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

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

Rulemaking 12-11-005  
(File November 8, 2012)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E) PETITION TO MODIFY  
DECISION 10-01-022 ESTABLISHING THE CALIFORNIA SOLAR INITIATIVE  
THERMAL PROGRAM TO PROVIDE RESIDENTIAL SOLAR WATER HEATING  
INCENTIVES FROM THE NON-RESIDENTIAL BUDGET**

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Dated: April 8, 2013

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**I. INTRODUCTION**

Pursuant to the California Public Utilities Commission’s (CPUC’s) Rule of Practice and Procedure 16.4, Pacific Gas and Electric Company (PG&E) respectfully submits this Petition for Modification (Petition) of Decision 10-01-022, *Decision Establishing the California Solar Initiative Thermal Program to Provide Solar Water Heating Incentives*. This Petition seeks to address the uncertainty about whether utilities may fund residential electric and propane-displacing solar water heating (SWH) systems after PG&E’s residential California Solar Initiative (CSI) Photovoltaic (PV) funds are fully committed. In this Petition PG&E seeks explicit Commission approval to allow residential CSI-Thermal electric and propane displacing solar water heating (SWH) systems to receive incentives from the CSI PV non-residential incentive budget once the residential PV budget is exhausted.

## II. DISCUSSION

### A. Background on CSI Solar Water Heating Funding

Senate Bill (SB) 1 permitted \$100.8 million of total CSI funds to be used for incentives for solar thermal technologies, such as SWH.<sup>1</sup> Decision 10-01-022 provided guidance regarding the way CSI funds would be used for electric-displacing SWH systems, stating that the Program Administrators should “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> This decision did not specify from which customer class CSI-Thermal incentives should be used (Residential or Non-Residential) within Step 10 of the general market CSI program.

Although not specified in previous decisions, the Program Administrators have been operating under the assumption that residential electric and propane-displacing SWH systems would be funded through Step 10 of the residential general market CSI program and that non-residential electric and propane displacing SWH systems would be funded through Step 10 of the non-residential general market CSI program. This Petition seeks to address the uncertainty about funding for residential electric and propane-displacing SWH systems now that PG&E’s residential CSI PV funds are expected to be fully committed.

Propane-displacing SWH systems were made eligible for the CSI-Thermal program with the approval of Decision (D.)11-11-005 on November 10, 2011. This decision states that “[i]ncentive levels for propane-displacing systems should be set at the same level as incentives to electric-displacing systems. Funding for these incentives shall be on a first-come, first-served basis and shall come from the \$100.8 million allocated in the general market CSI program for electric-displacing solar thermal technologies.”<sup>3</sup>

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<sup>1</sup> See CA Public Utilities Code section 2851 (b).

<sup>2</sup> Decision 10-01-022 at page 40.

<sup>3</sup> Decision 11-11-005 at page 8.

## **B. Flexibility in Funding for CSI-Thermal Program Is Now Needed**

Due to a high volume of residential PV installations, PG&E is close to exhausting the Step 10 incentive budget for the general market residential CSI program, which would presumably end the CSI-Thermal program for residential electric and propane-displacing SWH systems. PG&E is seeking Commission approval to fund future residential electric and propane-displacing SWH systems from the Step 10 incentive budget of the non-residential CSI PV program by adding the following language to Ordering Paragraph (OP) 19 of D.10-01-022:

Single-family residential SWH electric and propane-displacing incentives should first count against the residential Step 10 CSI PV program budget and commercial/multi-family SWH electric and propane-displacing incentives should first count against the non-residential Step 10 CSI PV program budget. However, in the event that the Step 10 budget for either customer class is exhausted prior to the CSI-Thermal electric and propane program reaching its cap, the corresponding customer class for SWH incentives may then use the available Step 10 budget from the other customer class. For example, if the residential Step 10 CSI PV program budget is exhausted in PG&E's service territory, single-family residential SWH electric and propane-displacing incentives may continue to be paid out of the non-residential Step 10 CSI PV program budget.

As of March 27, 2013, forty-six percent (46%) of all completed single-family residential projects within the CSI-Thermal program have been electric or propane. This is a significant number when compared to the low percentage of customers that heat their water using electricity or propane in California; "...89 percent of households in California have natural gas water heaters, which cost less to operate than electric water heaters."<sup>4</sup>

Single-family residential SWH systems represent an important component to the CSI-Thermal program. The Commission has acknowledged the importance of the residential customer class and shifted incentive funding for the gas portion of the program from non-residential to residential stating, "[b]y shifting funds from the multifamily and commercial budget to the single-family budget, we will be able to increase incentives for single-family

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<sup>4</sup> Itron Interim Evaluation Report: California Center for Sustainable Energy Solar Water Heating Pilot Program at page 6-4.

homes thereby supporting this key aspect of the CSI Thermal Program. This, in turn, should increase the number of consumers with confidence and an understanding of the SWH technology, furthering the goal of market transformation.”<sup>5</sup>

Furthermore, the non-residential CSI PV Step 10 incentive budget is highly underutilized by the non-residential CSI-Thermal program. As of the date of this Petition, there has been only one non-residential CSI-Thermal electric or propane-displacing SWH system in PG&E’s territory, representing a total of \$15,065.

The amount of incentives that would be utilized by CSI-Thermal residential electric and propane-displacing SWH systems from the Step 10 non-residential CSI PV budget is not anticipated to have a significant impact to the overall budget, as each system averages a \$1,445 incentive. It is expected that this minimal impact on the budget will still allow the Step 10 MW goal to be achieved. However, the amount of additional SWH systems installed would represent a significant push towards market transformation and annual electric savings.

With the approval of this Petition, PG&E would begin paying incentives for single-family residential electric and propane-displacing SWH systems using the CSI PV non-residential Step 10 incentive budget at the time the residential Step 10 incentive budget is fully committed. Incentive budgets will continue to be tracked using Trigger Tracker and California Solar Statistics for transparency.

### **C. The Timing of this Petition Exceeds One Year for Good Reason**

CPUC Rule of Practice and Procedure 16.4 (d) provides that if more than one year has elapsed since the issuance of a decision, the petition must explain why it was not presented in the one year time frame. During the year following the issuance of Decision (D.)10-01-022 and through 2012, PG&E had adequate funding in the residential CSI General Market program to support the residential CSI-Thermal electric and propane incentive program. Now that Step 10

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<sup>5</sup> Decision 12-08-008 at page 14.

of the residential CSI program is estimated to be exhausted shortly, it is timely for PG&E to seek Commission guidance for ongoing funding for residential electric and propane-displacing SWH projects and confirmation that funds available in Step 10 of the CSI non-residential program can be used.

### **III. CONCLUSION**

PG&E respectfully requests that the Commission expeditiously approve this Petition to confirm that PG&E has the option to fund CSI-Thermal single-family residential electric and propane-displacing SWH systems using the CSI PV non-residential Step 10 incentive budget by adding the specific language proposed to OP 19 of D.10-01-022.

Respectfully submitted,

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