

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
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Agenda ID # 12375
Quasi-Legislative

TO PARTIES OF RECORD IN RULEMAKING 12-11-005

This is the proposed decision of Commissioner Michael R. Peevey. This item is targeted to appear on Agenda No. 3323 for the Commission's October 3, 2013 Business Meeting, but may appear on a later agenda. Interested persons may monitor the Business Meeting agendas, which are posted on the Commission's website 10 days before each Business Meeting, for notice of when this item may be heard. The Commission may act on the item at that time, or it may hold an item to a later agenda.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ MacDonald at kk3@cpuc.ca.gov and Commissioner Peevey's advisor Scott Murtishaw at sgm@cpuc.ca.gov. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ KAREN V. CLOPTONKaren V. Clopton, Chief
Administrative Law Judge

KVC:sbf

Attachment

Decision **PROPOSED DECISION OF COMMISSIONER PEEVEY**
(Mailed on 9/3/13)

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
(Filed November 8, 2012)

**DECISION GRANTING IN PART A PETITION FOR MODIFICATION
REGARDING THE ADMINISTRATION BUDGET FOR THE CALIFORNIA
SOLAR INITIATIVE**

1. Summary

This Decision grants, in part, and denies in part, the petition for modification of Decisions (D.) 10-09-046, D.08-10-036, and D.06-08-028 filed by the California Center for Sustainable Energy (CCSE) requesting adjustments to the California Solar Initiative (CSI) Program to address a budget shortfall.

Specifically, this Decision grants CCSE's request to combine the CSI General Market program marketing and outreach and administration budgets and modifies the current requirement that two-thirds of the CSI Megawatt (MW) allocation be reserved for the non-residential sector by allowing the remaining incentive budget to be equally divided between non-residential and residential customer sectors. The Commission denies CCSE's request to: (a) combine the CSI measurement and evaluation budget with the administration and marketing budgets; (b) allow CCSE seek reimbursement for charges associated with the development and implementation of Virtual Net Metering for the Multifamily

Affordable Solar Housing (MASH) program from the MASH program administration and Marketing and Outreach (M&O) budget; and (c) to allocate past, present, and future CSI labor fringe and legal fees to San Diego Gas & Electric's general rate base.

2. Procedural Background

On August 3, 2012, the California Center for Sustainable Energy (CCSE) petitioned for modification (Petition) of Decision (D.) 10-09-046, D.08-10-036, and D.06-08-028 to address a deficiency in its program administration budget. CCSE requested leave to file the Petition under Rule 16.4(d) of the Commission's Rules of Practice and Procedure (Rule) to file more than one year following the effective dates of the decisions listed above, as the budget constraints only recently became apparent. CCSE explains that the issues giving rise to this Petition have only just presented themselves, and this Petition could not have been presented within one year of the effective dates of D.10-09-046, D.08-10-036, and D.06-08.028.

On September 4, 2012, the Division of Ratepayer Advocates (DRA), Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Solar Energy Industries Association (SEIA) replied to the Petition. CCSE responded on September 14, 2012.

3. Background

The Commission established the California Solar Initiative (CSI) in 2006, to provide \$3.2 billion in incentives and other support for solar photovoltaic (PV) systems with the goal of installing 3,000 Megawatts (MW) in the service

territories of California's three large investor-owned electric utilities.¹ The Legislature codified the program and adjusted the program's scope and adjusted the Commission's portion of program total cost to \$2.17 billion, later that year.² The Legislature also authorized the collection of \$2.2 billion from electric ratepayers of PG&E, SDG&E and SCE to implement the CSI. Senate Bill (SB) 585 (Kehoe, 2011) later authorized an additional \$200 million to be collected from electric ratepayers to address a budget shortfall in the program's non-residential sector.

A budget for the CSI Program was initially established in D.06-01-024, was modified in several Decisions thereafter, including D.08-10-036 and D.10-09-046. The Commission established key features of the CSI Program, including the administrative and incentive structures.³ Specifically, the Commission divided incentive amounts available through the CSI Program into 10 incentive step levels, each with a MW target that triggers incentive reductions to the next step level. In addition, the MWs in each of the incentive step levels are allocated across the investor-owned utility (IOU) territories. In each incentive step, one-third of the MW target is allocated to the residential customer segment and two thirds of the MW target is allocated to the non-residential customer segment.

Five program components comprise the CSI Program: the CSI General Market Program; the Single-Family Affordable Solar Homes (SASH) Program; the Multifamily Affordable Solar Housing (MASH) Program; the CSI Research,

¹ D.06-01-024.

² D.06-08-028.

³ D.06-08-028.

Development, Demonstration and Deployment (RD&D) Program; and the CSI-Thermal Program. The program components were established at different times, have separate budgets, and are at varying levels of maturity. PG&E, SCE and CCSE (collectively the CSI Program Administrators or CSI PAs) administer the CSI General Market Program, the MASH Program and the CSI-Thermal Program.⁴ The SASH Program and CSI RD&D Program are managed by GRID Alternatives and Itron, Inc., respectively.⁵

Table 1 below shows the current CSI general market budget by program component and utility territory (excluding the CSI Thermal Program – gas displacing portion).

⁴ See D.06-08-028, D.08-10-036 and D.10-01-022. Southern California Gas Company also serves as a Program Administrator for the CSI-Thermal Program.

⁵ See D.07-11-045 and D.07-09-042.

Table 1⁶

Program Component	Total Budget	Allocation by Utility		
		PG&E	SCE	SDG&E
D.06-08-028 allocation by utility territory		43.70%	46.00%	10.30%
General Market Program				
General Market Program Incentives	\$1,947,810,000	\$877,792,970	\$867,992,600	\$202,024,430
Program Administration	\$94,860,000	\$41,453,820	\$43,635,600	\$9,770,580
Total Measurement & Evaluation (M&E)	26,700,000	\$11,667,900	\$12,282,000	\$2,750,100
Total M&O	21,250,000	\$7,731,250	\$7,875,000	\$5,643,750
Unallocated	\$6,900,000	\$3,015,300	\$3,174,000	\$710,700
Subtotal General Market Program	\$2,097,520,000	\$941,661,240	\$934,959,200	\$220,899,560
RD&D Program	\$50,000,000	\$21,850,000	\$23,000,000	\$5,150,000
Low Income Single-family (SASH) Program	\$108,340,000	\$47,344,580	\$49,836,400	\$11,159,020
Low Income Multifamily (MASH) Program	\$108,340,000	\$47,344,580	\$49,836,400	\$11,159,020
SWH Pilot Program (SWHPP) in San Diego	\$2,600,000	\$0	\$0	\$2,600,000
Total CSI Electric Budget	\$2,366,800,000	\$1,058,200,400	\$1,057,632,000	\$250,967,600

⁶ This table summarizes several decisions including D.06-08-028, D.06-12-033, D.07-05-047, D.07-09-042, D.07-11-045, D.08-10-036, D.10-01-022, D.10-09-046, D11-12-019 and D.12-08-008.

In 2008, the Commission established the MASH Program and Virtual Net Metering (VNM) for low-income customers.⁷ The VNM tariff allows energy, produced by a renewable generating facility, to be credited to individually metered tenants who are connected at the same service delivery point (defined as the point where the distribution extension line drops from the utility's primary distribution lines to deliver power to the customer). The Commission directed VNM implementation costs to be recovered from the administrative budget for the general market CSI program, and not limited to the MASH program budget.⁸

The Commission later expanded VNM eligibility to other customer classes.⁹ Resolution E-4481, which modified the VNM tariffs pursuant to D.11-07-031, declared that "...however, if there are reasonable costs associated with VNM billing infrastructure in the future then these should be capitalized and recovered in future rate cases."¹⁰

4. Petition for Modification

CCSE requests authorization for four modifications:

1. **To combine the marketing and outreach (M&O) and program administration budget subcategories** of the CSI General Market administrative budget; and, to transfer \$100,000 from CCSE's M&E budget to its program administration budget.
2. **To seek reimbursement for charges associated with the development and implementation of VNM for the MASH program from the MASH program administration**

⁷ D.08-10-036.

⁸ D.08-10-036 at 35.

⁹ D. 11-07-031.

¹⁰ Resolution E-4481 at 23.

- and M&O budget**, rather than the CSI General Market administration budget; and, to specify that any VNM costs incurred after July of 2011 be recovered from the IOUs' general rate cases.
3. **To allocate past, present, and future CSI labor fringe and legal fees to SDG&E's general rate base** instead of to CCSE's CSI General Market program administration budget.
 4. **To remove the allocation of two-thirds of CSI MW for the non-residential customer sector**, this would allow for a greater allocation of MW to the residential sector in CCSE's program territory.

CCSE believes that the structure and success of the CSI program has been predicated on the ability to disclose all incentive funding and meet predetermined program goals while maintaining enough program administration program funds to carry and complete the program. CCSE contends that because the scope of the CSI program has expanded requiring additional program activities and duties for the CSI General Market PAs, it became increasingly difficult to gauge spending needs in the program administration budget and the rate of disbursement of all CSI General Market Program incentive funds, while meeting the predetermined overall MW goal for the program. CCSE cautions that unless the Petition is granted, they will be unable to meet their predetermined overall CSI General Market Program goals and that a budget shortfall will persist in CCSE's non-residential customer sector. CCSE states that their total CSI Program Administration budget shortfall, if this petition for modification is not approved, would be \$3 million.

As described more fully below, CCSE points to three causes of the predicted shortfall in their CSI General Market program administration budget:

inaccessible funds in M&O and M&E, expenses that were wrongly charged to CCSE, and the allocation of MW between customer classes.

First, CCSE projects that while funds will remain in their CSI General Market administrative budget at the conclusion of the program, these funds will be inaccessible to CCSE for program administration expenses because they are currently allocated for M&E and M&O activities. Thus, CCSE would likely have funds to market and monitor the CSI program and yet lack funds to process applications. CCSE clarifies that they are not proposing to eliminate the M&O or M&E components of the CSI program. CCSE proposes to submit a revised 2012 M&O Plan and Budget that identifies alternative levels of M&O effort and corresponding budget levels for Energy Division approval. CCSE contends this approach is consistent with the Commission's requirement to annually file M&O plans and budgets via advice letter established in D.11-07-031. Additionally, they note that this flexibility is allowed under the Self-Generation Incentive Program, in which M&O and administration budgets are combined.

CCSE also requests authority to transfer \$100,000 of the M&E budget to CCSE's program administration budget. CCSE believes these funds could be transferred without hindering M&E activities. CCSE states that the Energy Division indicated that \$100,000 of the M&E budget, which is shared between CCSE and Energy Division, is available for transfer to CCSE's program administration budget.

Second, CCSE requests that the Commission authorize reimbursement for charges associated with the development and implementation of VNM from the MASH general program and administration budget and M&O budget rather than drawing reimbursement from the CSI General Market program administration budget. CCSE reasons that the Commission directed the IOUs to

develop and implement a VNM tariff when it established the MASH program. Initially the Commission authorized the IOUs to recover their reasonable costs for implementation of VNM from the administrative budgets for the CSI General Market program. CCSE opines this was not the result they advocated because they wanted the costs spread more broadly from the beginning. However, CCSE believes that allowing reimbursement from the MASH general program /administration budget and M&O budget is reasonable at this time given that VNM was solely utilized for MASH eligible projects from the effective date of D.08-10-036 until the effective date of D.11-04-031, when the VNM tariff was expanded to other customer classes.

CCSE states that they have met all of their MASH goals and are no longer accepting applications. As a result, CCSE contends that these remaining funds previously allocated to MASH would be better used for the CSI General Market program. CCSE also argues that VNM costs incurred subsequent to the effective date of D.11-07-031 should be recovered through a general rate case, as this tariff was developed for wider applicability. CCSE reasons that the costs of development of VNM for wider applicability to all multi-unit/multi-meter customers is more appropriately recovered by each IOU in its general rate case rather than through the CSI General Market program or MASH budgets.

CCSE requests the Commission authorize allocating past, present, and future CSI General Market PA fringe labor charges¹¹ and legal costs to SDG&E's general rate base. CCSE points to an inconsistency between the recovery of

¹¹ Fringe Labor charges were defined by CCSE as charges related to fringe benefits including benefits like medical, hospital, accident, life insurance, retirement benefits, bonus plans, leave, as well as other such concepts.

program labor fringe charges and legal expenses between CCSE and the CSI PAs. Specifically, CCSE claims that PG&E and SCE have been recovering these expenses related to the CSI General Market program administration via their general rate bases, rather than through the CSI General Market administration budgets. CCSE calls this an uneven playing field, which puts them at a disadvantage due to a proportionally smaller administration budget than other PAs.

Finally, CCSE requests the Commission remove the requirement to allocate two-thirds of CSI MWs to non-residential customer classes in CCSE's program territory. CCSE contends that the specific allocation of two-thirds of CSI MW for the non-residential customer sector inhibits a greater allocation of MW to the residential sector of its program territory. CCSE believes that when the Commission initially restricted one-third of the CSI MWs to residential customers, it intended to do so as a minimum rather than a maximum, with the understanding that the Commission might need to revisit this issue. In discussing the allocation of MW goals, the Commission stated that after more experience with the program, it would be necessary to "reassess whether to reconsider the allocation of MW goals between residential and non-residential sectors."¹² CCSE asserts that removing the requirement to allocate two-thirds of the MW to the non-residential sector, CCSE will not only be able to reach its predetermined overall CSI GM program MW goal but it will also help to alleviate CCSE's predicted CSI General Market program administration budget shortfall.

¹² D.06-08-028 at 99-100.

CCSE explains that the predicted budget shortfall is caused by a number of factors. CCSE receives the majority of non-residential applications for government/non-profit projects, which receive a higher incentive rate. That, coupled with a historical overproduction rate of 8 percent and a costly shutdown of the non-residential program in 2010, has led to a budget shortfall. CCSE contends that this shortfall will lead to CCSE missing its installed capacity goal of 120.8 MW of non-residential PV by approximately 37 MW, which would result in CCSE missing its overall CSI goal of 180.3 MW by 19 MW. Logistically, non-residential projects would continue to receive the current incentive level, while residential projects would receive the lower Step 10 rate of \$0.20/kW. CCSE argues that given the lower residential rate of \$0.20 per kW and current higher rate of participation by the residential customer sector in its territory, CCSE believes its proposal will enable CCSE to incentivize the installation of more MW for less incentive funds.

5. Responses to the Petition for Modification

DRA, SEIA and PG&E support CCSE's request to combine the M&O and program administration budget subcategories of the CSI General Market administrative budget and to transfer \$100,000 from CCSE's M&E budget to its program administration budget. DRA believes CCSE's requests are reasonable ways to increase budget flexibility and will enhance CSI program operation with little or no impact to ratepayers. PG&E requests that CCSE share details and projections of their budget with Energy Division to provide a clear picture of the situation. PG&E requests that all CSI PAs be given discretion to shift administrative funds within the subcategories of the administrative budget. SDG&E echoes PG&E's request for information and asks that the Commission require CCSE place evidence in the record which demonstrates that the

requested modifications have factual support, and that CCSE has taken all necessary steps to improve processes and reduce costs. SDG&E reminds us that the Commission previously denied similar PA requests to use M&E funds for other purposes – like inspection costs. SDG&E concludes that if this request is granted, CCSE must provide assurance that customer outreach will not be negatively affected.

DRA supports CCSE's request to seek reimbursement for charges associated with the development and implementation of VNM for the MASH program from the MASH program administration and M&O budget, noting that this will not create additional ratepayer burden. PG&E also supports CCSE's request, but clarifies that work continues on implementation and improvements of the VNM program, and that these charges should continue to be paid through either the CSI general market administrative budget, or if CCSE's proposal is accepted, the MASH administrative budget. SDG&E opposes this proposal, and refers to D.08-10-036, which established MASH VNM and directed the CSI PAs to recover the costs of implementation in the CSI administrative budget. SDG&E opposes this proposal and argues that Resolution E-4481 directed the utilities to seek recovery of any charges incurred after July 31, 2012 in future GRCs. SDG&E concludes that this issue has long been decided and that CCSE should be precluded from making further arguments.

DRA adamantly opposes CCSE's third request to allocate past, present and future CSI labor fringe and legal fees to SDG&E's general rate base. DRA contends that granting this request would violate the authorizing legislation for the CSI program which set a \$2.36 billion funding limit that would be exceeded if a portion of labor fringe and legal fees are allocated to rate base or recovered elsewhere. DRA recommends that the Commission investigate CCSE's claim

that other PAs are engaging in this practice and if confirmed take the appropriate corrective measure(s) in order to minimize rate impacts of potential cost overruns.

SDG&E also opposes this request because it would create an incremental cost burden to SDG&E ratepayers in excess of their currently allocated portion of the total CSI program cost. Granting this request six years after administration budgets were established would hinder transparency, and would require an amendment to the Public Utilities Code by the state legislature. SDG&E further argues that these costs would be significant, and would result in unfair treatment of SDG&E ratepayers, who would hold the burden for CCSE's alleged mismanagement.

DRA supports CCSE's request to remove the requirement that two-thirds of CSI MW be allocated for the non-residential customer sector. PG&E is "sympathetic" but disagrees with the mechanics of CCSE's proposal. PG&E argues that the ability to move MWs from one customer sector to another should be limited to incentive Step 10. PG&E also suggests that the Commission develop a process such that Energy Division can approve a PA request to move MWs in Step 10 from one sector to another, which would allow PAs to adjust more easily to market needs as the program comes to a close.

SEIA opposes this request, noting that the allocations between customer classes were set on a statewide basis and that making this modification to the CSI budget runs counter to the program's market transformation goals. SEIA contends that prior to changing the allocation the Commission should prove that changing the allocation is necessary after review of the CSI program statewide. SEIA also argues that maximization of installed capacity - while an objective - is not the sole goal of the CSI program and granting this request would allow

residential customers to dominate the program. SCE also opposes this request, in part because it fails to address the issues of cross-subsidies and potential inequities. SCE maintains that the rules of the program should remain consistent and that if this request is granted, it should be limited to CCSE's program territory until SCE can perform an analysis of the impact on the solar market that such a proposal would have.

6. Discussion

We find CCSE's request to combine the M&O and program administration budget subcategories of the CSI General Market administrative budget to be reasonable. CCSE's M&O budget is disproportionately large relative to their service territory. In addition, CCSE's request will allow it additional flexibility to allocate dollars in areas that most need attention, which is particularly useful as the CSI program is in its last years. The Commission believes that granting all three PAs the discretion to combine the administrative and M&O budgets would be beneficial for these reasons. Therefore, the CSI budget will be revised to combine the administrative and M&O budgets. We note, however, that granting flexibility to other PAs to combine the M&O budgets and administrative budgets does not require them to do so but gives each PA the flexibility to do so according to the needs of its territory. We remind CCSE and the CSI PAs that they must continue to ensure that future allocations to administration and M&O budget subcategories are sufficient to meet Commission directives and CSI program goals.

CCSE's request to shift \$100,000 from the CSI M&E budget to the CSI general administration budget is denied. The CSI M&E budget remains a key

component of the CSI budget. The Commission has set forth a comprehensive evaluation plan¹³ which authorizes numerous studies on various aspects of the CSI program. The Commission previously reduced the M&E budget by \$20 million to address the aforementioned budget shortfall.¹⁴ The Commission relies on these studies to understand whether the program has met its statutory goals as well as to inform future policies related to solar. It would be prudent to maintain the CSI M&E budget at its current level because evaluation of the CSI Program has become increasingly important in these later years of the CSI Program. Thus, the revised CSI General Market Program Budget is as follows:

¹³ The CSI Evaluation Plan was established in an Assigned Commissioner's Ruling issued in July 2008. The CSI Evaluation budget was modified in D.10-09-046, and the plan was modified and approved in an Advice Letter 2567-E jointly filed by SCE, on behalf of the CSI PAs, in April 2011.

¹⁴ D.10-09-046.

Table 2

Program Component	Revised Budget	Allocation by Utility		
		PG&E	SCE	SDG&E
D.06-08-028 allocation		43.70%	46.00%	10.30%
General Market Program				
General Market Program Incentives	\$1,947,810,000	\$877,792,970	\$867,992,600	\$202,024,430
Program Administration, Marketing, & Outreach	\$116,110,000	\$49,185,070	\$51,510,600	\$15,414,330
Total M&E	\$26,700,000	\$11,667,900	\$12,282,000	\$2,750,100
Unallocated	\$6,900,000	\$3,015,300	\$3,174,000	\$710,700
Subtotal General Market Program	\$2,097,520,000	\$941,661,240	\$934,959,200	\$220,899,560
RD&D Program	\$50,000,000	\$21,850,000	\$23,000,000	\$5,150,000
Low Income Single-family (SASH) Program	\$108,340,000	\$47,344,580	\$49,836,400	\$11,159,020
Low Income Multifamily (MASH) Program	\$108,340,000	\$47,344,580	\$49,836,400	\$11,159,020
SWH Pilot Program (SWHPP) in San Diego	\$2,600,000	\$0	\$0	\$2,600,000
Total CSI Electric Budget	\$2,366,800,000	\$1,058,200,400	\$1,057,632,000	\$250,967,600

CCSE's request to seek reimbursement for charges associated with the development and implementation of VNM for the MASH program from the MASH program administration and M&O budget is denied. The Commission agrees with SDG&E's conclusion that this issue was resolved in Resolution E-4481.¹⁵ Thus, costs incurred by the development and

¹⁵ Resolution E-4481 at 47.

implementation of VNM prior to July 31, 2012, shall be charged to the CSI MASH budget. Any reasonable costs incurred after July 31st, 2012, shall be charged to SDG&E's general rate case.

CCSE's request to allocate past, present and future CSI labor fringe and legal fees to SDG&E's general rate base is denied. The Commission agrees with DRA that authorizing additional ratepayer funding for the CSI Program over and above the \$2.36 billion violates Pub. Util. Code § 2851. The Commission also agrees with SDG&E's observation that granting such a request decreases the transparency of the CSI budget.

CCSE's request to remove the allocation of two-thirds of CSI MW for the non-residential customer sector is granted. We find that removing the allocation requirement is a reasonable mechanism to increase program flexibility. CCSE correctly concluded that the budget allocations originally established by the Commission were designed to be adaptable with time, as we so stated. Now that the Commission has additional experience with the CSI Program, we find this to be a prudent response. Therefore, the allocations set in D.06-08-028 are modified to allow for an even split of 50 percent of remaining MW allocated for residential customers, and the other 50 percent allocated for non-residential customers. The CSI PAs may raise the megawatt allocation for residential customers to 50 percent from the existing 1/3 allocation but are not required to do so.

7. Comments on Proposed Decision

The proposed decision of the Commissioner in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply

comments were filed on _____ by

_____.

8. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Katherine MacDonald is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. CCSE petitioned for modification of D.10-09-046, D.08-10-036, and D.06-08-028 to address a deficiency in their CSI administration budget.
2. The Commission designed the CSI program to include both administrative and incentive structures.
3. The CSI program incentive structure is divided into 10 incentive step levels, each with a MW target that triggers incentive reductions to the next step level.
4. The Commission initially required two-thirds of the CSI MW goals be allocated to non-residential customer classes with the remaining third allocated to the residential customer sector.
5. The Commission allocated 10 percent of the total CSI budget for administrative expenses, which includes CSI General Market administration, application processing, M&O and monitoring and evaluation (M&E).
6. CSI includes five program components; CSI General Market, SASH, MASH, CSI R&D, and CSI Thermal. The budget for each program is separate.
7. CCSE's M&O budget is disproportionately large relative to its service territory.
8. The Commission previously reduced the M&E budget by \$20 million to address a general administration budget shortfall.

9. The CSI M&E component provides the Commission with studies that allow the Commission to determine whether the CSI program has met its statutory goals, as well as contributing to future policies related to solar.

10. The Commission established the MASH program and the VNM tariff for low-income customers. The Commission later expanded VNM eligibility to other customer classes.

11. The Commission directed CCSE and the CSI PAs to recover VNM implementation costs from the CSI General Market administrative budget.

Conclusions of Law

1. CCSE's first request to combine M&O program administration subcategories of the CSI General Market administrative budget is reasonable. The increased flexibility will allow the CSI PAs to allocate dollars in areas that most need attention.

2. Allowing the CSI PAs the discretion to combine M&O program administration budget subcategories of the CSI General Market administrative budget does not change or reduce the responsibility to perform required duties in administration, marketing and outreach, and monitoring & evaluation.

3. This ability to combine M&O program administration budget subcategories of the CSI General Market administrative budget should also be granted to the other CSI PAs.

4. The CSI M&E budget has previously been reduced to address CSI General Market program administrative budget shortfalls and should not be reduced any further at this time.

5. The Commission direction that costs incurred with the development and implementation of virtual net metering prior to July 31st, 2012, should be charged to the CSI General Market budget or CSI MASH budget and that

reasonable costs incurred after July 31st, 2012, should be recovered through SDG&E's general rate case should not be revisited at this point.

6. CSI PAs should seek recovery of fringe labor charges and legal costs through the CSI General Market program administration budget.

7. Allowing the CSI PAs to seek recovery of fringe labor charges and legal costs from the general rate base would result in the violation of Pub. Util. Code § 2851, because it would cause the CSI program to exceed the program budget set by the legislature.

8. The initial CSI MW allocations set at the beginning of the CSI program should be modified to allow for remaining MW allocations to be equally divided between residential customers and non-residential customers.

O R D E R

IT IS ORDERED that:

1. Decision 10-09-046 is modified as shown in Table 2 of this Decision, as set forth in Ordering Paragraphs 2 and 3.

2. The Marketing and Outreach (M&O) budget shall be combined with the General Market administrative budget in the California Center for Sustainable Energy territory. Pacific Gas and Electric Company and Southern California Edison have the discretion to combine the Administrative budget and M&O budget but are not required to do so.

3. The remaining California Solar Initiative megawatt allocation shall be evenly split between residential and non-residential customer classes in the California Center for Sustainable Energys territory. Pacific Gas and Electric Company and Southern California Edison Company may raise the megawatt allocation in the California Solar Initiative for residential customers to 50% from the existing 1/3 allocation but are not required to do so.

This order is effective today.

Dated _____, at San Francisco, California.