

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

ID #11625
RESOLUTION E-4534
November 8, 2012

R E S O L U T I O N

Resolution E-4534. Pacific Gas and Electric Company's (PG&E's) proposed amendments to the California Solar Initiative (CSI) Program Handbook that revise the application review process within the CSI Program.

Proposed Outcome: This resolution approves with modifications PG&E's proposed amendments to the CSI application process that automate and expedite the review of CSI applications.

Estimated Cost: \$0 incremental cost to ratepayers.

By Advice Letter 4064-E, filed on June 15, 2012.

SUMMARY

This Resolution adopts and modifies Pacific Gas and Electric's (PG&E's) proposal to streamline the 2-step processing of residential and small commercial applications within the California Solar Initiative (CSI) Program. Specifically, PG&E proposes modifying the CSI Program Handbook (Handbook) for all applications for all systems under 10 kilowatts (kW) to allow for the expediting and automating of the application review process at the first Reservation Request step, while maintaining full manual review at the second Incentive Claim step. This resolution approves the proposed application review process for systems under 5 kW.

BACKGROUND

Currently, CSI participants in the residential and small commercial class (less than 10 kW) must go through a two-step application process, which requires a

comprehensive manual review at both steps. In their review of new applications, the CSI Program Administrators (PAs)¹ are required to ensure that certain eligibility requirements are met before a letter is issued to the applicant that confirms that they will receive an incentive at a particular step level² (known as a "Confirmed Reservation"). Based on applications processed in the first five months of 2012, PG&E estimates that approximately 80% of residential customers, which have met all the Reservation Request requirements, go through this manual review process which inevitably entails significant delays.

In 2011, the PAs sought to lower administrative costs for both program participants and PAs by proposing a mandatory one-step application process, which would have eliminated the first Reservation Request step. The Commission denied the request in Resolution E-4396 because the proposal did not allow applicants to reserve their incentives at a particular step level, thereby placing undue risk on applicants to receive a smaller incentive. Resolution E-4396, Ordering Paragraph 3, also directed the PAs to find other ways to streamline their administrative processes to reduce costs.

In response to the Commission's directive, PG&E filed Advice Letter (AL) 4064-E on June 15, 2012. The proposal maintains the two-step process but automates the first Reservation Request step for those residential and small commercial applications which have provided certain required documents, and meet three criteria: 1) the system is under the CSI cost cap,³ 2) the system is sized to meet the site's electricity load, and 3) the solar contractor installing the system has a valid

¹ The CSI PAs are PG&E, Southern California Edison Company (SCE), and the California Center for Sustainable Energy in San Diego Gas & Electric (SDG&E) territory.

² CSI incentives automatically decline in "steps" based on the volume of MW of confirmed incentive reservations issued within each utility service territory. To receive an incentive at a particular step, CSI applicants must have a Confirmed Reservation.

³ All CSI projects are subject to a \$ per watt cost cap. If the system exceeds the cost cap, both the applicant and (if different) the customer are required to sign the High Cost Justification and Acknowledgement Form that describes the reasons for exceeding the cost cap and acknowledges that the cost of their solar energy system is much higher per watt than the majority of the solar energy systems submitted to the CSI Program for incentives.

Contractors State License Board (CSLB) license. These applications would undergo no further review until they reach the Incentive Claim stage. PG&E claims that this approach would simplify the current rebate process while maintaining program integrity.

Reservation step:

In order to automate this Reservation Request step, PG&E proposes that PowerClerk, the CSI database and application interface tool, perform the initial screening of completed applications to confirm compliance with the three criteria noted above. Upon successfully passing this screening, PowerClerk would issue an auto-confirmation notice to the applicant (and the customer, if different) and would reserve funds for that project.⁴ If the application does not pass the initial screening, PowerClerk would notify the applicant that it is necessary to attach a High Cost Justification and Acknowledgment form and/or a System-Size-to-Load Justification letter, after which the PA would complete a manual review of the submitted documentation before issuing a confirmed reservation notice.

PG&E proposes that all residential systems that are equal to 10 kW (CEC AC) or greater in size would continue to undergo a manual review.

Documents required:

In addition to the procedural changes discussed above, PG&E proposes to further simplify the application process by merging some documents and removing others.

The stand-alone Energy Efficiency Disclosure form would be integrated into the Reservation Request Form. This particular change would also apply to one-step applications, three-step non-residential applications, and Multifamily Affordable Solar Housing (MASH) program applications.

⁴ PG&E explains that for the majority of applications this modification will reduce turn-around-times for issuing the reservation confirmation notices from a current average of approximately 30 days to within a day.

PG&E argues that the Executed Purchase and Installation Agreement for third-party owned systems has provided little value to the program and should no longer be required. The Executed Alternative System Ownership Agreement, currently in place, is sufficient to demonstrate a customer's intent to complete the project for third-party owned systems. For host owned systems, the Executed Purchase and Installation Agreement would continue to be required as part of the Reservation Request Package.

Incentive Claim process:

It is during the Incentive Claim review, the second step of the CSI application process, that the PAs would ensure that all required documentation is sufficient and, if warranted, request additional documentation or clarification from an applicant, before issuing an incentive.

Basis and justification for changes:

PG&E believes that these measures will improve the efficiency of the CSI application review process, create cost savings for the program, and greatly improve the turnaround times for issuing Confirmed Reservation Notices, thus benefitting both participants and PAs. PG&E maintains that the PAs will continue to maintain the integrity of the program by ensuring that applications meet the CSI program requirements before incentives are paid. Further, PG&E requests that these modifications to the application review process apply to all three Program Administrators.

NOTICE

Notice of AL 4064-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-B.

PROTESTS

On July 5, 2012, PG&E's Advice Letter AL 4064-E was timely protested by Southern California Edison (SCE) and was responded to by the California Center for Sustainable Energy (CCSE) and by the Solar Energy Industries Association (SEIA). On July 12, 2012 PG&E provided a reply.

The following is a summary of the major issues raised in the protest, responses, and reply.

SCE Protest:

In its protest, SCE notes that PG&E filed the advice letter containing proposed CSI Handbook changes unilaterally, without consensus among all three PAs. SCE points out that the proposed changes would affect the entire statewide CSI Program. SCE explains that in the weeks prior to PG&E's filing, the PAs engaged in several discussions regarding the issues ultimately addressed in PG&E's filing, but were unable to reach consensus, in particular regarding the auto-confirmation of system sizing. SCE cites Decision (D.) 06-08-028, which directed the PAs to convene a CSI Program Forum (Forum) in early 2007 to provide stakeholders the chance to discuss proposed revisions to the CSI Program Handbook. That decision authorizes the Forum to file consensus Handbook revisions via advice letter. SCE argues that a single PA, thus, is precluded from unilaterally filing for Program changes without seeking the approval from the other PAs. Historically, all Handbook changes have been submitted jointly by the PAs.

Regarding the content of PG&E's proposal, SCE agrees that, because of limited funds available for program administration, finding additional ways to reduce administrative costs is a high priority. SCE says that it is willing to consider all proposals, provided the savings they would generate are not outweighed by the potential harm to the program they could cause.

The Program Handbook's prohibition of oversized systems is articulated in Section 2.2.4, which states that CSI-rebated systems may not be sized above the average load at that site, as measured by the previous twelve months' energy usage. SCE has a specific concern regarding PG&E's proposal to allow applicants to self-report their system size at the beginning of the application process. SCE claims that there is the risk that applicants could over-size their systems if: (1) customers report an inflated twelve-month historical usage to the applicant, or (2) if the applicant incorrectly enters the system size into PowerClerk.

SCE has further concerns that instances – inadvertent or otherwise – of system oversizing would not be caught by PAs until the Incentive Claim step, when the application is manually reviewed. At that point, the rebate application – for an

oversized system already installed – would be rejected. SCE states that such instances will lead to customer dissatisfaction, disputes, and complaints, thus harming the Program.

In addition, SCE believes there is risk that over-sized solar systems may be prohibited from interconnecting to the utility's distribution system.

Noting that PG&E has provided no cost savings estimate for its proposal, SCE foresees that PG&E's proposal would produce insufficient administrative savings to justify the risks it creates. SCE's remedy is to manually check the system size at the Reservation Request step, as is currently done.

CCSE Response:

While supporting some of PG&E's proposed changes, CCSE also raises several concerns with the possibility of allowing application mistakes to move forward in the process until it is too late and the system is already installed.

The CSI Program requires that contractors be certified by the CSLB. CCSE has recently experienced numerous instances of unlicensed entities attempting to participate in the program. CCSE is concerned that PG&E's proposal would allow these unlicensed contractors to receive automatic program confirmations. Only when seeking the rebate at the Incentive Claim step would it be discovered that the contractor was unlicensed. Nevertheless, the claim would be rejected, causing great disappointment to the host customer who may not have been aware that the contractor was unlicensed. CCSE argues that this scenario can only be avoided via manual review of each contract at the Reservation Request step by the PA.

CCSE is also concerned that without manual oversight, false system cost data could be entered in the reservation application so as to pass the high cost screen.

Additionally, CCSE is concerned that applicants could falsify their host customer consumption information, knowing that it would receive automatic approval.

Apparently these last two concerns (deliberately submitting false system cost data or deliberately false consumption input) are based on the possibility that PG&E proposes that there be no review at all of these documents, in either the Reservation Request or the Incentive Claim step, because CCSE also asks for

clarification as to whether PG&E proposes in the Incentive Claim step to review all documents or only key ones which had been flagged earlier.

CCSE fully supports integrating the Energy Efficiency Disclosure form into the Reservation Request form for small residential and small commercial applicants. Doing so will reduce paperwork and streamline the application process. CCSE also supports removing the requirement for the Executed Purchase and Installation Agreement for Third Party Owned systems, but only for applicants whose systems are less than 10 kW. This document has provided little value and has caused significant delays.

In an appendix attached to its response, CCSE proposes detailed edits to Section 4.11.1.11 of the Handbook, which describes the contract document filing requirements at the Reservation Request step, and proposes to delete Section 4.11.1.12. These would be in lieu of PG&E's proposed changes to Sections 4.11.1.11 and 4.11.1.12.

CCSE points out that, if PG&E is proposing to merely postpone the review of the contract documents to the Incentive Claim step, this could result in no administrative time savings and might in some instance exacerbate administrative inefficiencies. On the other hand, if PG&E is proposing to not review these documents at all, then Program integrity regarding adherence to sizing, cost, and contractor eligibility would be compromised.

SEIA Response:

SEIA supports PG&E's effort to streamline application processing, and agrees that PG&E's proposal addresses the concerns SEIA had raised regarding assurance of rebate reservation that arose from the 2011 proposal for a one-step application process.

SEIA requests two modifications to PG&E's proposal. First, if an application is found to be deficient by the automated screening process, the applicant should be given fourteen calendar days to remedy the deficiency. The second proposed modification covers the circumstance in which a review, at the Incentive Claim step, of host customer energy consumption reveals system oversizing. SEIA advocates that instead of providing no rebate, the PA simply pro-rate the rebate down to the level of the customer's historical load.

PG&E Reply:

Regarding SCE's assertion that D.06-08-028 prohibits one PA from unilaterally proposing Program changes, PG&E argues that while that decision does describe a situation where a Forum-based consensus authorizes one PA to file proposed Program changes, the decision does not prohibit a PA from unilaterally proposing Program changes. Furthermore, PG&E asserts that it being responsive to Ordering Paragraph 3 of Resolution E-4396 which directed the PAs to find "...cost-effective strategies to reduce application paperwork, review current processes, and make reasonable modifications to the existing 2-Step application process."

In response to SCE's concern about system oversizing, PG&E argues that SCE exaggerates, since the Program has not, since 2007, verified size justification for systems less than 5 kW and this has never caused problems with program administration.

PG&E notes that only thirty percent of CSI participants apply for systems sized between 5 kW and 10 kW. PG&E says that only about fifteen applications a month require size-to-load justification, which is about one percent of the total number of applications, and only one fifth of this group - 0.2% of the total number of applications - require a sizing modification.

In response to CCSE's concern that ineligible contractors would not be detected by PAs until the Incentive Claim step, PG&E says that it proposes to add functionality to PowerClerk to automatically confirm that a contractor's CSLB license meets program requirements at the time of Reservation Request submittal.

PG&E explains that CCSE's concern regarding deliberately false system cost information is misplaced, since this information is checked at the Incentive Claim step.

PG&E states it appreciates CCSE's support for the proposed removal of the requirement for the Purchase and Installation Contract for Third Party Owned Systems, but takes issue with CCSE's stipulation that commercial systems larger than 10 kW continue to be obligated to provide this document. PG&E notes that CCSE provided no justification for this stipulation, and reiterates CCSE's own conclusion that these documents have provided little value to the program and

instead have been the cause of significant processing delays. PG&E argues that eliminating this requirement for all Program participants will help streamline program administration.

PG&E supports the specific Handbook language changes contained in CCSE's filing, which propose detailed edits to Section 4.11.1.11 of the Handbook and propose to delete Section 4.11.1.12 in lieu of PG&E's proposed changes to Sections 4.11.1.11 and 4.11.1.12.

PG&E reiterates the advantages of its proposal, which reduces redundant administrative effort: reducing from twice to once the number of times that contracts are reviewed, and the number of times that applications are touched. PG&E points out that CCSE's assertion that applicants will knowingly provide false information is misguided, since in the end the information will be verified.

In response to SEIA's concern about allowing applicants with deficient applications fourteen days to respond, PG&E clarifies that this concern is misplaced, since it is not planning to remove the opportunity for applicants to respond to notifications of deficiency. PG&E opposes SEIA's proposal to pro-rate down the rebate for those systems which are oversized, claiming that this will remove the incentive for contractors to exercise due diligence.

DISCUSSION

The Commission has reviewed the AL, the protest, the responses, and the reply comments and makes the following conclusions:

A single PA's authority to unilaterally propose program changes

As cited by SCE, D.06-08-028 provides that "The program administrators shall convene the first meeting of the CSI Program Forum in the first quarter of 2007, to provide the opportunity for CSI stakeholders to discuss proposed revisions to the CSI Handbook..." and that at these quarterly meetings "The CSI Program Forum may fashion consensus handbook revisions, as needed, and file them by Advice Letter."

The Commission agrees with PG&E, that D.06-08-028 describes a consensus-based process for making Handbook changes among CSI Program Forum participants, but is silent on whether one PA can make Handbook changes on behalf of the three CSI PAs. Thus, the Commission believes that one PA

proposing Handbook changes on behalf of all three PAs is not prohibited and should be allowed for this advice letter.

With that said, this resolution is not precedent-setting. The CSI PAs have a long-standing track record of finding consensus before proposing any changes to the CSI Program. The Commission very much appreciates and supports this effort, and directs the CSI PAs to continue to use this consensus-based approach for any future advice letter filings.

Required document modifications

PG&E has proposed to integrate the Energy Efficiency Disclosure form (now submitted as a PDF document) into the Reservation Request Form (an online PowerClerk form). All parties agree to this modification, and the Commission agrees that this change will help to streamline application processing.

PG&E has also proposed to eliminate the requirement that third party owner applicants submit an Executed Purchase and Installation Agreement. All parties agree with this proposal, although CCSE requests that it continue to be a required submission with applications for systems greater than 10 kW. PG&E points out that CCSE, while agreeing that this form has led to significant administrative delays, has offered no argument for keeping this requirement for the larger systems. The Commission agrees that this form has caused administrative delays, and will not require it for third party owned systems of any size.

Potential risks associated with PG&E's modified CSI application review process

PG&E has proposed to automate the Reservation Request step of application processing for those applications in the residential and small commercial category which are under 10 kW, which have filed certain associated documents, and which meet specific criteria related to cost, system sizing and solar contractor certification. PG&E intends that all three criteria would continue to be checked manually at the Incentive Claim step, and also that the validity and correctness of the documents attached at the Reservation Request step would be verified manually at the Incentive Claim step.

CCSE has objected to the automation of the first (cost per watt) check, but its objection appears to be based on an incorrect belief that the proposed scheme would involve no subsequent check on costs. Because the PAs, under PG&E's proposal, would in fact continue to verify system costs (at the Incentive Claim step), this concern appears to be unjustified.

CCSE objects to PG&E's proposed automation of the third (valid CSLB License) check, explaining that there is still the possibility that applications could be filed with inaccurate CSLB numbers, or with CSLB numbers that belonged to contractors whose licenses had been revoked by the CSLB at the time that the Reservation Request was submitted. PG&E explains in its reply that it plans to upgrade PowerClerk to prevent this.

PowerClerk already has a connection to the CSLB database that, when a contractor first signs up on PowerClerk, automatically ensures that the contractor has a valid license. With this automated check in place, the only room for a mistake is if a contractor deliberately inputs a false contractor name and license number. Because such an action would be caught at the Incentive Claim step (and because it would clearly implicate the contractor in fraud) when the PA manually checks this information, the Commission believes this concern is substantially mitigated by the PowerClerk upgrade. Therefore, the Commission directs the CSI PAs to make the necessary upgrades to PowerClerk that ensure, at the time of each Reservation Request submission, the contractor's license is still valid.

All three respondents have expressed concerns about the automation of the second (system sizing) check, citing the possibility of either deliberate or mistaken system oversizing, which then would be caught at the manual Incentive Claim review step, leading to disputes and customer dissatisfaction. SCE and CCSE would like to maintain a manual check of system sizing at the Reservation Request step. While this would address their concerns, it would also remove a substantial portion of the administrative savings that would come from PG&E's proposal. SEIA meanwhile wants to simply pro-rate downward the incentive award for oversized system applications. The Commission agrees with PG&E that SEIA's proposal would remove the incentive for applicants to be vigilant in sizing systems correctly.

For systems between 5 kW and 10 kW, the PAs do compare system size against load under the current 2-step process. Removing the size-to-load justification requirement increases the risk of applicants in this size group oversizing their

systems because they no longer have to justify their system size. Thus, the Commission concludes that systems between 5 kW and 10 kW shall continue to be subject to the current 2-step process, which maintains the size-to-load justification requirement.

As the parties have stated in their comments, the PAs do not currently compare – at either the Reservation Request or the Incentive Claim step – the system size against historical load for CSI systems under 5 kW. Thus, the risk of having oversized systems will not increase under the proposed revised application process. Because the system size is not currently verified for systems under 5 kW, there is no reason to keep this requirement for these smaller systems. As PG&E points out in its reply comments, systems under 5 kW comprise the majority of all CSI Program systems.⁵

Therefore, the Commission adopts PG&E's proposal for a revised 2-step process, but limits it to systems under 5 kW.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

⁵ A calculation based on CSI Program data as of August 8, 2012 reveals that for PG&E the percentage of applications in the last twelve months in the Residential and Small Commercial category which were under 10 kW was 96% and the percentage under 5kW was 62%. For SCE the percentages were 95% and 58%, while for CCSE they were 95% and 54% respectively.

FINDINGS

1. Commission Resolution E-4396 directed the California Solar Initiative Program Administrators to find ways to streamline their administrative processes to reduce costs.
2. While Commission Decision D.06-08-028 describes a consensus-based process for making California Solar Initiative Program Handbook changes among California Solar Initiative Program Forum participants, it is silent on whether one California Solar Initiative Program Administrator can make Handbook changes on behalf of all three Program Administrators. Thus, the Commission concludes that a single Program Administrator may propose unilateral program changes on behalf of all three California Solar Initiative Program Administrators. However, the Commission strongly encourages the California Solar Initiative Program Administrators to continue to use a consensus-based approach for any future advice letter filings.
3. The requirement that third party owner applicants submit an Executed Purchase and Installation Agreement has caused significant delays in application processing and therefore should be eliminated from the revised review process.
4. It is reasonable to upgrade the PowerClerk database to verify Contractors State License Board licenses to mitigate the risk of receiving false contractor names and licenses in California Solar Initiative incentive applications.
5. The California Solar Initiative Program Administrators do compare system size against load under the current 2-step process. Removing the size-to-load justification requirement for systems between 5 kilowatts and 10 kilowatts increases the risk of applicants oversizing their systems because they no longer have to justify their system size. Therefore, systems between 5 kW and 10 kW shall continue to be subject to the current 2-step process, which maintains the size-to-load justification requirement.
6. The California Solar Initiative Program Administrators do not currently verify system size for systems under 5 kilowatts, therefore automating the system sizing verification check in the application review process will not present an increased risk for of customer dissatisfaction due to rejection of

incentive claims for systems under 5 kilowatts. Therefore, it is reasonable to apply this revised application process to systems less than 5 kilowatts.

THEREFORE IT IS ORDERED THAT:

1. Advice Letter 4064-E is approved with the following modification: the proposed revisions to the California Solar Initiative application review process shall only apply to systems less than 5 kilowatts.
2. Pacific Gas & Electric Company, Southern California Edison Company, and the California Center for Sustainable Energy shall make the necessary upgrades to the PowerClerk application database that ensure, at the time of each Reservation Request submission, the contractor's license is still valid.
3. Within 30 days of the issuance of this resolution, Pacific Gas & Electric Company, Southern California Edison Company, and the California Center for Sustainable Energy shall jointly file a Tier 1 Advice Letter revising the California Solar Initiative Program Handbook to conform to the changes in Ordering Paragraph 1.
4. The program changes will be effective upon the date of issuance of the revised California Solar Initiative Program Handbook.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on November 8, 2012, the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director