

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking Regarding Policies,  
Procedures and Rules for the California Solar  
Initiative, the Self-Generation Incentive Program  
and Other Distributed Generation Issues.

Rulemaking 10-05-004  
(Filed May 6, 2010)

**JOINT COMMENTS OF THE CALIFORNIA CENTER FOR SUSTAINABLE ENERGY,  
SOUTHERN CALIFORNIA EDISON COMPANY (U338E), PACIFIC GAS AND  
ELECTRIC COMPANY (U39E), AND SOUTHERN CALIFORNIA GAS COMPANY  
(U904G) ON COMMISSIONER PEEVEY'S PROPOSED DECISION MODIFYING  
DECISION 10-01-022 REGARDING ADJUSTMENTS TO THE INCENTIVE  
STRUCTURE OF THE CALIFORNIA SOLAR INITIATIVE THERMAL PROGRAM**

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SOUTHERN CALIFORNIA EDISON COMPANY**

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**I.  
INTRODUCTION**

In accordance with the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, Southern California Gas Company (“SoCalGas”), on behalf of the California Solar Initiative (“CSI”) Thermal Program (“TP”) Program Administrators (PAs)<sup>1</sup>, submits these joint comments on the Proposed Decision of President Michael R. Peevey (“PD”), which modifies Decision (D.)10-01-022, to provide increased incentives in the early steps of the program to both natural gas and electric displacing Solar Water Heating (“SWH”) systems, while retaining the goal of replacing the equivalent of 200,000 natural gas- fired water heating systems with SWH systems and installing 100,800 electric-displacing SWH systems on single-family homes.

The PD will modify the CSI-TP incentive amounts established in D.10-01-022 by increasing single-family residential customer incentive rates by 45% for Step 1 and by 27.78% for Step 2 in response to a petition by the California Solar Energy Industries Association (“CALSEIA”). Conversely, the PD will decrease single-family residential incentives for Step 4 by approximately one-third. For multifamily and commercial customers, the Step 1 incentive

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<sup>1</sup> The CSI TP PAs are Southern California Edison Company, Pacific Gas and Electric Company, SoCalGas, and the California Center for Sustainable Energy in the service territory of San Diego Gas & Electric Company.

rate will increase by 13.33%, Step 2 and Step 3 incentives decrease slightly, and the incentive rate for Step 4 will also decrease by approximately one-third. These adjustments do not change the total CSI-TP incentive budget of \$180 million for gas-displacing systems and up to \$100.8 million for electric-displacing systems. CALSEIA proposed no incentive changes to the low-income portion of the CSI-TP.

The PAs support the Commission’s proposed incentive increase in the PD as it is a fair compromise to the petition by CALSEIA to help stimulate the market today. However we do suggest additional modifications to the PD to further improve the administration of the remaining CSI-TP incentives, as set forth below.

## **II. DISCUSSION**

### **A. The Program Administrators recommend revising the incentive funds available for single family residential customers to reflect revised incentive rates.**

The PAs support the PD’s decision to increase the incentive rates for early steps of the CSI-TP. However, the PD does not address the maximum incentive funds available in each Step. The PAs recommend adjusting the single-family residential incentive caps by the same percentage adjustment proposed for the incentive rates. This would allow the entire benefit to be captured by the single-family residential customers from the higher incentive rates. Table 1 below, shows the current incentive levels, the proposed rate changes by the Commission, and the corresponding increase or decrease in each incentive cap at each step level for single family residential customers. The PAs recommend that commercial and multi-family incentive caps remain the same.

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**Table 1**

<b>Electric / Propane Single-Family</b>					
<b>Step Level</b>	<b>Orig Incentive Rate (\$/kWh)</b>	<b>Proposed Decision Incentive Rate (\$/kWh)</b>	<b>% Change</b>	<b>Orig Maximum Incentive Cap</b>	<b>Proposed Incentive Cap (Rounded to nearest dollar)</b>
1	0.37	0.54	46%	\$1,263.00	\$ 1,844.00
2	0.30	0.38	27%	\$1,025.00	\$ 1,302.00
3	0.22	0.22	0%	\$ 750.00	\$ 750.00
4	0.14	0.10	-29%	\$ 475.00	\$ 337.00
<b>Natural Gas Single -Family</b>					
<b>Step Level</b>	<b>Orig Incentive Rate (Dollar Per Therm Displaced)</b>	<b>Proposed Decision Incentive Rate (Dollar Per Therm Displaced)</b>	<b>% Change</b>	<b>Orig Maximum Incentive Cap</b>	<b>Proposed Incentive Cap (Rounded to nearest dollar)</b>
1	12.82	18.59	45%	\$1,875.00	\$ 2,719.00
2	10.26	13.11	28%	\$1,500.00	\$ 1,920.00
3	7.69	7.69	0%	\$1,125.00	\$ 1,125.00
4	4.70	3.23	-31%	\$ 688.00	\$ 475.00

**B. The Program Administrators recommend clarifying the effective date for implementing the increase in incentive rates.**

Section 5.4 of the PD suggests that the increased incentives should apply to all CSI-TP applications submitted after the date that the PD is issued for comment, i.e., July 3, 2012, if the PD is approved. The PAs recommend that the Commission further clarify the definition of “applications submitted” given the various application stages within the CSI-TP Program. The PAs suggest the following criteria for eligibility for increased incentives:

- (1) Single-family residential applications with an initial “Application Review” status date after July 3, 2012; and
- (2) Multifamily and commercial applications for which the initial “Application Review” status date (i.e., the date by which both the Reservation Request Forms and Incentive Claim Forms have been submitted) is after July 3, 2012.

To ensure the customer receives the benefit of the increase in incentives, the PAs will issue incremental payments to the System Owner for which the initial “Incentive Application Review” status date is after July 3, 2012, and is paid before the incentive increases are adjusted in the CSI-TP Database.

**C. The ALJ, in consultation with the Energy Division, should have the ability to revisit the incentive levels and adjust as needed based on solar costs and other relevant market factors.**

In addition, the PAs respectfully request that the Commission consider incorporating a new ordering paragraph in the PD to allow the Administrative Law Judge (“ALJ”), in consultation with the Energy Division, to adjust thermal program incentive levels in response to relevant market conditions. Given the short remaining life of the CSI-TP, it is important to have a mechanism in place that allows the program to quickly adapt to market factors and effectively administer remaining incentives to maximize the number of natural gas and electric displacing SWH systems participating in the program. The current process to change incentive levels provides for a level of uncertainty that could potentially halt the SWH market between the time when the proposed change is introduced to when the change is launched. Thus, the PAs propose adding the following Ordering Paragraph to the final decision stating:

*6. The ALJ in this proceeding may issue a ruling to adjust CSI-TP incentives following submittal of a written proposal from Energy Division and the opportunity for comment by all parties.*

**D. CSI-TP Electric Incentive Increase and Its Impact on the General Market Goals.**

The PD proposes that the CSI-TP electric-displacing system incentives be increased in the first two steps. The amount of participation in the CSI-TP electric-displacing portion of the incentive program, however, could potentially create a larger megawatt (“MW”) shortfall in Step 10 for the CSI General Market Photovoltaic (“PV”) program. As the Commission noted in D.10-01-011:

*We agree with these parties and will adopt their proposal to count electric-displacing SWH installations against Step 10 of the general market CSI program to minimize the effect of these installations on incentive levels for PV systems.<sup>2</sup>*

In determining the equivalent Watts to be removed from Step 10 for each kWh displaced by an electric-displacing SWH system, the Commission states:

*in other words, the typical residential electric-displacing SWH system displaces an amount of electricity that is equivalent to what would be displaced by a 1.56 kW PV system. If we assume an average incentive for electric-displacing SWH systems of \$1000, the \$100.8 million budget available for electric-displacing solar thermal technologies can support 100,800 systems.<sup>3</sup>*

Under the existing CSI-TP electric-displacing system incentive structure, the converted dollar per Watt (“W”) value is \$0.64/W (\$1,000/1,560W), which is higher compared to the CSI GM PV Step 10 incentive of \$0.20/W. With the PD’s proposed increase in incentive, the new average residential electric system would equal \$1,467,<sup>4</sup> or \$0.94/W, which represents an increase of \$0.30/W. While the goal of kWh displaced will remain unchanged, the increase in incentives is greater than the current CSI General Market PV Program budget to fund the same number of kWh.

Currently, it is challenging to predict the level of participation based on the increase in incentives; however, the PAs do caution that as participation in the CSI-TP electric-displacing portion of program increases, it will negatively impact the amount of MW that can be obtained in Step 10 of the CSI GM PV Program.

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<sup>2</sup> D.10-01-022, *Decision Establishing the California Solar Initiative Thermal Program to Provide Solar Water Heating Incentives*, p.40

<sup>3</sup> *Id.* at p.16

<sup>4</sup> *See* PD, Table 7, p. 18.

**III.  
CONCLUSION**

The PAs appreciate the opportunity to provide comments in response to the PD. The PAs support increasing the CSI-TP incentives and will continue to work towards achieving the program goals of set forth in D.10-01-022 and Assembly Bill (“AB”) 1470 (Stats. 2007, Ch. 536).

Dated this 23<sup>rd</sup> day of July 2012.

Respectfully Submitted,

*/s/ Steven D. Patrick*

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