



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

FILED

8-03-16
04:59 PM

Order Instituting Rulemaking to Develop a
Successor to Existing Net Energy Metering
Tariffs Pursuant to Public Utilities Code
Section 2827.1, and to Address Other Issues
Related to Net Energy Metering

Rulemaking 14-07-002
(Filed July 10, 2014)

**EVERYDAY ENERGY'S COMMENTS AND PROPOSAL ON ADMINISTRATIVE LAW
JUDGE'S RULING SEEKING PROPOSALS AND COMMENTS ON THE
IMPLEMENTATION OF ASSEMBLY BILL 693**

Scott A. Sarem, J.D.
Co-Founder/CEO
Everyday Energy
5865 Avenida Encinas, 142A
Carlsbad, California 92008
Telephone: (760) 607-7200
Email: scott@everydayenergy.us

August 3, 2016

Table of Contents

I.	Introduction	Page 1
II.	Major Purpose of the Implementation of the Program	Page 3
III.	Everyday Energy’s Proposal	Page 4
IV.	Answers to the ALJ’s Questions	Page 5
	Question 1	Page 5
	Question 2	Page 6
	Question 3	Page 6
	Question 4	Page 8
	Question 5	Page 8
	Question 6	Page 10
	Question 7	Page 10
	Question 8	Page 18
	Question 9	Page 20
	Question 10	Page 20
	Question 11	Page 22
	Question 12	Page 24
	Question 13	Page 24
	Question 14	Page 27
	Question 15	Page 27
	Question 16	Page 28
	Question 17	Page 28
	Question 18	Page 32
	Question 19	Page 32
	Question 20	Page 32
	Question 21	Page 32
	Question 22	Page 32
	Question 23	Page 33
	Question 24	Page 33
	Question 25	Page 33
	Question 26	Page 33
V.	Conclusion	Page 34
	Appendix A	AB 693 Fact Sheet
	Appendix B	Checklist for Administrators

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Everyday Energy submits the following comments and proposal on the Administrative Law Judge’s ruling seeking proposals and comments on implementation of Assembly Bill 693 (“AB 693”) issued on July 8, 2016.

I. INTRODUCTION

Everyday Energy’s day-to-day operations are exclusively focused on providing renewable energy options to low-income multifamily affordable housing properties located throughout California. Everyday Energy has a long track record of participation in Commission proceedings related to the implementation of solar programs directed at multifamily affordable housing that has translated to swift implementation of the Commissions programs and resulted in the installation of a significant amount of megawatts of solar that directly benefits low income tenants and offsets affordable housing owner’s common area electricity bills through the use of

virtual net metering on multifamily affordable housing. Everyday Energy’s consistent participation in the Multifamily Affordable Solar Homes (“MASH”) program over the past seven years is what prompted it to lead the effort to draft the original AB 693 bill framework and ultimately work with CALSEIA, CEJA, and Assemblymember Susan Eggman to collaborate and create and ultimately pass AB 693.

To properly implement AB 693, it is important that the Commission understand the legislative history and intent of the bill and utilize the hard work and programmatic success of implementation of the MASH Program. The intent of AB 693 is to provide continuity with the MASH program, clarify eligibility requirements, and ensure a primary and direct tenant benefit to low-income residents. In the summary of AB 693 prepared by Assemblymember Eggman, attached hereto as Appendix A, it is acknowledged that the Commission through its implementation of MASH 2.0 from AB 217 (D.15-01-027) solved the issue of direct tenant benefit and is expected to provide the benefits of solar directly to low income renters. “However, the impact will be restricted by existing commitments for common area only installations and limited available resources to scale installations to also serve residents. This bill attempts to change this by subsidizing the installation of solar panels for multifamily affordable housing tenants.”¹ When Everyday Energy took the initiative to draft what eventually became AB 693 in February 2015, it was designed around Decision 15-01-027 (AB 217 or MASH 2.0 proceeding) with revisions to clarify the eligibility definition to ensure that low income residents were the primary beneficiaries of the solar PV funded by AB 693, to clarify that mobile homes are not

¹ See also https://www.californiasolarstatistics.ca.gov/reports/mash_budget/ which factually demonstrates that the MASH Program developed by D.15-01-027 was successful in incentivizing tenant benefitting solar under 1D because more than 50% of the MASH incentives reserved are for tenant benefitting solar PV. The MASH Program provides sufficient incentives for affordable housing owners to act.

eligible for AB 693 funding, to allow AB 693 projects to count toward the AB 327 disadvantaged community requirement, and to provide a performance guarantee, operations and maintenance, and system monitoring for third party owned systems.

AB 693 was modeled after Decision 15-01-027 because, in that decision to revise and extend the MASH program, the Commission took significant time to carefully and thoughtfully design a program that achieved the policy goal of ensuring a direct benefit to low-income tenants.² That revision built upon 7 years of hard work by the Commission and stakeholders to continuously improve the program. The MASH extension worked so well that it was immediately over subscribed, so a new funding source was needed. Assemblymember Eggman, and Governor Brown recognized the success of MASH and the need to build upon it with a long-term source of funding and direct benefits to low-income residents, along with appropriate incentives to deed-restricted housing owners to have solar PV installed on their housing assets.

Everyday Energy welcomes the opportunity to draw upon its extensive experience and advocacy in the multifamily affordable housing solar market to comment on AB 693. Everyday Energy will first provide a short synopsis of its implementation proposal which is further developed and justified in its answers the questions posed in the ALJ Ruling.

II. MAJOR PURPOSE OF THE IMPLEMENTATION OF THE PROGRAM

Apart from the obvious purpose of the AB 693 program to provide solar PV to affordable multifamily housing to primarily benefit tenants, the purpose of AB 693 was to provide a new funding source and build on the success of the MASH program by utilizing the current MASH

² *Id.* https://www.californiasolarstatistics.ca.gov/reports/mash_budget/

infrastructure and administration to efficiently deliver AB 693 incentives to eligible multifamily affordable housing.

Additionally, a main purpose of the AB 693 Program is to maximize the impact of incentives provided to install the most solar PV in the most cost effective manner possible by taking into account how the solar PV is owned, accounting for other sources of funding available to the solar project, and what incentives are required by affordable housing sponsors to make the decision to allow for solar to be installed on their property. At a minimum the goal of the program is to provide the proper level of funding to install 300 megawatts of solar. However, if the Commission properly recognizes the contribution of other sources of funds and provides affordable housing owners with adequate incentives to install solar on their housing assets, it is possible to leverage the funding made available by AB 693 to install far beyond 300 megawatts of solar PV and benefit even more low income renters and affordable housing complexes.

III. EVERYDAY ENERGY'S PROPOSAL

As will be supported by its answers to the ALJ's questions, Everyday Energy proposes that AB 693 be implemented as follows:

- Utilize the existing MASH Program infrastructure to administer the program.
- Amend the MASH Handbook with the mandates of AB 693, specifically add language regarding eligibility (80% of tenants at 60% AMI or below or properly deed restricted property located in a Cal Enviroscreen Disadvantaged Community).
- Provide Incentives that take into account all sources of funds and solar ownership structure.
- Require a direct tenant benefit of at least 75%.

- Issue incentives in the same manner as the MASH program but change the incentive levels to \$2.17 per CEC AC watt for tenant benefitting systems and keep the common area rebate at \$1.10 per CEC AC Watt. Mandate that the AB 693 rebates step down 5% per year for the life of the program.
- Require the IOUs to start accounting for the AB 693 funds as of July 1, 2016 so funds are available for distribution once a final decision is ruled upon by the Commission.

IV. ANSWERS TO THE ALJ'S QUESTIONS

Question 1

The statutory definition of qualified multifamily affordable housing property should be implemented as follows:

Under Section 2852 a determination must be made that the *multifamily* housing property meets housing affordability standards set out in the Public Health and Safety Code for affordable housing cost, affordable rent, and lower income households. In addition, the housing must either be in a disadvantaged community or 80% of the tenants must have an AMI at 60% or below.

Similar to the MASH Program, the Program Administrators should be tasked with collecting documentation that validates eligibility and require any party requesting a rebate to provide supporting documentation that demonstrates compliance with Section 2870. Everyday Energy is providing a specific checklist and definitions for Program Administrators to utilize in response to Question 3 below.

Question 2

The Cal EnviroScreen tool has been well developed and Everyday Energy agrees that in the case of Public Utilities Code Section 2870(a)(3) eligibility, it should be used to define the boundaries of disadvantaged communities. This means that as long as a multifamily complex located in an EnviroScreen Disadvantaged Community is properly deed restricted as affordable housing and meets the other general eligibility requirements of 2870(a)(3), then it should qualify for an AB 693 solar incentive.

Question 3

Everyday Energy suggests utilizing the existing MASH eligibility checklist for typically regulated affordable housing and adding the AB 693 requirement of at least 60% AMI for 80% of the tenants or that the property is located in a Cal EnviroScreen disadvantaged community. Attached as Appendix B is a suggested implementation tool to help Program Administrators make timely determinations of AB 693 program eligibility with respect to references in section 2852 to provisions in the Public Health and Safety Code in the event the property's regulatory agreement is not with a typical regulating housing authority. This is meant to assist the IOU Program Administrators validate affordable housing eligibility when it is unclear. As discussed above, certain deed restricted properties should be provided a presumption of legitimate affordable housing, and eligibility screening should primarily focus on whether it is located in a disadvantaged community or 80% of its residents have an AMI of 60% or less. These are properties with deed restrictions that, as detailed in the MASH Handbook at paragraph 4.2.1.5, are

enforceable by public entities as follows:

- California Tax Credit Allocation Committee (TCAC)
- California Debt Limit Allocation Committee (CDLAC)
- California Department of Housing and Community Development/The California Housing Finance Agency (HCD/CALHF)
- U.S. Department of Housing and Urban Development (HUD)
- A Redevelopment Agency (RDA) or RDA successor agency
- A Housing Authority, or a City or County in the case of a project funded by HUD HOME Funds

Attached as Appendix B is a set of checklists to establish compliance with the affordable housing cost, affordable rent, and lower-income household requirements that are an attempt to help program administrators evaluate the validity of AB 693 incentive applications. For properties regulated by one of the housing agencies listed in the Handbook, a simple verification from the agency that the project is in compliance with its regulatory agreement can be used in lieu of the Appendix B checklist items A2-4, B2-5 and C1-6 (all of checklist C). The Program administrator should in all cases independently verify items A1, A5 and B1. The agency verification should be current (for example, issued within 90 days of application).

In cases where the property does not qualify under the presumption of compliance by being regulated by an enumerated housing agency, the checklists, in Appendix B is a detailed summary of these requirements highlighting the specific germane requirements in the Public Health and Safety Code and the California Code of Regulations for Housing and Community Development.

These references to affordable housing law act as a reference for program administrators to validate AB 693 eligibility when the applicant is not in a position to provide documentation of a deed restriction from an enumerated public agency charged with regulating affordable housing. If the deed restriction is valid then the applicant's property must be located in a disadvantaged community or the applicant must be able to provide documentation that 80% of its residents are at or below 60% of AMI.

Question 4

Everyday Energy has no comment at this time.

Question 5

AB 693 was enacted to provide solar incentives to multifamily affordable housing in the Investor Owned Utilities ("IOU") territories in the same manner as the MASH Program. Public Utilities Code Section 2870(b)(1) provides that "Adoption and implementation of the Multifamily Housing Solar Roofs Program **may count** toward the satisfaction of the commission's obligation to ensure that specific alternatives designed for growth among residential customers in disadvantaged communities...." It is clear that the legislature intended to allow the commission to count the deployment of solar in disadvantaged communities as one element of compliance with AB 327. AB 693 is complementary to AB 327 but there is no requirement that any amount of incentive money be allocated to sub-regions within an IOUs territory. The AB 693 money has been directed to be divided among the IOUs for eligible properties on a first come first served basis. Moreover, there are other programs, such as the Low Income Weatherization Program ("LIWP") administered by the California Department of Community Services and Development ("CSD") that provide incentives to deed restricted

multifamily affordable housing located in disadvantaged communities. The LIWP Program exclusively provides solar incentives in disadvantaged communities only.

Question 5 a. According to <http://affordablehousingonline.com/housing-search/California/> and then comparing zip codes to the Cal Enviroscreen tool, it appears that about 20% of all multifamily affordable housing is located in an Enviroscreen disadvantaged community. As mentioned above, there is already Green House Gas Reduction money available only to low income multifamily housing located in disadvantaged communities. Apart from there being no legislative mandate for a proportional split of the funds, the fact of the matter is that the LIWP Program is operational with a mandate to serve disadvantaged communities. Moreover, to the extent eligible multifamily housing is located in a densely populated area, it is likely that much of the housing is located in dense multistory buildings where it is infeasible to provide enough onsite solar to benefit both common-areas and tenants at the property. One possible answer, to explore elsewhere in Phase 2 of the AB 327 proceeding, is to provide neighborhood virtual net metering to AB 693 eligible properties to ensure that that commission maximizes the economic benefit to tenants.

Question 5 b. A division of funding is inappropriate and not statutorily required. There is no compelling reason to divide funding. In fact, it could be argued that multifamily properties that are eligible for AB 693 incentives and are not located in a disadvantaged community truly serve the Program purpose of benefiting low income residents, because it is required that 80% of the property's tenants be at 60% of AMI or below. In contrast, 2852 only requires that a valid deed restriction in a disadvantaged community cover at least 20% of its tenants at 80% of AMI or below – a much smaller proportion of residents at a significantly higher income level. Furthermore, it is quite possible that residents of multifamily affordable housing in

disadvantaged communities could be receiving free solar but not be low income tenants. They would be receiving a benefit based on the location of their residence and not based on economic need. While there are certainly great reasons to provide residents of disadvantaged communities with access to solar PV, there is not a compelling economic reason to favor an eligible property located in a disadvantaged community over an eligible property located elsewhere in the IOU territory.

Question 6. The Megawatt goals should not be allocated between disadvantaged communities and otherwise qualifying low income multifamily housing for the same reasons discussed in the response to Question 5 above.

Question 7. The Commission should implement an upfront estimated performance based incentive structure similar to MASH because it is established, markets are used to it, and it works. Section 2870(f)(4) requires that “the commission shall ensure that incentive levels for photovoltaic installations receiving incentives through the program are aligned with the installation costs for solar energy systems in affordable housing markets and take into account of federal investment tax credits and contributions from other sources to the extent possible” Everyday Energy’s proposal takes into account the mandate prescribed by 2870(f)(4) as follows:

A. Installation Costs for solar energy systems in affordable housing markets

Benchmarking costs for solar PV in affordable housing is tricky. In addition to the typical components of solar PV like solar modules, racking, inverters, balance of system, labor, and overhead that is tracked for the residential and commercial solar market by NREL and other analysts, there are many other considerations for solar on multifamily affordable housing that can have an impact on the cost. A non exhaustive list of examples for many multifamily apartment buildings that can increase build costs:

- Old and outdated electric service panels that cannot support solar and need to be replaced.
- There are many instances where the utility transformer must be changed and the utility shifts the cost to the property owner.
- The property may not be equipped to handle virtual net metering, so the service delivery point may need an upgrade to support a line side tap.
- Zoning Issues. Most affordable housing has been zoned and approved in its current state. When solar is being placed on the property, requirements of every AHJ are different and some require that the solar project go through a full development review to get a change to the original plan approved by a city council, where neighbors are provided the opportunity to voice opposition to the project.
- In cases where parking canopies are being installed, there is the additional cost of the parking canopy construction and possibly demolition of existing parking canopies and there are usually long trenching runs that require cutting through concrete without an understanding of what is buried underneath the concrete because original as built plans are either not available or are not accurate, and because of poor records kept by the utilities and dig alert services.
- There are times when utilities such as water, sewage, gas, electric, cable, and phone lines have been disrupted as a result of digging when the location was unknown and it costs significant money to fix the issue.
- Excessive tree removal and remediation.

The point of this non-exhaustive list of issues that tend to come up, based on our 7 years of experience building solar on multifamily affordable housing, is to dispel the notion that there is one price that fits all situations. Under the MASH program there are projects that work financially better than others. Some consultants and analysts have been trying to determine standardized solar pricing. While use of a “standard” cost may be convenient for blog posts and marketing e-mail blasts, it is no more than a rule of thumb, and fails to convey the fundamental fact that each property is unique. A competitive market that allows property owners to receive multiple bids is the best indication of the cost of constructing a PV system. (Just ask the many government officials who have seen their capital budget numbers upended when the real project bids come in.) Under the current MASH Program, some projects financially work and others do not. This is a function of the market and the harsh reality is that more complicated installations that cost more sometimes do not get built. This point is supported by the fact that many MASH projects were reserved but then ultimately canceled once it was determined that the project was infeasible. What the Commission can usefully do is keep Program rules streamlined and transparent, to promote competitive bidding, rather than trying to create complex – and entirely theoretical – cost models that become burdensome parameters for the market to try to hit.

Notwithstanding the foregoing argument against trying to proscribe costs based on complex modeling, it can be useful to have a rule of thumb or rough gauge of where the market is today. Based on a large sample of multifamily affordable housing solar installations over the past seven years, including a large number of active projects in the midst of installation, and taking into account the trends we have seen in reductions in solar module prices as well as scale, Everyday Energy believes that \$3.25 to \$3.50 per watt DC is a good current benchmark for the average cost for solar PV in multifamily affordable housing. The reality is that some projects

will be more profitable than others, but on balance this cost assumption is reasonable, and if incentives are based on a true average cost the Commission is likely to enjoy the same success it has achieved through the MASH Program.

B Additional Sources of available Capital Under 2870(f)(4) the Commission must take into account the other sources of capital available to the solar project as it is installed. This consideration must take into account how the solar is being financed, whether it is owned by the host customer or whether there is a third party ownership arrangement.

1. Solar Owned by Host Customer In Everyday Energy's considerable experience, every solar PV system it has sold to a multifamily affordable housing host customer has been when the owner is building new construction or rehabilitating an existing property through the use of Low Income Housing Tax Credits, or where they have received some grant from the federal government to cover some or the entire cost of the system. For over 95% of the installations Everyday Energy has been involved in where the host customer purchases the solar, they are utilizing low income housing tax credits. In the case of low income housing tax credits, the affordable housing owner is able to monetize the Federal Investment Tax Credit ("ITC") (30% of cost basis adjusted for MASH rebate), the Low Income Housing Tax Credit (40% of the cost basis adjusted for MASH), additional mortgage proceeds related to the net operating income increase associated with reduced energy bills, and additional rents resulting from the solar. Under the current MASH Program, there are many examples of housing owners purchasing solar through low income housing tax credits in combination with a MASH rebate. The result can be a windfall to the property owner, well in excess of the cost to place the solar PV in service.

The LIWP Program has recognized this issue and has implemented an eligibility checklist where solar funds may be denied if the property owner is receiving low income housing tax

credits, MASH, and ITC. In the case where the property owner only has access to the MASH rebate and ITC, the LIWP incentive helps to fill the funding gap. Accordingly, pursuant to Section 2870(f)(4), if an AB 693 applicant seeks to own the solar, the commission must take into account all sources of funds and provide an incentive that is “aligned” with costs and does not provide a financial windfall. Some housing advocates and consultants may state a preference for affordable housing owners to own their solar PV instead of entering into a third party ownership arrangement. Based on the current experience in the MASH program where some affordable housing owners are able to generate a large developer fee because of the multiple available sources of funds, it is easy to understand why ownership would be preferred. The Commission must take into account all sources of funds and provide a rebate for host customer owned systems that do not provide an unintended financial windfall.

An example of such a windfall can be found in the current MASH Program where host customers are also system owners and used low income housing tax credits to finance their solar installation. Because of privacy concerns, we cannot disclose the specific project name or MASH reservation number, but it is instructive on how sources of capital can far outweigh the uses of capital and provide for a windfall to the owner. In this case, the solar was built in 2014 and was between 250 kW and 300 kW DC and had a cost basis of \$3.75 per watt DC. The MASH rebate was \$1.80 before de-rating. The property received a MASH rebate of approximately \$450,000. The property received an ITC contribution of approximately \$250,000 and a LIHTC payment of approximately \$215,000. After adjusting utility allowance and providing a direct benefit to tenants, they received additional mortgage proceeds of approximately \$570,000. The total sources of capital for this deal was approximately \$1.5 Million. The cost of the solar was approximately \$1.05 Million. By installing solar and

leveraging rebates, tax credits, and mortgage proceeds, the owner was able to produce approximately \$450,000 in additional sources of capital for their housing asset. Pursuant to Section 2870(f)(4) the Commission must take into account these additional sources of funds when an owner is purchasing the solar. While it is important for owners to have incentives to place tenant benefitting solar on their properties it must be done in such a way that responsibly utilizes AB 693 funding and maximizes its impact.

2. Third Party owned Solar In third party owned situations, the commission should consider a wide range of reasonable costs for affordable housing solar installations and then add the de-rated solar incentive, with the tax equity, then subtract the sources of funds from them to come up with an adjusted rebate level. It is important for the Commission to understand how we make our money in a third party owned arrangement. Everyday Energy uses the AB 693 or MASH incentive, ITC, and an SSA payment as its sources of funds. The SSA payment is usually placed with a fund that will pay for the ITC and the cash flow and provide the solar provider with the net present value of the SSA payments over the term of the Agreement. Our typical deals start with an SSA rate that provides a significant financial incentive for the host customer to enter into the deal. We then typically attach an annual inflation escalator on the price of about 1.5%. In general, our goal is to combine the three sources of funds we receive to cover the fully burdened cost of placing the solar in service and provide system operations and maintenance, monitoring, and a performance guarantee.

From a public policy perspective, however, where the Program goal is to overcome barriers to installing PV on multifamily affordable housing, it is a much more efficient use of AB 693 incentive money when private markets are able to fill funding gaps. First, outside of the periodic times (typically in 15 year cycles) that the property is either newly constructed or is

undergoing a major refinancing, the housing deal structure prevents the property owner from utilizing the ITC. Second, affordable housing property owners typically do not have capital available (or have little incentive to invest it into solar for residents, in the rare cases they do have capital), so without the net present value contribution of the solar investor, higher incentive levels would be needed to fill the gap.

A recent example of Everyday Energy entering into a prepaid Solar Service Agreement with an affordable housing owner is instructive on rebate levels and an efficient use of incentive money couples with private markets. While we cannot disclose the exact property because of privacy and confidentiality concerns, we can discuss the numbers of the project generally. This particular property has a build cost of approximately \$3.10 per watt DC (being a large and efficient-to-construct project). This property has a MASH rebate that is worth \$1.50 per CEC AC watt and an ITC contribution of \$.93/DC watt after reducing the cost basis by the rebate amount as is required by IRS rules, leaving a funding gap of \$.67/watt. It is important that we look at the CEC AC incentive level as that has a very real impact on project financial feasibility. This particular property is located in a disadvantaged community so the LIWP program provided a rebate to fill the gap of \$.67/watt. Through this process we were able to provide a 100% tenant benefit, and not adjust utility allowance. This math would suggest that an incentive of \$2.17 CEC AC would allow for a fully prepaid system, when the underlying cost of the system is \$3.10 per watt.³ However, if the Commission allows for a nominal payment of a few cents per kWh, then private markets can make up this gap as long as the host customer has a financial incentive to install a tenant benefitting system, especially. What this means is that solar

³ It is important to note that solar PV costs fluctuate in multifamily affordable housing as described herein and that size, scale, and complexity play a role in the cost of solar PV on multifamily affordable housing.

companies can access revenue from a lease or PPA payment to help reduce the need for higher AB 693 rebates.

3. Current MASH rebate levels The current MASH Program is fully subscribed and works extremely well and efficiently in third party owned situations. Currently, if a host customer chooses to request a higher rebate to benefit tenants, then the owner is required to provide 50% of the solar to the tenant for free. This means that if the owner uses a California Utility Allowance Calculator (“CUAC”) to adjust the utility allowance provided to tenants that the owner can only adjust rent upwards by 50% of the actual CUAC generated utility allowance that takes into account the impact of solar PV on the tenant’s electric bill. The California Tax Credit Allocation Committee has adopted rules to ensure that tenants are benefitting from the solar as prescribed by MASH. The program as designed in D.15-01-027 that was the result of 7 years of hard work by Commission staff and stakeholders currently works well for affordable housing owners, low income tenants, solar providers, and private tax equity and debt markets. Since AB 693 was built on hard work that produced D.15-01-027, it makes sense to adopt the current MASH incentive levels with an eye toward a step down to reflect the reduction in cost and the gains in efficiency and scale being achieved in the solar business.

4. A two tiered rebate system should be adopted

- a. Incentives for host customer owned systems taking into account all sources of funds to avoid unintended windfalls. Based on the table below, we suggest \$.60/watt D. While it can be argued in a LIHTC structure that an incentive is not necessary, it is important to provide the owner with an incentive to act.
- b. Maintain the current MASH incentive structure and require at least a 75% direct tenant benefit. This will provide an option for more efficient solar companies to

offer a 100% tenant benefitting system and allows for flexibility of the host customer to adjust rents if it so chooses and needs that incentive to act. It will also allow smaller solar companies to compete by leveraging debt or other sources of funds. Everyday Energy suggest the below incentive levels.

Minimum Installed Capacity with Conservative Funding Estimates

Assumptions:

75/25 common tenant split

100% funding Year 1, 75% funding Year 2, 50% funding Year 3, 5% step down in funding years 4-

10

Funding Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	TOTAL
748.5 Funds from AB693 (\$MM)	100	75.0	50.0	47.5	45.1	42.9	40.7	38.7	36.8	34.9	512
Tenant Rebate CEC AC	\$2.17	\$2.06	\$1.96	\$1.86	\$1.77	\$1.68	\$1.60	\$1.52	\$1.44	\$1.37	
Common Rebate CEC AC	\$1.10	\$1.05	\$0.99	\$0.94	\$0.90	\$0.85	\$0.81	\$0.77	\$0.73	\$0.69	
Average Rebate (75/25 split)	\$1.90	\$1.81	\$1.72	\$1.63	\$1.55	\$1.47	\$1.40	\$1.33	\$1.26	\$1.20	
MW Achieved CEC AC	52.6	41.5	29.1	29.1	29.1	29.1	29.1	29.1	29.1	29.1	327.0

All incentives should have an annual step down of 5% per year, more or less consistent with NREL’s tracking of solar installation costs.

Question 8

As a significant contributor to what eventually became AB 693, Everyday Energy can unequivocally state that AB 693 was intended to be a solar PV program. This is why it is called the Multifamily Affordable Housing Solar Roofs Program. This is further evidenced by the fact that AB 693 is intended to primarily benefit low income tenants through virtual net metering. Virtual net metering works by interconnecting a generator output meter directly to the utility grid. Section 25872(6) of the California Public resources code requires that a solar energy system be interconnected to the utility grid. In essence the grid is the battery for solar PV under

25782. Storage devices are not connected to the grid and currently have the purpose of storing excess capacity to deliver off grid power to eliminate demand charges. Currently, the very limited battery capabilities that exist in the market target demand charges and high Time of Use peak rates. Everyday Energy is not aware of one instance where a residential tenant of affordable housing incurs a demand charge. Moreover, as a technical matter, batteries cannot work with virtual net metering, which is the delivery mechanism of solar benefit to low income renters and common area meters, and is in effect mandated by 2870(g) unless and until a whole new tariff mechanism is created. Finally, there is an SGIP program that addresses battery storage.

Battery storage technology is still in its infancy. Additionally, current utility residential rate structures do not impose demand charges to tenants. Furthermore, there is no technical way to deliver direct tenant benefits through virtual net metering. Advocates for storage and battery technology tout the indirect benefits that tenants receive when batteries are installed to offset common areas. These same arguments were made in the MASH proceeding and rejected because it was too hard to discern a real and direct tenant benefit.

All of that said, AB 693 must be reviewed in 3 years. There is a possibility that technology will have improved and rate structures changed in a manner where low income renters in multifamily housing could conceivably directly benefit from battery storage. Everyday Energy suggests that there is currently no legal or practical reason or method to include battery storage in the AB 693 program. The Commission should wait and see how the electricity market evolves and then give this issue another look in three years.

Question 9

Everyday Energy believes that solar energy paired with a storage device does not currently meet the Section 2870 definition.

Question 10

The current MASH Program works extremely well. Everyday Energy has been a major participant with the MASH Program Administrators and for the most part we would advocate for the MASH Program to stay in place with a few exceptions.

a. MASH Transfers The MASH Program currently allows for a transfer of a MASH rebate to another property with common ownership within 180 days as long as it can be demonstrated that the originally reserved project was infeasible and a non negligible amount of money had been spent developing the project. Then, the new property must be shown to be feasible and have common ownership. Because it can typically take more than 180 days to first get lender, investor, and ownership limited partnership approval for the project and then more time to evaluate the suitability of the site, the existence of trees, the willingness of the owner to cut them down, the permission from the city to do so, it can sometimes take more than 180 days to disqualify a project. Everyday Energy understands that the 180 day requirement was part of the original broader CSI general market Program. Affordable housing is significantly different than the general housing and solar market and deserves a longer period to transfer rebates or the requirement should be waived.

b. Local Hiring Requirement The local job training and hiring requirement for the MASH Program is good in the sense that it sets a 50 mile radius from which to draw job trainees. The MASH program also does a great job of explaining that eligible trainees can work in a wide range of disciplines in the solar industry and not be limited by installation work. Where it fails is

in the execution of providing meaningful job training. Contractors are required to hire one person for an eight hour shift for every 10 kW installed up to 50 kW. In practice this means that we hire five separate people for five separate terms. Not only does this deprive the trainee of any meaningful work it places a large burden on the contractor to manage one person for one day. Everyday Energy suggests that the timeframe and kW level remain the same as the MASH program, but that we are able to hire as many people as required depending on the job for a total of 40 hours. If this happens, we will get meaningful contributions from the trainee and the trainee will gain valuable job experience that could either result in a permanent hire with the contractor, provide enough experience to get another job in the solar industry, or prepare the trainee to work for a solar temp agency. The Commission should provide flexibility to hire as many or as few job trainees to meet the requirement as are germane to the job they are hired to do.

c. Reservation Fees The current reservation fee system works well. Once it was instituted in 2011, the results have been that the majority of reserved MASH rebates have been installed. It prevents speculation and makes it less likely that rebate money is tied up without being serious about installing solar PV. Everyday Energy suggests that the MASH reservation fee program remain intact for AB 693.

d. Energy Efficiency Requirements The current energy efficiency requirements of the MASH program are meaningful and work well. Requiring an ASHRAE Level 1 audit to a host customer provides them with a roadmap toward energy efficiency. This meets the energy efficiency requirement in Section 2870(f)(7) since the MASH energy efficiency requirement comes directly from Section 2852.

e. Warranty Requirements Warranty requirements should remain the same for purchased systems. In third party owned situations, warranties should be tied to performance guarantees and monitoring requirements for the duration of the contract.

f. Remove the 1 MW cap on virtually net metered systems

Consistent with the final NEM 2.0 ruling the Commission should remove the cap of 1 MW from a virtually net metered system.

g. The following works well and has no need for change or modification.

- Contractor requirement
- Generation System Eligibility Rules
- Requirement to interconnect with the electrical utilities distribution system
- Energy production metering requirements
- Inspection requirements
- Incentive limitations based on site load
- Application Process (Reservation request, Proof of project Milestones with caveats discussed around transfers, Incentive Claims)
- Payment Designation Process

Question 11

As discussed in the answer to question 3, residents of deed restricted affordable housing that comply with the relevant affordable housing laws cannot pay more than 30% of their income on rent and utilities. When their utility bill is reduced by actions of the owner, the owner can typically adjust rent in the form of a utility allowance adjustment to make sure that the tenant is paying 30% of his income on rent and utilities. This is the primary reason the Commission originally and rightfully believed there was no direct benefit to low income tenants. This is why D.15-01-027 required that owners must agree to provide 50% of the solar for free to the tenant, in order to earn higher incentives targeting tenant loads. The contractual restrictions that ensure no additional costs are passed on to low income tenants should be achieved in the contract signed by the host customer to receive the AB 693 incentive in the exact same manner

they do today in the MASH program. In the MASH program, the host customer is required to sign an affidavit as part of their contract to receive the MASH rebate that states that they will provide at least 50% of the benefit of the solar to their tenants. What this means in practice is that when an owner seeks to adjust a utility allowance only 50% of the benefit of the solar is allowed to be used to provide a rent adjustment for the tenant to help pay for the solar. The Commission should do the same thing under Section 2870(f)(3) but require a 75% direct tenant benefit.

With respect to third party system owners the Commission must insist that contracts providing ongoing operations and maintenance of the system, monitoring energy production, and ensure that projected system production is achieved. First, it is important to understand why these things are required. The main reason these types of protections were originally suggested is because it is something that companies who are working with tax equity investors are required to provide to ensure that the investment in the solar energy is guaranteed and bankable. The idea of adding them to Section 2870(f)(3) was to pass these types of guarantees on as a requirement to ensure that well capitalized and legitimate solar companies were providing the solar to AB 693 eligible properties and to protect the integrity of the overall program. To this end, the performance guarantee must be a separate and enforceable contract that provides monetary compensation based on the value of the electricity produced and an executed performance guarantee must be provided as part of the project milestone process. The company providing the performance guarantee must have a demonstrated track record of at least 3 megawatts of solar installed that has produced as projected. This is a requirement of the Federal 1603 program, where companies who have received a 1603 tax grant must provide a performance report for five years. Any legitimate solar company would be able to produce this type of track record to ensure that the performance guarantee is meaningful. The Commission must insist that any third party ownership contract have language that provides for ongoing maintenance and operations. As discussed above, to achieve this, the contracts must include these guarantees and the contractor has to demonstrate that they can actually perform.

Question 12

The local hiring requirement was substantially vetted in D.15-01-027. With the caveat of allowing contractors flexibility in the number of people they hire to hit the work hour requirement, the hiring requirement already adopted in D.15-01-027 is sufficient and is something that works. See also the answer to question 10(b), above.

Question 13

AB 693 was designed to primarily benefit low income tenants, but owners need to be properly incented to act. If affordable housing property owners decide that there is no overall benefit to their operations (considering concerns they may have about putting PV on their roofs or building carports on their properties or taking out trees or many other issues that come with a solar installation, or just considering the time and attention they will have to put into the project), then no matter how much AB 693 is designed to help low income renters, nothing will happen. There must be sufficient incentives for owners to allow their property to host solar for the benefit of both common area and tenant loads. Affordable housing owners are in the housing business and not the solar business; they will only install solar if it helps their housing assets. Section 2870(f)(2) requires that “The commission shall require that electricity generated by qualifying renewable energy states installed pursuant to the program be primarily used to offset electricity usage by low income tenants.” This means that the majority of the solar receiving an AB 693 must be used to offset tenant load. The question then becomes how much? The Commission is tasked with judiciously using AB 693 funds to provide owners with a sufficient incentive to enter into an arrangement where they will host solar PV that primarily benefits their tenants. The Commission must also be cognizant of providing incentives that are not too high as to fully subsidize a system or provide incentives that over pay for incentives and do not leverage private tax equity and debt markets or take advantage of other government incentive programs like LIWP or LIHEAP, or any other state or federally sponsored program designed to incentivize the deployment of solar PV. The current MASH incentive structure works extremely well to incentivize owners to go through the exercise to construct solar PV on their property to offset both common area loads and tenant loads. In fact, we have observed that many times landlords will effectively subsidize tenant systems from common area savings, reducing the amount of

money they can save compared to just putting in a common area benefitting system alone. However, they are willing to cross subsidize tenant benefitting solar because it stabilizes their property and provides a marketable amenity to tenants: reduced electricity costs, which translates into a competitive advantage to the property and tangible retention tool. In a typical situation where there is a PV system designed to offset both tenant and common area loads, the split seems to be around 75% of the solar used to offset tenant loads and 25% of the solar PV used to offset common load. Where the numbers are skewed toward common area is when the site is space constrained or not well suited for a larger solar array. The reason it skews toward common area first is because the owner has a need to reduce their operational expense before providing a direct tenant benefit, since the direct operating budget savings are a more important improvement to the housing asset than the tenant-benefit advantages just mentioned.

Because AB 693 was designed to build on the success of the MASH Program, Everyday Energy suggests that the basic incentive structure of MASH (a tenant based rebate and a common area rebate) be used with the only change being that 75% of the energy allocated to tenants cannot be used to adjust utility allowances. For example, if the utility allowance is \$100 prior to installation of solar and the solar PV justifies a utility allowance of zero dollars, then the owner could only adjust rent by \$25 rather than \$100. In other words, the tenants would receive a \$75/month direct benefit in the form of free electricity generated from the solar array via virtual net metering credits. This allows the landlord/owner to also receive an incentive to reduce or eliminate common area electrical expense and also slightly adjust rent. This proposal achieves the goal of providing a primary tenant benefit and an incentive for the owner to act. It also guards against the possibility that the Commission is over incentivizing solar PV and not encouraging efficient markets. As a practical matter, with a 75% direct tenant benefit, we are confident that in many cases it won't be worth going through the additional costly steps to get a utility allowance adjustment approved, and owners will end up just giving a 100% direct tenant benefit. For some projects, however, the ability to capture 25% of tenant energy savings will make the difference for project feasibility.

Program Administrators Verification

Once again the MASH Program gets it right, and AB 693 was designed to build on the success of the MASH Program. Specifically, when a MASH host customer opts for a tenant benefitting rebate, they must enter into a contract with the CSI Program where they specifically

agree to not adjust rents by more than 50% of what a California Utility Allowance Calculator (“CUAC”) will allow. This is further regulated by the California Tax Credit Allocation Committee, who ensures that the proper utility allowance is used when considering that a property has taken a MASH incentive. While this process adds additional expense to implement and it sometimes disqualifies tenant benefitting systems, it results in ensuring that tenants actually receive the direct benefit from the solar PV that was incentivized through the MASH Program. The Commission should build on the success of the MASH Program and require that any Host Customer applying for an AB 693 incentive be required to sign a contract that it will not adjust rents more than 25% of the total benefit being provided to the tenant.

Mandating affordable housing owners to cloud title by requiring an additional deed restriction to memorialize the AB 693 rebate received would be overly burdensome and extremely difficult to implement. Most affordable housing is owned by a limited partnership that has at least two independent partners, a tax equity investor, one or usually multiple lenders, and in some cases a federal agency like the US Department of Housing and Urban Development. These outside owners and senior lenders must approve any new deed restrictions, and do not like to do so, even when the new restrictions are junior to their claim on the project. To require a covenant or deed restriction to memorialize an AB 693 commitment would provide a major barrier to entry and would cause substantially less adoption than what is contemplated under AB 693. Everyday Energy is advocating from a place of experience on this issue. When Everyday Energy entered the MASH market in 2010 the MASH program was fully subscribed with reservations but not one project had been installed. We quickly realized that solar providers that were not used to working with affordable housing were requiring easements to get on roofs and the property and also requiring that they take a secured and senior position to any other lender or investor in the event of a default. The result was that while plenty of rebates had been reserved, nothing was being built. At the risk of giving away some of our proprietary information, Everyday Energy quickly figured out that it was not required to cloud title with easements or subordination rights and we were quickly able to secure owner, lender, and investor approvals to install solar incentivized by the MASH program. We went from being the very last project on the SDG&E waitlist to being the first actual MASH installation completed. The Commission must learn from this very real issue and avoid any requirement that would require the clouding of title for an affordable housing property to go solar to primarily benefit tenants. Our clients are in

the housing business not the solar business. Requiring a clouding of title would increase the hassle factor of going solar and make the hassle of participating in the AB 693 program far outweigh the potential benefit.

Utility Tariffs

The Commission should mandate that the current NEMV MASH Tariffs be extended to AB 693 incentivized projects. The NEMV MASH tariffs from all three IOUs require that a generator output meter be installed to record the kilowatt hours produced by the solar array, and then a retail credit is provided to tenants and common areas based on a virtual net metering allocation sheet provided to the utility as part of the interconnection process as well as the incentive claim process of the MASH Program. This is yet another example of where the MASH program works well and AB 693 is meant to merely build on this success.

Question 14

The Commission must continue the current MASH virtual net metering tariffs to provide a direct benefit to tenants, as just discussed in the response to question 13. The Commission should use the opportunity of 2870(g)(2) to carve out an exception to the nonbypassable charges provided in the AB 327 proceeding. The nonbypassable charges associated with AB 327 take away about 12% of the value of net metering offsets from low income renters. As the Commission already understands, the primary beneficiaries of AB 693 are low income renters. But they are being deprived of the full benefit of the solar being installed to benefit them because they are still required to pay for the Nonbypassable Charges mandated by the Commission's decision in AB 327. The Commission should take the opportunity to carve out an exception to NBC's for low income renters who are receiving service through virtual net metering credits. If the Commission does not, it will result in substantially lower benefits to low-income residents than otherwise possible under AB 693, which is also an inefficient use of program resources toward meeting the program goal.

Question 15

There is no basis for the Commission to limit the amount of incentive payments that can be paid to projects developed by one third party owner, supplier or installer of qualified solar energy systems. Just like MASH the AB 693 rebate belongs to the host customer. The host customer can freely choose to work with whichever solar provider or third party owner it chooses. Everyday Energy has been working with MASH projects for 7 years. In that time we

have had several projects where we did the work to reserve the rebate on behalf of a host customer where they eventually changed from Everyday Energy to another provider. This occurs in several instances. For example, a property may be going through a rehabilitation and the property owner has hired a general contractor and that general contractor may have a solar provider they prefer to work with. In other cases, there are other companies that aggressively troll rebates that have been reserved and actively market to host customers with reserved rebates to change their solar provider. While of course we didn't appreciate losing those jobs, that's business in an open and competitive market. Ultimately the rebate belongs to the host customer and not the third party owner or installer. Accordingly, there is no rationale that would support the suggestion to place a limit on the amount of incentive payments that can be paid to projects developed by any one third party owner, supplier, installer of a qualified solar energy system. The Commission should encourage efficient markets and not pick winners and losers. Ultimately, the market will dictate what works.

Question 16

Please refer to the answer to question 15. AB 693 is a program dedicated to placing solar on affordable housing. It is not a bill dedicated to ensuring installer diversity. There is nothing barring any other company from competing for affordable housing solar business. Free markets, with a level playing field through clear rules and transparent procedures, will ensure the most efficient use of rebate dollars being spent to meet the mandates of AB 693. It is important to note that a 75% direct tenant benefit requirement would make it possible for more solar companies to compete by pursuing additional sources of funds in the form of the net present value of a lease or PPA payment and provide an offering to a host customer that is financially compelling. However, the Commission must implement an efficient use of funds that will build on the success of the MASH program and primarily benefit low income renters who reside in eligible multifamily affordable housing.

Question 17

California ratepayers have paid for and the Commission has spent a significant amount of time and money developing the current administration of the MASH Program. Since AB 693 is based on the MASH Program, it does not appear there is any compelling reason to change the current administration regime as it relates to SDG&E, PG&E, and SCE.

- a. Utility Administration Everyday Energy has significant experience with administration in the three IOU territories. CSE does a great job in San Diego, SCE does a great job, and PG&E does a great job. When there is a rule interpretation issue, the three administrators get together with Commission staff to discuss and resolve. So far, it seems to be working well. There could be an argument that one administrator could make this process easier. On the other hand, it is good to get four different perspectives on the intent of a rule or the efficacy of a certain procedure. There is also the obvious disadvantage of spending the time and money creating selection criteria then selecting the new single administrator, and it's possible that entity will face a significant learning curve. An important additional point, which may be much less evident to those not down in the trenches of operating within the program, is that it is easier to get paid an incentive when the money is with the utility. With SCE and PG&E once an incentive has been approved they release the incentive money in the MASH Program. With CSE, once a project has been approved by the CSE inspector, CSE is required to validate the VNM allocations with SDG&E and then has to invoice SDG&E to receive money to then pay the host customer. This process can be burdensome and take a long time. Also, there seems to be inherent conflict between a third party administrator and the utility that is responsible for paying out rebates in the MASH Program, who each have different incentives in the process. It can lead to overly exacting paperwork requirements. If there is a third party administrator for AB 693, it must have access to all of the incentive money and the host customer utility bill information so that any inherent conflict between the administrator and the utility would not slow down the process of administration and rebate payments.
- b. Third Party Administration A third party administrator could be a one stop shop for AB 693 rebate processing that could have the promise of swift administration and less administration cost. On the other hand, AB 693 is designed around the MASH Program, and the same question of a single statewide administrator was well vetted in the proceedings to implement the

MASH extension mandated by AB217. The current MASH Program works well and there is not a compelling reason to change the status quo of MASH.

- c. Statewide Administrator A single statewide administrator could streamline the process for processing AB 693 rebates. However, setting up a statewide administrator would take time and could delay the implementation of AB 693. The current MASH administration regime is set up and largely paid for and the people that work within the program have been around for a long time. The current MASH Program is being administered efficiently. Since AB 693 is modeled after MASH, it makes sense to keep things status quo.
- d. Lack of consistency could happen with different administrators in different territories, in theory. In practice in the MASH program, the Commission staff and the three current MASH Program Administrators regularly communicate to ensure consistency and interpret rules. It seems to work well.
- e. Bidding process. If the Commission decides to allow for a bidding process, they should ensure that any potential administrator is not also competing to install solar. This has not been an issue in the low-income single-family market, where a great deal of assistance, guidance and hand-holding is required for the typical low-income market, and (not surprisingly) there are very few organizations interested in serving this market segment. But multifamily is a completely different situation, with a strongly competitive market. Right now GRID Alternatives is involved in administering the LIWP Program for multifamily housing in disadvantaged communities, but also utilizes the MASH program to compete for solar installations in the multifamily affordable housing market.⁴ If a company in a similar position is able to provide statewide administration it will provide them with an unfair competitive advantage and will not ensure that the AB 693 funds will be utilized in the most efficient manner as possible. In addition to not being able to compete to provide solar or

⁴ In the LIWP Program, solar companies are required to provide cost information to the LIWP administrators as part of the reservation process. GRID alternatives has announced an intention to provide solar on multifamily housing (see <http://www.gridalternatives.org/programs/multifamily>) Being involved as both a administrator and a competitor, there is an appearance of an unfair competitive advantage of knowing competitive pricing information. Any administrator should not be allowed to provide solar services funded by AB 693.

technical assistance to affordable housing, a third party administrator must be able to demonstrate current statewide reach and the current ability to administer the AB 693 program with no delay as compared to just using the current MASH infrastructure. It is more prudent to utilize an existing and proven infrastructure rather than investing new money for one company to be in a position to effectively administer the program statewide.

f. Funding/Budget The current MASH program is fully subscribed. This suggests that administrative budgets are merely for processing applications, validating installations, paying incentives, interpreting rules, managing waitlists, and conducting data reports. The current state of the MASH Program suggests that there is no need for marketing or outreach. Affordable housing finance consultants like the California Housing Partnership consistently communicate to affordable housing owners that AB 693 is coming and that funding will be available. Everyday Energy is involved Housing California, The San Diego Housing Federation, and the SCANPH who regularly communicate to their members of the existence of AB 693 and its pending implementation by participation on panels and by setting up a convention booth with information pertinent to solar programs. Other solar companies have been advertising the MASH Program and the coming of AB 693 (Promise Energy and Sunlight and Power). Wayne Waite, formerly of Everyday Energy and now with the affordable housing finance consulting company, California Housing Partnership is hosting webinars, convening meetings with affordable housing owners, the US Department of Housing and Urban Development, and conducting seminars at affordable housing trade shows informing affordable housing owners of the existence of AB 693 and his interpretation of its pending implementation. The MASH Coalition, who is a party to this proceeding is aware of AB 693 and is part of President Obama's Climate Action Plan and regularly communicates with the majority of MASH program participants. Also, the universe of affordable housing owners is relatively small and very easily defined. There is no reason to spend marketing and outreach dollars to implement AB 693. The money should be spent on updating the current

MASH infrastructure to efficiently administer AB 693 and then processing AB 693 reservations and incentive claims.

Question 18

All five IOUs should participate in proportion to their contribution

Question 19

Given the variability of the funding source, the Commission needs to make sure they don't award more rebates than the revenue captured in a program year, but also not choke off the program by being too conservative in estimating program budgets. The best way to address this issue is to start counting program dollars as directed by the Commission in ALJ Simon's Ruling on March 18 2016, **ADMINISTRATIVE LAW JUDGE'S RULING (1) ADDING RESPONDENTS AND (2) PROVIDING INTERIM DIRECTION TO CALIFORNIA ELECTRIC UTILITIES ON ACCOUNTING FOR FUNDS FOR IMPLEMENTATION OF ASSEMBLY BILL 693** in July 2016 to ensure that there is a pool of money available to start the program and then there will be about a 6 month lag between understanding the level of 748.5 money available and program administration. This is a good way to ensure there are program dollars available now, July 2016 and how they have grown by the time the AB 693 program is started, before awarding incentives.

Question 20

The accounting mechanism identified in ALJ Simon's March 18, 2016 Ruling **ADMINISTRATIVE LAW JUDGE'S RULING (1) ADDING RESPONDENTS AND (2) PROVIDING INTERIM DIRECTION TO CALIFORNIA ELECTRIC UTILITIES ON ACCOUNTING FOR FUNDS FOR IMPLEMENTATION OF ASSEMBLY BILL 693**

Question 21

Everyday Energy will provide reply comments.

Question 22 Energy Efficiency The current MASH Program's energy efficiency requirement works well and is rooted in Section 2852. The Commission should adopt the current 2852 requirement, which is an ASHRAE Level 1 audit or better. Practitioners such as Everyday Energy have figured out how to get this done and have worked well with owners to provide the ASHRAE level 1 audit and make other energy efficiency suggestions and ultimately build solar with energy efficiency in mind. Use of the CUAC also encourages energy efficiency because it allows owners to adjust rents to accurately reflect energy consumption in the form of less energy

payments and a higher rent payment. The documentation needed for Section 2870(f)(70 should be either an ASHRAE level 1 report or a title 24 report that is no more than 3 years old.

Question 23 The Commission must try to spend the AB 693 funding as efficiently as possible and install as many megawatts as possible. It would be imprudent to assume that the funding levels will be hit every year and that it is possible to fully fund solar on affordable housing without the utilization of other sources such as the ITC, LIHTC, LIWP, LIHEAP, and other programs. As the initiator of AB 693 Everyday Energy is in a position to state that the 300 MW goal was a floor not a ceiling. The Commission has an opportunity to far exceed the 300 MW goal if it provides sensible incentives that take into account the various forms of ownership and funding available for each type of project. Without knowing annual funding levels in advance, it would be difficult to set an annual MW goal.

Question 24

The Commission should collect the same data as they did in the CSI Program. The Commission may also want to require annual reporting on system performance.

Question 25

There are no safety issues.

Question 26

As discussed above, the Commission should take the opportunity to provide an exemption to non bypassable charges to low income renters. Additionally, the Commission should take the opportunity to expand virtual net metering to the neighborhood virtual net metering concept to disadvantaged communities to address the issue of space constrained properties so that an offsite solar generation facility can serve a property that is otherwise qualified for an AB 693 incentive.

V. CONCLUSION

The Commission has an opportunity to bridge the Green Divide by providing direct tenant benefits to low-income renters while balancing proper incentives for affordable housing owners. The Commission also has the opportunity to make sure that solar markets operate efficiently and that other sources of funds are used in order to leverage AB 693 money to possibly exceed the 300 MW solar PV goal and possibly use additional AB 693 funds that exceed the 300 MW goal to incorporate newer technologies into solar PV systems in three years when it reviews the success of the program. Setting proper incentives, ensuring proper eligibility, and insisting on the leveraging of other sources of funds will allow the Commission to bridge the Green Divide and provide solar PV in the multifamily affordable housing market to the evolving electricity market so that all Californians may benefit from the clean energy economy. Everyday Energy thanks the Commission for the opportunity to comment in this proceeding.

Respectfully submitted this 3rd day of August 2016, Carlsbad California

By: /s/ Scott A. Sarem
Scott A. Sarem, J.D.
Co-Founder/CEO
Everyday Energy

APPENDIX A

AB 693 Fact Sheet



AB 693 Multifamily Affordable Housing Renewable Energy Program

SUMMARY

AB 693 would create a new program, called Solar CARE, to give low-income tenants of multifamily affordable housing projects the ability to benefit from on-site solar installations. This bill will bring local solar power to low-income communities who are often last to benefit from green technologies, in addition to promoting local jobs, renewable energy, and cleaner air for the state.

BACKGROUND

Ten years ago, California had just 200 MW of solar on 50,000 roofs. Today, we have more than 3,000 MW on 300,000 roofs. While this is a laudable accomplishment, the vast majority of these installations have been on single-family homes and businesses. Low-income residents, especially those who rent, have been left out of the opportunity to participate in California's solar energy revolution.

Although there are solar programs in place that attempt to benefit low-income apartment residents, the benefits are not being fully realized. Specifically, under the California Solar Initiative (CSI), relatively few low-income renters received direct energy savings benefits from the Multifamily Affordable Solar Homes (MASH) program when it was first launched. New MASH funding and program incentives authorized by AB 217 (Bradford, 2013) are expected to help address this gap. However, the impact will be restricted by existing commitments for common-area-only installations and limited available resources to scale installations to also serve residents.

This bill attempts to change this by subsidizing the installation of solar panels

for multifamily affordable housing tenants. Participants will have lower electricity bills because their reliance on the grid will be offset through their own solar generation.

Additionally, Solar CARE will reduce the fiscal demand on the California Alternative Rates for Energy (CARE) Program because customers of Solar CARE will overlap with participants of CARE without removing any customers from the current CARE program¹.

THIS BILL

- Directs the California Public Utilities Commission (CPUC) to create a new program to install at least 300 MW of rooftop solar on multifamily affordable housing units through 2030.
- The program would direct \$100 million or 10%, whichever is less, per year in funds from the electric sector cap and trade auction revenues (SB 1018, 2012).
- The program is required to be evaluated every 3 years. If there are any uncommitted, then the Commission is required to return those funds to ratepayers.
- The funds will fully subsidize installation of 300 MW of solar on qualified multifamily affordable housing units to primarily benefit onsite tenant load.
- Incorporates energy efficiency measures into the Solar CARE program.

¹ Low-income customers that are enrolled in the CARE program receive a 30-35 percent reduction on their electric bills. This reduction is subsidized by ratepayers.

SUPPORT

California Environmental Justice Alliance
(CEJA)
Union of Concerned Scientists
Catholic Charities Diocese of Stockton
Greenlining Institute
Center for Community Action and
Environmental Justice
First Community Housing
CA League of Conservation Voters
Sierra Club
Community Loan Fund
Friends Committee on Legislation of
California
Everyday Energy
MASH Coalition
Housing California
Audubon California
Coalition for Clean Air
U.S. Green Building Council
Asian Pacific Environmental Network
Solar City
Climate Action Campaign
The Utility Reform Network (SIA)
California Solar Energy Industries
Association (CALSEIA)
Communities for a Better Environment
Center on Race, Poverty, & the Environment
CA Housing Partnership Corporation (SIA)
Central Coast Alliance United for a
Sustainable Economy (CAUSE)
Vote Solar
Environmental Health Coalition
Southern CA Edison.

OPPOSITION

CalTax

FOR MORE INFORMATION

Office of Assemblymember Eggman
Mayte Sanchez
(916) 319-2013
Email: Mayte.Sanchez@asm.ca.gov

Appendix B

CHECKLIST FOR NON TYPICAL AFFORDABLE HOUSING IN RESPONSE TO QUESTION 3

A. COMPLIANCE CHECK LIST FOR PUBLIC HEALTH AND SAFETY CODE REQUIREMENTS REFERENCED IN SECTION 2852 IN RESPONSE TO QUESTION 3

CHECK LIST: AFFORDABLE HOUSING COST

Eligibility Screening Questions	Documentation
1. Do the resident's monthly cost including housing rent? Yes No	Eligibility Threshold <i>[If project is not providing housing it is not eligible for AB 693 program]</i>
2. How are housing costs determined at the property? <i>[Housing costs must be pursuant to California Code of Regulations for Housing and Community Development or other applicable regulation and be approved by regulating housing agency.]</i>	Reference to Housing Requirements Used to Determine Housing Costs
3. How are utility allowances set? <i>[Utility allowance schedules must be from approved source such as a Public Housing Authority or the California Tax Credit Allocation Committee]</i>	Approved Utility Allowance Schedule
Housing Cost Detail	Check Box
4. What items are included in housing unit rental costs? - Housing Rent - Utility Allowance - Space Rent - Service Fees	
5. A) Does the property sub-meter electricity? Yes No	Eligibility Threshold <i>[If tenant is billed for electricity and project is offsetting tenant electric demands the project must allocate solar credits to tenant units.]</i>
B) If yes, does the PV system offset tenant electricity loads? Yes No	
C) If yes, are the solar credits passed through to tenants in a verifiable manner? Yes No	

B. CHECK LIST: AFFORDABLE RENT

Eligibility Screening Questions	Documentation
<p>1. What income restrictions apply at property? <i>[AB 693 eligible Affordable housing must either make 80% of its units affordable to household income levels at or below 60% of AMI, or, of located in a disadvantaged community, provide a deed-restricted portion of its units to be affordable to households earning no greater than 80% of AMI.]</i></p>	<p>Deed Restriction Reference to Income Levels Served at Property</p>
<p>2. How are rents set? <i>[Rent levels must be approved by regulating housing agency]</i></p>	<p>Rent Schedule Approved by Housing Agency, consistent with Regulatory Agreement</p>
<p>3. What is the current published AMI for the county? <i>[CODE sets affordable housing rents based on the AMI for the county in which the property is located]</i></p>	<p>HUD AMI Table by Household Size for Project</p>
Affordable Rent Details	Amount
<p>4. Provide distribution of units at property by income levels?</p> <ul style="list-style-type: none"> - 60% to 80% of AMI - 50% to 60% of AMI - 30% to 50% of AMI - Below 30% of AMI 	<p># # # #</p>
<p>5. Calculated Monthly Rent levels <i>(30% multiplied by percent of AMI divided by 12)</i></p> <ul style="list-style-type: none"> - 60% to 80% of AMI - 50% to 60% of AMI - 30% to 50% of AMI - Below 30% of AMI 	<p>\$ \$ \$ \$</p>

C. CHECK LIST: TENANT INCOME

Eligibility Screening Questions	Documentation
<p>1. How are gross incomes calculated determined? <i>[Tenant income calculation must be based on guidelines from housing agency regulating property]</i></p>	<p>Reference to Housing Requirements for Calculating Tenant Incomes</p>
<p>2. What are tenant income and selection requirements for property? <i>[Project must have published tenant income eligibility and</i></p>	<p>Tenant Eligibility/Selection Requirements</p>

<i>selection requirements]</i>	
<p>3. Do the total per unit housing costs at property exceed 30% of resident's gross tenant income for <u>any</u> unit?</p> <p>Yes</p> <p>No</p>	<p>Eligibility Threshold <i>[If housing rents exceed 30% of the tenants income, the project may not meet affordable rent requirements. Approval by regulating housing agency is needed for higher rents]</i></p>
<p>4. Does the property collect and maintain tenant income records?</p> <p>Yes</p> <p>No</p>	<p>Eligibility Threshold <i>[If project does not collect, maintain, update, and verify tenant incomes annually, project is not in compliance with housing requirements]</i></p>
<p>5. Does property update income information annually?</p> <p>Yes</p> <p>No</p>	
<p>6. Does property verify tenant incomes?</p> <p>Yes</p> <p>No</p>	

D. SUMMARY OF AB 693 REQUIREMENTS UNDER PUBLIC HEALTH AND SAFETY CODE

1. Affordable Housing Cost

Section **50052.5** of the Code states that "affordable housing costs" means that the housing costs for a low-income resident shall not exceed 30 percent of that resident's monthly gross income.

Section **50052.5** (d) of the Code states that affordable housing cost has the same meaning as affordable rent defined in Section 50053. Under this section housing costs include the cost of occupancy and a utility allowance if the tenants are paying utility costs.

Section **50052.5** (c) states that,

“The department shall, by regulation, adopt criteria defining, and providing for determination of, gross income, adjustments for family size appropriate to the unit, and housing cost for purposes of determining affordable housing cost under this section.”

Section **50052.5** (e) adds that,

“Regulations of the department shall also include a method for determining the maximum construction cost, mortgage loan, or sales price that will make housing available to an income group at affordable housing cost.”

With regards to sections **50052.5** (c) and (e), Title 25 of the *California Code of*

Regulations for Housing and Community Development elaborates on the meaning of gross income, rent housing costs, and housing costs of a purchaser as follows:

- Section 6914 states that "Gross income" shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income, and further defined what is included and excluded in calculating income.
- Section 6918 provides additional clarification on what is included in housing costs of a person or family renting a housing unit. These include the total cost of owning, occupying, and using the housing unit, and reasonable allowance for utilities that includes garbage collection, sewer, water, electricity, gas, and other heating, cooking and refrigeration fuels. Utility allowances must take into consideration the cost of an adequate level of service.
- Section 6920 provides additional clarification on what is included in housing costs of a person or family purchasing a housing unit. These costs include the principal and interest on a mortgage loan including any rehabilitation loans, property taxes and assessments, property insurance, property maintenance and repairs, homeowner association fees, space rent if the housing unit is situated on rented land, and a reasonable allowance for utilities.

2. Affordable Rent

Section 50053 of the Code states that "affordable rent" with respect to lower income households shall not be less than 15 percent nor exceed 25 percent of gross income of the occupants.

Section 50053 specifies the methods for calculating affordable rents. Under this method the affordable rent must be equal to the product of 30 percent times the income restriction applicable to the property. The income restriction is specified as a percentage of the Area Median Income (AMI) adjusted for family size.

Section 50053 requires that "affordable rents" include a reasonable utility allowance. Accordingly, in housing where residents pay for utilities, the amount of the utility allowance must be subtracted from the rent payment to the property owner.

3. Lower Income Household

Section 50079.5 of the Code defines a low-income household as,

"Persons and families whose income does not exceed the qualifying limits for lower income families as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937. The limits shall be published by the department in the California Code of Regulations as soon as possible after adoption by the Secretary of Housing and Urban Development. In the event the federal standards are discontinued, the department shall, by regulation, establish income limits for lower income households for all geographic areas of the state at 80 percent of area median income, adjusted for family size and revised annually."

In determining the income eligibility of residents at a property, information must be collected to calculate the gross income of the household consistent with the income guidelines set by the regulating agency. The data must be verified and updated annually

E. Deed Restriction/Regulatory Restrictions

Deed Restrictions and Regulatory Agreements set the general terms of the affordability restriction on the property. Minimally, these include:

- Affordability and compliance period of at least 30 years.
- Affordable rent levels at property.
- Provisions to maintain affordable rent levels to serve eligible households.
- Resale restriction or equity sharing agreement (for housing units sold).
- Standards for tenant selection (*to ensure occupancy of assisted units by households meeting income eligibility standards*).
- Terms of occupancy agreements.
- Periodic inspections and review of year end fiscal audits and related reports by the department.
- Agreement recorded in the office of the county recorder in the county in which the property is located.
- Agreement is binding on the sponsor and successors.

These references to affordable housing law act as a reference for program administrators to validate AB 693 eligibility when the applicant is not in a position to provide documentation of a deed restriction from an enumerated public agency charged with regulating affordable housing. If the deed restriction is valid then the applicant's property must be located in a disadvantaged community or the applicant must be able to provide documentation that 80% of its residents are at or below 60% of AMI.