhausted, whichever occurs sooner.

This bill would require the PUC to adopt a program, pursuant to prescribed requirements, to provide monetary incentives for the installation of solar energy systems on low-income residential housing commencing January 1, 2015, to December 31, 2021, inclusive. This bill would require the program to be funded by charges collected from customers of specified investor-owned utilities, subject to prescribed limitations. This bill would prohibit the total cost of the program from exceeding \$108,000,000. This bill would establish the Low Income Solar Energy Fund, would require the moneys collected to be deposited therein, and to be made available to the commission for the purposes of this bill upon appropriation by the Legislature.

This bill would require that all moneys set aside for the purpose of funding the installation of solar energy systems on low-income residential housing, that are unexpended and unencumbered on January 1, 2022, be utilized to augment existing cost-effective energy efficiency measures in low-income residential housing that benefit ratepayers.

By imposing a charge on customers to fund the Solar Energy Program for Low-Income Residential Housing, the bill would constitute a change in state statute that would result in a taxpayer paying a

higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of 2/3 of the membership of each house of the Legislature.

Vote: 2/3. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Article 1.5 (commencing with Section 2855) is added to Chapter 9 of Part 2 of Division 1 of the Public Utilities Code, to read:

Article 1.5. Solar Energy Program for Low-Income Residential Housing

2855. The Legislature finds and declares that it is the goal of the state to establish a program to install solar energy systems that have a generating capacity equivalent of 50 megawatts on low-income residential housing during the period from January 1, 2016, to December 31, 2021, inclusive.

2856. As used in this article, the following terms have the following meanings:

(a) "Low-income residential housing" has the same meaning as that term is defined in Section 2852.

(b) "Solar energy system" has the same meaning as that term is defined in Section 2852.

2857. Commencing January 1, 2015, until December 31, 2021, the commission shall adopt a program to provide monetary incentives for the installation of solar energy systems on low-income residential housing receiving service from San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company.

2858. The program adopted by the commission, pursuant to this article, shall do all of the following:

(a) Be a cost-effective investment by ratepayers in peak electricity generation capacity where ratepayers recoup the cost of their investment through lower rates as a result of avoiding purchases of electricity at peak rates, with additional system reliability and pollution reduction benefits.

(b) Require reasonable and cost-effective energy efficiency improvements in existing buildings as a condition of providing incentives for eligible solar energy systems, with appropriate exemptions or limitations to accommodate the limited financial resources of low-income residential housing.

(c) Require participants who receive monetary incentives to enroll in the Energy Savings Assistance Program established pursuant to Section 382, if eligible.

(d) Provide job training and employment opportunities in the solar energy and energy efficiency sectors of the economy.

(e) Prohibit participants in the program from receiving monetary incentives in those locations where incentives are available pursuant to Section 2852.

2859. (a) The program shall be funded by charges collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company. The total cost

over the duration of the program shall not exceed one hundred eight million dollars (\$108,000,000).

(b) In establishing the program, moneys shall not be diverted from any existing programs for low-income ratepayers, or from cost-effective energy efficiency or demand response programs.

(c) (1) The commission shall not impose any charge upon the consumption of natural gas, or upon natural gas ratepayers, to fund the program.

(2) Notwithstanding any other law, any charge imposed to fund the program adopted and implemented pursuant to this article shall be imposed upon all customers not participating in the California Alternate Rates for Energy (CARE) or family electric rate assistance (FERA) programs, including those residential customers subject to the rate cap required by Section 80110 of the Water Code for existing baseline quantities or usage up to 130 percent of existing baseline quantities of electricity.

(3) The costs of the program adopted and implemented pursuant to this section shall not be recovered from customers participating in the CARE program established pursuant to Section 739.1, except to the extent that program costs are recovered out of the nonbypassable system benefits charge authorized pursuant to Section 399.8.

(d) All moneys set aside for the purpose of funding the installation of solar energy systems on low-income residential housing that are unexpended and unencumbered on January 1, 2022, except to the extent those moneys are encumbered pursuant to this article, shall be utilized to augment existing cost-effective energy efficiency measures in low-income residential housing that benefit ratepayers.

(e) The Low Income Solar Energy Fund is hereby established in the State Treasury. Moneys collected pursuant to this article shall be deposited into the fund and made available to the commission for the purposes of this article upon appropriation by the Legislature.

ⁱ California Solar Initiative-Low Income Solar Program Evaluation Program Impacts and Cost-Benefit Report Program Year 2009-2010. http://www.cpuc.ca.gov/NR/rdonlyres/13AAEDF8-BB7D-4FBD-AC05-3FC2B9CBF746/0/CSISASH_MASHImpact_and_Cost_Benefit_Report.pdf Pg. 50.