

Decision 15-12-023 December 17, 2015

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

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

DECISION GRANTING THE PETITION FOR MODIFICATION OF THE PERFORMANCE-BASED INCENTIVE PAYMENT STRUCTURE BY THE PROGRAM ADMINISTRATORS OF THE CALIFORNIA SOLAR INITIATIVE

Summary

This decision grants the January 27, 2015 Petition for Modification of Decision 06-08-028 by the Center for Sustainable Energy, Pacific Gas and Electric Company, and Southern California Edison Company (collectively “Program Administrators”) to accelerate the performance-based incentive payment of the California Solar Initiative (CSI) Program. The Program Administrators shall file a Tier 1 Advice Letter implementing today’s approved changes to the CSI performance-based incentive payment.

1. Background

On January 27, 2015, the Center for Sustainable Energy (CSE),¹ Pacific Gas and Electric Company (PG&E), and Southern California Edison Company (SCE)

¹ The Center for Sustainable Energy administers the California Solar Initiative program on behalf of San Diego Gas and Electric Company (SDG&E) in SDG&E’s service territory.

(collectively “Program Administrators”) filed a Petition for Modification of Decision (D.) 06-08-028 in Rulemaking 12-11-005 requesting to accelerate the performance-based incentive (PBI) payment of the California Solar Initiative (CSI) Program.

The Program Administrators propose to: (1) shorten the monthly PBI payments from five years (as originally required in D.06-08-028) to two years, and (2) to end this two-year period with a lump sum buyout which would be calculated based on the historical performance of the PBI project. The lump sum buyout process would be implemented promptly following the CSI sunset date of December 31, 2016.

The modified PBI payment structure proposed by the Program Administrators is detailed below:

1. New projects (less than 24 reporting months) would continue to receive monthly payments until reporting month 24, and then transition to a lump sum buyout. The buyout amount will be calculated based on all reported performance data of the project.
2. Existing projects (24 months–48 months) would cease monthly payments and transition to lump sum buyout in December 2016. The buyout amount would be calculated based on all reported performance data of the project.
3. Mature projects (more than 48 months) could opt-in to the lump sum buyout process by customer’s choice.

The Program Administrators support this proposal based on the following claims:

1. **The proposal will reduce administration costs and lessen the strain on administrative budgets.** The Program Administrators claim that the existing CSI program is complex to manage and costly to administer and that, over time, modifications to the CSI program have increased the number of PBI projects without commensurate increases in

the administrative funds. As a result, the Program Administrators face a potential administrative funding deficit.

2. **The proposal will increase incentive budget certainty.** The Program Administrators state that, upon review, the originally forecasted production levels of a number of PBI projects differ from actual production. With accelerated performance-based incentive payments, the time period for PBI projects would be shortened from five years to two years. Therefore, Program Administrators would have greater certainty of and more timely updates for available incentive budgets.
3. **The proposal will fairly assess the production profile of the solar photovoltaic system.** Under the proposal, the Program Administrators would use actual production data of PBI projects (compared with estimated production) to determine the Performance Factor (PF)² of the project. The PF would then be used to calculate the lump sum buyout.
4. **The proposal will uphold the original intent of the PBI payment to ensure quality installations, ongoing system maintenance, and optimal system performance.** The Program Administrators state that eligible customers will still be required to monitor and report system performance data in the initial reporting years under the revised PBI payment. The Program Administrators also argue that sufficient market incentives, such as net metering credits and reduced utility bills, will reward optimal performance after the initial reporting years.

² Two minor errors appear in this Petition for Modification at 8. First, the fourth item under Determining (Remaining kWh) more accurately should state, "Apply Performance Factor to the Estimated Production per Month, multiplied by the number of remaining months." Second, in fn. 5, the Performance Factor calculation should more accurately be Performance Factor = (Actual kWh Production / Estimated kWh Production)*100.

2. Comments on the Petition for Modification

One party filed comments in response to the Petition for Modification. The Office of Ratepayer Advocates (ORA) filed comments on February 26, 2015 in support of the Petition, stating that the proposed PBI payment would avoid two years of additional administrative expenses, for a total of \$1,034,000. The below chart illustrates that the estimated avoidable administrative cost for the three CSI Program Administrators will be over one million dollars if the Petition for Modification is granted.

Project Admin.	PG&E	SCE	CSE	Total
Estimated avoidable administrative expenses (\$) ³	\$519,000	\$155,000	\$360,000	\$1,034,000

ORA also states that the proposed PBI payment structure creates the potential for overpayment, as the lump-sum buyout based on the first two years of performance likely will exceed what the PBI payment participants would receive under the current PBI design.⁴ However, ORA concludes that the benefit of avoiding two years of administrative expenses would offset the potential cost of such an overpayment.

³ The PG&E and CSE data in the table are taken from the CSE responses to ORA Data Request at 7 and PG&E Responses to ORA Data Request at 22. The above SCE data is from SCE’s response to the Energy Division staff data request which is attached to this decision.

⁴ ORA argues that performance degradation would have lowered output in the latter years of the PBI payment period, and avoidance of these years in the proposed performance calculation thereby benefits the payee. *See, also* D.06-08-028, Section III.B. Performance-Based Incentives for Large Solar Projects.

3. Discussion

This decision grants the Program Administrators' request to modify D.06-08-028 to include the proposed accelerated PBI payment structure. We find that the Program Administrators face a potential administrative funding deficit. The three Program Administrators agree that, under the current PBI payment schedule, PBI program administration is needed at least until 2022 when the very last PBI payment occurs based on current application status.⁵ The final PBI payment date could be extended to 2024 due to interruptions during the review or reporting process.

The chart below indicates that at the beginning of 2022, all three Program Administrators would have a small administration budget if the PBI payment remains unchanged. The acceleration of the PBI payment will reduce administrative costs by more than one million dollars and bring final PBI payment dates closer, which would lessen the potential for shortfall in each Program Administrator's administrative budget. Any unspent and unencumbered CSI administrative funds remaining after the end date of PBI payment would be moved to CSI low income programs.⁶

⁵ CSE Responses to ORA Data Request at 4; PG&E Responses to ORA Data Request at 3; SCE Responses to Energy Division Staff Data Request at 3. *See* attachment to this decision.

⁶ Pub. Util. Code Section 2851(f).

	PG&E	SCE	CSE	Total
Available CSI Administration Funding forecasted as of 2017/01/01 ⁷ (\$)	4,464,201	1,412,901	929,869	6,806,971
Estimated Available CSI Administration Funding as of 2022/01/01 if PBI payment unchanged ⁸ (\$)	246,619	49,834	337,248	633,701

In addition, we find that the PBI payment acceleration proposal should have minimal negative impact on PBI payment customers. The examples in ORA's response to the Petition show that the deviation of accelerated PBI payments from the current PBI payments would be less than 5%.⁹ Therefore, it is reasonable to conclude that the incentives received by PBI customers under the proposed PBI payment structure would not be significantly less than the incentives the customers would have received under the current PBI payment structure.

The accelerated payment would allow the PBI customers to receive their PBI payments approximately three years earlier than the end date under the current PBI payment. Generally, the time value of money principle provides that

⁷ The available CSI Administration Funding includes Unallocated Administration Funds. Forecasted funding is calculated using the three IOUs' responses to the ORA's and Energy Division staff's data request. The proposed PBI acceleration would not affect the forecasted CSI administration budget before the CSI sunset date of December 31, 2016.

⁸ The available CSI Administration Funding includes Unallocated Administration Funds. Forecasted funding is calculated using the three IOUs' responses to the ORA's and Energy Division staff's data request.

⁹ ORA's Response to Petition of the Center for Sustainable Energy, Pacific Gas and Electric Company and Southern California Edison Company for Modification of D.06-08-028 at 4 & 5.

the value of money decreases with time. Given the same amount of money, customers should be willing to receive the money now rather than the future.

The Petition mentions that additional mechanisms on the market today, such as net energy metering and third-party owned systems contractual performance guarantees, will motivate CSI participants to support ongoing system performance. For this reason, we are not concerned that a shortened PBI payment period would discourage system maintenance after the two-year reporting timeline.

Finally, even with the proposed PBI payment structure, the PBI payment end date could be different in each PA's service territory which might result in the inefficient use of shared resources as well as administrative funding. A fixed end date on PBI payment might address this issue. However, due to the need for further information on this issue, this issue is more properly addressed in a later decision.

4. Conclusion – Petition for Modification Granted

Accordingly, the PBI acceleration will reduce CSI administrative costs and the possibility of administrative budget shortfalls while not placing any hardships on CSI customers. These advantages outweigh the possibility that ongoing system maintenance may be discouraged due to the shortened (2-year) PBI payment period. Therefore, we find it reasonable and approve the PBI payment acceleration proposal.

5. Comments

The proposed decision of Commissioner Picker in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice

and Procedure. Comments were filed by ORA on December 2nd and jointly filed by CSI Program Administrators on December 3rd. No reply comments were filed.

CSI Program Administrators and ORA support the Proposed Decision to grant the Petition for Modification to allow for an accelerated performance-based incentive (PBI) payment structure.

CSI Program Administrators agree to file a Tier 1 Advice Letter implementing the changes that have been approved by today's decision. The Program Administrators request that the Advice Letter be filed within 60 days of the effective date of this Decision, rather than within 30 days. Changes to reflect this request are included herein.

6. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Regina M. DeAngelis is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Program Administrators face a potential administrative funding deficit.
2. The final PBI payment date could be extended to 2024 due to interruptions during the review or reporting process.
3. The acceleration of the PBI payment period will reduce administrative costs by more than one million dollars and bring final PBI payment dates closer, which would lessen the potential for a shortfall in each Program Administrator's administrative budget.
4. The PBI payment acceleration proposal should have minimal negative impact on PBI customers.
5. The incentives received by PBI customers under the proposed PBI payment structure would not be significantly less than the incentives the customers would have received under the current PBI payment structure.

6. The advantages of the proposed PBI acceleration outweigh the possibility that ongoing system maintenance may be discouraged due to shortened (2-year) PBI payment period.

Conclusions of Law

1. The PBI acceleration will most likely reduce CSI administrative costs and the possibility of administrative budget shortfalls while not harming solar customers.

2. The proposed PBI acceleration is reasonable and shall be approved.

3. A fixed end date for PBI payments may be useful, and we expect to address this issue in 2016.

O R D E R

IT IS ORDERED that:

1. The January 27, 2015 Petition for Modification of Decision 06-08-028 by the Center for Sustainable Energy, Pacific Gas and Electric Company, and Southern California Edison Company (collectively “Program Administrators”) to accelerate the performance-based incentive payment of the California Solar Initiative Program is granted.

2. The Center for Sustainable Energy, Pacific Gas and Electric Company, and Southern California Edison Company (collectively “Program Administrators”) shall file a Tier 1 Advice Letter implementing the changes, which have been approved by today’s decision, to the California Solar Initiative performance-based incentive payment within 60 days of the effective date of today’s decision.

3. Rulemaking 12-11-005 remains open.

This order is effective today.

Dated December 17, 2015, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners

ATTACHMENT

Southern California Edison
DG-CSI-OIR R.12-11-005
DATA REQUEST SET R.12-11-005-ED-SCE CSI
GMA
Budget Data-001
To: CPUC Prepared by: James Hodge Title: Manager
Dated: 08/10/2015

Southern California
Edison
DG-CSI-OIR R.12-11-005
DATA REQUEST SET R.12-11-005-ED-SCE CSI GMA
Budget Data-001
To: CPUC Prepared by: James Hodge Title: Manager
Dated: 08/10/2015

Question 01:

Please provide the amounts of funds available for SCE’s administration of the CSI GM program as of December 31st , 2015 and December 31st , 2016. Include in your response the information in Table 1 below.

The data provided should be up-to-date as of August 27, 2015, and be populated using the table structures below.

Table 1 (for Question 1)

	December 31 st , 2015	December 31 st , 2016
CSI General Market Administrative Funds Available		
Unallocated Admin Funds		
Funds from other sources that could be used for CSI GM administration (Please state the sources of the		
Total fundings available for CSI GM administration		

Response to Question 01:

See Table 1 attached. Please note that data for Table 1 was extended to include the entire period in question. Though the program ends December 31, 2016, CSI administration funds, independent of PBI, will be required at least through 2018.

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Table 1 (for Question 1)

	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21
CSI General Market Administrative Funds Available	\$ 629,519	\$ (1,761,099)	\$(2,389,413)	\$ (3,017,726)	\$ (3,072,242)	\$ (3,110,666)	\$ (3,124,166)
Unallocated Admin Funds*	\$ 3,174,000	\$ 3,174,000	\$ 3,174,000	\$ 3,174,000	\$ 3,174,000	\$ 3,174,000	\$ 3,174,000
Funds from other sources that could be used for CSI GM administration (Please state the sources of the funds)	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Total fundings available for CSI GM administration	\$ 4,903,519	\$ 2,512,901	\$ 1,884,587	\$ 1,256,274	\$ 1,201,758	\$ 1,163,334	\$ 1,149,834

*Authority for SCE to utilize the Unallocated Admin Funds must be granted by the CPUC.

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Question 02:

Would SCE be able to solve the CSI GM program administrative funds deficit within the current CSI budget if the Petition of the Center for Sustainable Energy , Pacific Gas and Electric Company, and Southern California Edison Company for Modification of Decision D .06-08-028 to Change the Performance-Based Incentive Payment Structure of the California Solar Initiative Program , filed on January 27, 2015 is not granted?

- i. If yes, please explain in detail SCE’s plan. Include in your response the information in Table 2 below from 2016 to the last year of PBI payment;
- ii. If not, please explain in detail any SCE’s efforts to postpone the deficit date. Include in your response the information in Table 2 below from 2016 to the year when the CSI GM budget runs out.

The data provided should be up-to-date as of August 27, 2015, and be populated using the table structures below.

Table 2 (for Question 2&3)

Year	2016
Number of PBI participants		
Number of PBI payments		
PBI labor cost		
PBI payment system/database maintenance cost		
Other PBI cost		
Total admin costs		
Total available admin budget		

Southern California Edison
DG-CSI-OIR R.12-11-005

**DATA REQUEST SET R.12-11-005-ED-SCE CSI GMA
Budget Data-001**

**To: CPUC Prepared by: James Hodge Title: Manager
Dated: 08/10/2015**

Response to Question 02:

Yes, provided that some portion of the Unallocated Admin Funds account is made available to SCE for use in administering the program. SCE can access this account only with the specific authorization of the CPUC.

i. SCE has been aware for some time that remaining CSI admin funds are insufficient to see the program to conclusion. We began minimizing costs in every way possible starting in June of

2014 and began carefully reviewing all costs each month. We also identified approximately \$1.1 million in unutilized CSI Marketing and Outreach that could be committed to the administration of CSI GM. We recognized that some part of the Unallocated Admin Funds would have to be authorized for use by SCE to administer the program. The plan we put together allows us to administer the CSI GM program through mid 2022 (to close out the very last of the PBI payments should the Petition not be granted). If authorization to utilize the Unallocated Admin Funds is granted, SCE would need approximately \$2 million of the \$3.1 million to complete the program (See Table 1 from Question 1). Should the petition be granted we would expect a savings of approximately \$155,000 in admin expenses, and therefore need approximately \$155,000 less of the Unallocated Admin Funds.

Southern California Edison
DG-CSI-OIR R.12-11-005

DATA REQUEST SET R.12-11-005-ED-SCE CSI GMA
Budget Data-001

To: CPUC Prepared by: James Hodge Title: Manager
Dated: 08/10/2015

Question 03:

Assuming that the Petition *Ibid.* is granted, please provide the following data:

- i. The last year of PBI payment;
- ii. PBI administrative budget from 2016 to the last year of PBI payment, breakdown by year and expenditure categories, using Table 2 below.

The data provided should be up-to-date as of August 27, 2015, and be populated using the table structures below.

Table 2 (for Question 2&3)

Year	2016
Number of PBI participants		
Number of PBI payments		
PBI labor cost		
PBI payment system/database maintenance cost		
Other PBI cost		
Total admin costs		
Total available admin budget		

Response to Question 03:

- i. The last PBI payment would take place in June of 2019 if the Petition is granted. ii. See attached Table 2 below.

Southern California Edison
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Budget Data-001

To: CPUC Prepared by: James Hodge Title: Manager
Dated: 08/10/2015

Table 2 (for Question 2&3)

Year	2016	2017	2018	2019	2020	2021	2022
Number of PBI participants	1,247	1,003	818	590	417	61	-
Number of PBI payments	13,716	11,028	8,568	9,000	4,584	672	114
PBI labor cost	\$ 103,848	\$ 107,052	\$ 86,712	\$ 54,516	\$ 38,424	\$ 13,500	\$ 1,038
PBI payment system/database maintenance cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other PBI cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total admin costs	\$ 103,848	\$ 107,052	\$ 86,712	\$ 54,516	\$ 38,424	\$ 13,500	\$ 1,038
Total available admin budget*							

* There is no PBI specific budget. PBI is administered out of the CSI GM admin budget. See Table 1 for details.

(END OF ATTACHMENT)