Decision 16-06-006 June 9, 2016

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 FUNDING AUTHORIZATIONS AND RELATED MEASURES FOR CONTINUATION OF THE NEW SOLAR HOMES PARTNERSHIP PROGRAM

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DECISION FUNDING AUTHORIZATIONS AND RELATED MEASURES FOR CONTINUATION OF THE NEW SOLAR HOMES PARTNERSHIP PROGRAM

Summary

This decision authorizes funding of $111.78 million to provide for continuing financial incentives for homeowners, builders, and developers to install solar energy systems on new, energy efficient residential dwellings under provisions of the New Solar Homes Partnership (NSHP) Program. The authorized funding shall be collected in the distribution rates of electric retail distribution customers of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.

Pursuant to today's decision, we also designate the California Energy Commission (CEC) to continue as the administrator of the NSHP Program. Finally, we establish administrative and oversight-related requirements for the NSHP Program, as warranted, to promote efficient and cost-effective use of the authorized funds, as discussed herein.

In adopting these measures, we recognize the importance of the NSHP Program to help advance the State of California's clean energy goals, including those in Senate Bill (SB) 1 (Murray, Stats. 2006, ch. 132). SB 1 authorized a 10-year program to install 3,000 megawatts of onsite solar energy systems, including placing solar energy systems on 50 percent of new homes by 2020.

The NSHP Program was established under the provisions of the SB 1, with funding through the Renewable Resource Trust Fund (RRTF) allocated to the CEC's Emerging Renewables Program. SB 1 authorized $400 million of NSHP funding for solar energy system installations on new construction. However,

because the funding source for the RRTF ended on December 31, 2011, the program was not sufficiently funded. Public Utilities Code Section 2851(e)(3)[1] authorizes the California Public Utilities Commission (Commission) to consider the continuation of funding if the CEC notifies the Commission that NSHP funds have been exhausted, which the CEC did in November, 2015.

1. Procedural Background

This decision resolves issues highlighted in a November 13, 2015 letter sent by the California Energy Commission (CEC) Executive Director to the Commission (the CEC letter). The CEC letter requested Commission action: (a) to require Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (investor-owned utilities or IOUs) to collect $111.78 million in funding to enable the New Solar Homes Partnership (NSHP) Program to continue; (b) to designate the CEC as administrator of the continued NSHP Program; and (c) to establish related administrative and oversight requirements. The CEC sought timely consideration of its request to avoid interruption in NSHP funding, which could negatively impact the solar industry and impede progress in reaching California's clean energy goals.

Addressing the CEC letter in this proceeding is consistent with the Amended Scoping Memo, issued on December 11, 2015, in Rulemaking (R.) 12-11-005, which stated in part:

> Issues related to § 2851(e)(3) regarding the New Solar Homes Partnership Program, including a decision responding to the

[1] Unless otherwise specified, all subsequent statutory references are to the California Public Utilities Code.

> California Energy Commission's letter and supporting materials dated November 13, 2015 notifying the Commission that funding for the NSHP Program will be exhausted in or around September 2016 and requesting continued funding.[2]

On December 7, 2015, the assigned Commissioner in this proceeding issued a ruling calling for comments on the CEC letter. Opening comments were filed on January 8, 2016, and reply comments were filed on January 22, 2016.

Parties filing comments in response to the assigned Commissioner's ruling included the CEC, PG&E, SDG&E, the Office of Ratepayer Advocates (ORA), the California Housing Partnership Corporation (CHPC), the California Building Industry Association jointly with the Solar Energy Industries Association and the California Solar Energy Industries Association (Joint Parties), and SolarCity Corporation (SolarCity).

Based upon review of the CEC letter and the supporting information attached thereto, together with parties' comments in response to the assigned Commissioner's December 7, 2015 ruling, we reach the conclusions and adopt the measures relating to the NSHP Program outlined in this decision.

2. Need for Funding to Continue the NSHP Program

2.1. Parties' Positions

The CEC requests that the IOUs be required to collect $111.78 million in ratepayer funding to continue the NSHP Program. Without this additional funding, the CEC projects that any remaining NSHP Program funds will be exhausted on or around September 2016.

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[2] Assigned Commissioner's Ruling and Amended Scoping Memo at 7, issued December 11, 2015, in R.12-11-005, Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.

The CEC argues that the requested funding will enable the NSHP Program to continue, thereby providing an important source of monetary incentives for installation of new solar energy systems in California. In this way, the NSHP can contribute toward meeting California's goals for clean, renewable energy supplies.

The CEC calculates that $111.78 million in funding is required to keep the NSHP Program from running out of money by the fall of 2016. The NSHP Program funding was capped at $400 million, and supported by the public goods charge (PGC) under Section 399.8. The PGC, however, was allowed to sunset in 2012 and was not renewed.

The request for $111.78 million bridges the gap between the $400 million statutory budget and Renewable Resource Trust Fund (RRTF) funding allocated to the NSHP Program to date. The sum of RRTF funds allocated to the Emerging Renewables Program and NSHP through 2011 totals approximately $282 million. In addition to the $282 million expressly allocated to the NSHP Program, $6.23 million originally appropriated (not loaned) from the RRTF to the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) was recently returned to the RRTF. The CEC treats the $6.23 million returned to RRTF as funds available for the NSHP Program. CEC notes that program applications could increase in 2016 due to improvement in the housing market and possible increased demand for solar homes, which could exhaust funding sooner than estimated.

The $111.78 million funding request is derived as follows:

	In $millions
Statutory NSHP Program cap	400.00
Less Funds allocated to NSHP Program to date	- 281.98
Funds returned from CAEATFA/ECAA appropriation	- 6.23
Additional Funding Requested	$111.79

The CEC estimates that these funds could provide incentives for 200 to 290 MW of solar capacity, depending on energy efficiency levels and the mix of market-rate versus affordable housing projects. This additional solar capacity will help continue the momentum to advance the new solar homes market. Builders design and plan constructions years in advance and need certainty about NSHP incentives to include solar in their plans.[3]

PG&E estimates $59.3 million in unencumbered NSHP funds currently available for new projects. When combined with appropriation repayments the CEC is owed for NSHP Program funds of $6.23 million, PG&E estimates that available funds total at least $65 million. PG&E claims that due to declining demand, the $65 million is more than sufficient to meet NSHP needs through early 2017.

PG&E and SDG&E claim CEC's funding request is premature, subject to the CEC refiling with more information on need, cost-effectiveness and accounting for prior expenditures. PG&E argues that previously collected NSHP funds should be accounted for, audits of expenditures should be completed, and ratepayer funds diverted by the Legislature for other purposes should be

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[3] CEC comments at 6.

accounted for and returned to the RRTF before more rate increases are authorized.

PG&E argues that given the limited RRTF accounting information and lack of audits of expenditures provided by the CEC, it is not currently possible to determine how much money collected from IOU customers and transferred to the fund was expended in accordance with program criteria rather than diverted by the Legislature for other purposes, paid in incentives without confirmation that program requirements are met, or diverted disproportionately to recipients outside the service territory of each respective utility.

PG&E and SDG&E also claim additional funding cannot be approved at this time because the CEC has not yet exhausted all available NSHP funds. SDG&E argues that Section 2851(a) mandates that NSHP incentives are to be zero by December 31, 2016, with no language therein allowing the Commission discretion to continue award incentives after this date.

Section 2851(e)(3)(A) authorizes the Commission to require the IOUs to continue the NSHP Program until the $400 million statutory budget is reached, if notified that NSHP funding sources have been exhausted.[4] SDG&E interprets this statutory language as requiring delay of consideration of the CEC's request until after all existing program funds have been exhausted.

PG&E also recommends that a cost-effectiveness study be conducted for new residential solar prior to approving NSHP Program continuation. PG&E cites a Lawrence Berkeley National Laboratory (LBNL) study suggesting that

[4] Public Utilities Code Section 2851(e)(3)(A).

solar installations on new homes are cost effective without rebates.[5] A study such as the one suggested by PG&E would take significant time to complete given the competitive solicitation process for consultants under the Public Contract Code. CEC argues that current NSHP funding would likely be exhausted before such a study could be completed. Delaying approval of additional funding for the NSHP Program pending completion of such a study would thus be disruptive to the market for solar on new construction. If CEC staff were to conduct the analysis, it would significantly delay timely processing of NSHP applications and payment claims, which would also disrupt the market.

PG&E also argues that a market transformation study should be done to "assess the extent to which the new residential solar market has been transformed in California, [and] identify market barriers" prior to extending funding for the NSHP Program. The CEC responds that delaying approval of additional funding for the NSHP until completion of a market transformation study would have the same impacts as delaying approval to conduct a cost-effectiveness study.

ORA argues that since the funds have not actually been exhausted, there is time for the Commission to consider changes to the program design in the context of changes to the solar market since the program was established.

The CEC claims that it has provided transparent, publicly-available financial information sufficient to support its request. Total funding allocated to the Emerging Renewables Program element of the Renewable Energy Program is shown in Table 2 of the "Supporting Information" attached to CEC's letter. The

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[5] *See* PG&E Comments, dated January 8, 2016 at 8, Footnote 17.

text accompanying Table 2 explains how the portion of funding allocated to the NSHP Program was calculated. The CEC also provided information on each outstanding appropriation and allocation from the RRTF.[6]

The CEC also disputes the statutory interpretation that § 2851(e)(3)(A) requires delaying consideration of the CEC's request until after existing program funds have been exhausted. The CEC argues that such an interpretation would bring the program to a halt before the Commission could address the CEC's request. The CEC believes that halting the NSHP Program would be at odds with California Solar Initiative (CSI) goals, sending negative signals to the very market segment that the NSHP is trying to develop. The CEC argues that the Commission has authority to approve more NSHP funding without waiting until after all existing funds are exhausted.

2.2. Discussion

We conclude the requested NSHP Program funding should be approved. Based on CEC projections, the NSHP fund could become exhausted on or around September, 2016. Timely approval of additional funding is thus warranted to enable the NSHP Program to continue, and thereby avoid disruption in the market for new solar panel installations in residential construction.

We conclude that CEC has correctly calculated that $111.78 million is needed to avoid interruption in NSHP funding activity. This amount takes into account all PGC funds that ratepayers have contributed, and all funds

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[6] Further information about RRTF funding collections and disbursements from 1998 through 2011 is in quarterly and annual CEC reports prepared and transmitted to the Legislature pursuant to former Section 25748(a) of the Public Resources Code. These reports are posted on the CEC's website.

appropriated from the RRTF by the Legislature still outstanding.[7] Outstanding appropriations of $6.63 million are included in the $288.21 million that CEC calculates as being available for the NSHP Program.

We conclude that PG&E's analysis of program funding is based on incomplete data on program demand and erroneous assumptions on attrition rates. PG&E assumes the CEC can secure immediate repayment of outstanding appropriations from the RRTF and use repayments to continue funding the existing NSHP Program.

The CEC does not request ratepayer funding to make up shortfalls from outstanding appropriations and allocations not being returned, but asks for additional ratepayer collections to reach the $400 million program cap. The CEC states it has taken all actions necessary to ensure the return of outstanding RRTF appropriations, and has set up a repayment schedule for the $2.409 million appropriation, leading to full repayment by fiscal year 2018/2019. The CEC seeks repayment of the $3.622 million appropriation from Department of Fish and Wildlife. The $0.599 million allocation to CAEATFA will be held until January 1, 2025, as required by statute (Assembly Bill (AB) X1 14). Any funds remaining after that will be returned to the RRTF.

CEC's estimate is not based on encumbered funds, but on funding for new applications after subtracting funding requests for applications under review. As of January 5, 2016, available funding was $56.3 million, with applications totaling $20.6 million under review, leaving $35.7 million available for new applications. Based on past average encumbrances of $4-$5 million per month,

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7 This amount includes $2.409 million outstanding on RRTF funds loaned to the CAEATFA, $0.599 million to CAEATFA, and $3.622 million loaned to the Department of Fish and Wildlife.

the estimated time remaining with current funding is seven to nine months. Based on these figures, funding would be exhausted between August and October 2016.

The amount of funding requested is not an accurate measure of future program demand because NSHP incentives decline over time. Incentive levels have declined by 50 percent or more which means that funding demand has stayed relatively stable while the number of systems requesting funding has increased.[8]

We appreciate the need for appropriate administrative controls to ensure proper and cost-effective use of NSHP funds. Later in this decision, we discuss reporting and administrative requirements to assure that funds are used properly and cost effectively. We do not believe, however, that this decision should be delayed in order first to evaluate and review performance and continued need for the NSHP Program. Conducting additional studies before authorizing continuation of the NSHP Program could delay funding which, in turn, could impact the growth of solar energy systems on new homes. Available funding might last somewhat longer if the current incentive structure were to be reformed to decrease incentive levels. As explained below, however, we decline to require that the program administrator change the incentive structure at this time.

We find no statutory basis limiting our authority to approve the NSHP funding request at this time. The Commission has jurisdiction to "supervise and

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[8] The number of systems submitted to the CEC in 2015 is more than triple the number of systems submitted in 2012. There were 1,864 systems installed in 2012 compared to 6,833 systems installed in 2015 (see CEC Reply Comments at 8).

regulate every public utility in the State and may also do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction."[9]

The NSHP Program is governed by Public Resources Code Sections 25401.6, 25744.5, and 25780 – 25784. The NSHP Program has a statutory deadline of June 1, 2018, for encumbering funds under a continuation program.

Section 2851(a) establishes requirements for CSI programs implemented by the IOUs consistent with D.06-01-024, which envisioned a solar energy program implemented by the IOUs and overseen by the Commission and a separate solar energy program implemented and overseen by the CEC. The Legislature intended the continued NSHP Program funds to come from IOU ratepayer collections. The amount of funds that may be collected for this purpose is capped by the $400 million budget specified in the law.

Section 2851(e)(3)(A) provides that the NSHP Program shall be "funded by charges in the amount of four hundred million dollars ($400,000,000), collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company." Accordingly, the Commission has authority to require the IOUs to collect additional NSHP funds until the $400 million authorized limit is reached, as noted in D.11-12-035 (of R.11-10-003) and Public Utilities Code Section 729.[10]

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[9] Decision (D.) 11-12-035 at 15. Citing to *San Diego Gas & Elec. Co. v. Superior Court*, 13 Cal.4th 893, 914-15 (1996), quoting *Consumer Lobby Against Monopolies v. Pub. Util. Com.*, 25 Cal.3d 891, 905 (1979).

[10] CEC comments at 8.

Section 2851(e)(3)(A) requires that funding under a continued NSHP Program be utilized only after program funds available pursuant to Public Resources Code Section 25751 and any other program funds have been exhausted. This requirement can be satisfied by authorizing collection of funds by the IOUs with transfer to the CEC based upon the conditions adopted in this decision. It is not necessary, however, to wait until all NSHP Program funding exhausts before requiring the IOUs to collect additional funds for the continued program.[11]

Continuation of the NSHP Program will help accomplish SB 1 goals of: (1) installing 3,000 megawatts (MW) of photovoltaic generation capacity; (2) establishing a self-sufficient solar industry in which solar energy systems are a viable mainstream option for homes and businesses in 10 years; and (3) placing solar energy systems on 50 percent of new homes in 13 years.

In 2012, several large companies began to offer rooftop solar as a standard feature on their new home construction. Most, if not all, of these builders relied on NSHP incentives. As a result, market penetration of solar for new homes has increased from less than one percent to more than 20 percent today. This level remains far short of the 50 percent penetration level for 2020 envisioned in SB 1. Small and medium-size builders are just beginning to include solar in new homes construction. Disruption in the incentive program could disrupt this momentum.[12]

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[11] Pub. Util. Code § 2851(e)(3)(B) provides, in part, as follows: If the commission requires a continuation of the program pursuant to subparagraph (A), any funding made available pursuant to the continuation program shall be encumbered through the issuance of rebate reservations by no later than June 1, 2018, and disbursed no later than December 31, 2021.

[12] Solar Energy Industries Association Comments at 4.

Based on a 2014 LBNL report, the median price of systems installed on new homes in 2014 was lower than for similarly sized residential retrofits, suggesting the economies of scope and scale with large developments of new solar homes may offer substantial savings on photovoltaic (PV) system pricing.

As noted by the CEC, most of the early price reductions in solar system costs were due to reduced PV module prices. More recent drops have come from soft cost reductions. Soft costs, such as marketing, customer acquisition, permitting, system design, and installation labor, are becoming significant, especially in California, where costs are higher than in most states. High construction labor costs also contribute to increased soft costs for solar installations in California.

Therefore, it is appropriate to focus on coordinating solar with new home construction, where shared labor, integrated system design, and economy of scale leads to lower soft costs.

The NSHP Program creates incentives for the builder of new homes, not the homeowner, to include solar as a standard home feature. The business decision for a builder to include solar in new residential construction differs significantly from that of an individual homeowner considering solar for an existing home. For new homes, the homebuilder, rather than the homeowner, must pay to install solar as a standard feature. Homebuilders do not receive the economic benefit of reduced electric bills, but instead bear the burden of increased cost to include a solar system. Without access to the NSHP incentives, builders may be hesitant to assume the risks of increasing building costs in a competitive new home market.

3. Designation of Program Administrator for the NSHP Program

3.1. Parties' Positions

Parties disagree concerning who should be designated to serve as NSHP Program Administrator in conjunction with any funding authorizations granted in this decision. Public Utilities Code Section 2851(e)(3)(A) states, "The commission, in consultation with the Energy Commission, shall supervise the administration of the continuation of the New Solar Homes Partnership Program by an electrical corporation or third-party administrator." The statute also states: "The commission may determine whether a third party, including the Energy Commission, should administer the utility's continuation of the New Solar Homes Partnership Program."

In conjunction with its request for approval of augmented funding to continue the NSHP Program, CEC asks to be designated as the administrator for the continued program.

ORA, CHPC, SolarCity, and the Joint Parties support the CEC request to continue as Program Administrator. PG&E argues, however, that if an additional rate increase to fund the NSHP Program is deemed necessary, the Commission should resume direct regulation and control over the use of the ratepayer funds under the program, authorizing the IOUs to administer the NSHP Program. PG&E claims that it has a proven track record of successfully administering the CSI Program.

PG&E argues that if the NSHP Program funding is extended through July 1, 2018, the IOUs should be authorized to establish a balancing account and to administer the program directly to better align with other customer distributed generation, Demand Side Management, and zero net energy (ZNE) programs currently administered by the IOUs. PG&E argues that it is closer to its customers and has an established portfolio of programs and products to meet their energy needs. PG&E claims that the CEC has not provided sufficient data to substantiate its Program Administration effectiveness, and that CEC accounting practices are unclear and difficult to follow.

3.2. Discussion

We grant the request of CEC to continue as NSHP Program Administrator. The CEC has overseen administration of the NSHP Program since its inception in 2006 and is experienced with program requirements and management.

In 2008, the CEC outsourced day-to-day Program administration to the IOUs to improve operational efficiencies relating to time-consuming functions and to allow CEC staff to focus on policy analysis, program evaluation, and in-field project performance and compliance auditing. From mid-2008 until August 31, 2014, the NSHP Program was administered by the three IOUs for customers in their respective service areas. (SDG&E's service area program was administered by the California Center for Sustainable Energy.)

In early 2014, the IOUs informed CEC staff that they would likely seek an increase in the contract amount when contracts were renewed in 2015. CEC management concluded that CEC administration would be more efficient and cost-effective, providing a single point of contact, consistent administration, and reduced costs from duplication, administration, and processing errors. The CEC subsequently notified the IOUs that it would resume day-to-day administration of the Program, and began doing so on September 1, 2014.

Under CEC administration, the NSHP backlog has been reduced and a single point of contact for builders has simplified and streamlined the application process and remedied the past discrepancies in statewide administration. Since the CEC took over administration of the NSHP, the CEC asserts that the Program has seen significant cost savings, a streamlined application review process, and exceptional customer service. The estimated annual cost for CEC staff to administer the NSHP is approximately $600,000, compared to the $1 million contract with the utilities. The CEC's costs are based on actual annual staff and student costs, including overhead, to process the applications, payment claims and related administrative functions. This results in an annual savings of approximately $400,000 for program administration. By providing a single, consistent point of contact, the CEC can ensure clarity and consistency about program eligibility requirements and administration. Continued CEC administration will utilize existing CEC staff resources, leaving all requested funding for the continued NSHP Program available for incentives.

We are not persuaded that designation of the IOUs to take over the administration of the NSHP Program is warranted. Many of the originally expected benefits of outsourcing NSHP administration to the IOUs did not materialize. For example, CEC staff had to provide detailed oversight of the IOUs' day-to-day work to identify and correct frequent errors, resulting in duplicative work and preventing CEC staff from focusing on data analysis, program evaluation, and other tasks. CEC staff had to respond to information requests from applicants who experienced conflicting information between program administrators in different IOU service territories. IOU administrators frequently did not adequately respond to applicants.

Moreover, during the period when the IOUs were administering the NSHP Program, different interpretations of the CEC's NSHP Guidebook (Guidebook) frequently resulted in differences in how the Program was administered between utility service territories. As a result, there was confusion and frustration among many program participants, particularly those with NSHP installations in more than one service territory.

Differing interpretations of the Guidebook among IOU administrators resulted in lengthy e-mail exchanges to define mutual understandings and resolve confusion among stakeholders, homeowners, and the solar industry as to which program contacts were providing correct information. Different instructions provided by multiple program administrators led stakeholders to frequently contact CEC staff to double check the accuracy of information received, resulting in duplicate efforts. These problems were particularly challenging for builders and other stakeholders with a statewide presence who were trying to coordinate NSHP participation on a statewide basis, only to find program interpretations could vary based on the IOU administrator.

No significant cost savings resulted from outsourcing administration of the program to the IOUs. The combined annual cost of the IOU program administration contracts from 2008-2014 was approximately $1 million.

Given all of these considerations, we decline to designate the IOUs as program administrators. The CEC shall continue as the NSHP Program Administrator.

4. NSHP Incentive Structure

4.1. Parties' Positions

PG&E, SDG&E, ORA, and CHPC suggest changes to the incentive structure for the NSHP Program. The NSHP Program requirements are found in the guidelines adopted by the CEC as set forth in the Guidebook. The NSHP Program incorporates two incentive structures; one for market rate housing and affordable housing common areas, and another for affordable housing residential projects. The market rate housing incentive structure is subdivided into various incentive levels based on energy efficiency:

- A Tier 1 incentive for buildings that exceed energy efficiency requirements of Title 24 Building Standards by at least 15 percent.
- A Tier 2 incentive for buildings that exceed energy efficiency requirements of Title 24 Building Standards by at least 30 percent.
- A lower "code compliant" incentive is available for homes that meet (rather than exceed) the 2013 Title 24 Building Standards.

A gradually declining ten-step incentive level system applies with incentives gradually decreasing as the market develops toward self-sufficiency. The incentive for the market rate housing component dropped in December 2015 from level 7 to level 8 ($0.50/watt (W) for code-compliant, $0.75/W for Tier 1, and $1.25/W for Tier 2). Currently, the CEC asserts that the economic viability of solar as a standard feature for new homes remains tenuous, requiring an incentive rate that makes it feasible to incorporate solar systems into new construction. The higher NSHP incentive rates reflect Program-specific costs of third-party field verification of the solar energy system as well as verification of the home's energy efficiency level. These measures safeguard ratepayer funds and guarantee that incentives are paid only to projects that meet all Program requirements.

PG&E recommends reserving funding for projects under the continuation NSHP Program at the lowest CSI incentive tier ($0.2/W for Tier I and $0.3/W for Tier 2). SDG&E similarly favors reduced incentive levels in line with the lowest step of the general CSI Program ($0.2/W) if the NSHP Program is continued.

PG&E also recommends a significant reduction of the current NSHP incentive level for market rate housing with elimination of the "code-compliant" incentive, unless need for current subsidy levels is demonstrated. PG&E argues that paying a code-compliant incentive does not support the California loading order to maximize energy efficiency savings before self-generation.

The CEC, however, believes this incentive option should continue. As homebuilders must meet increasingly stringent standards, the costs increase for building a code-compliant home, much less a significantly above-code home. With the imminent implementation of the 2016 Building Energy Efficiency Standards, builders will be required to construct homes that are only one code cycle away from mandatory ZNE energy efficiency requirements. Under the 2016 Standards, achievement of Tier I or Tier II status can be costlier and more difficult than in previous code cycles. CEC data indicates that homes meeting code-compliant levels in the 2016 Building Standards are 57 percent more energy efficient than code-compliant homes that met the 2005 Building Standards in effect when the NSHP Program began. In preparation for California's ZNE goal, even homes at the code-compliant level will still serve an important role in achieving the ZNE goal.

ORA argues the current NSHP Program structure may not be the most effective means to achieve California's energy and environmental goals, given that two-thirds of customer sited solar projects interconnected in 2014 did not receive CSI incentives.

The CEC responds that this may be true, if at all, for the residential retrofit market, which was the focus of the CSI Program. For the NSHP Program, however, the focus is on placing solar on new homes during construction. Even with the reduced costs of solar, CEC argues that there is no guarantee that a homeowner will install solar after the home's construction. Integrating the solar installation with the new home construction ensures that the goals of SB 1 and the distributed generation component of ZNE will be met.

CHPC requests that CEC administrative guidelines be amended to align with similar requirements adopted for the Multifamily Affordable Solar Homes Program. CEC staff recently worked on revisions to the NSHP affordable housing requirements in 2015 and plans to look into additional changes during 2016. CHPC also recommends allocating 50 percent of any funding approved by the Commission to affordable housing projects.

The CEC argues that a drop in incentive levels as proposed by PG&E and SDG&E would not adequately support SB 1 or the solar industry goals. The CEC opposes any restructuring of NSHP Program incentives at this time, and believes the current structure is appropriate to achieve program goals, with no additional requirements beyond those specified in the CEC's NSHP Guidebook. The CEC was directed by the Legislature in SB 1 to establish eligibility criteria for solar energy systems and conditions for ratepayer funded incentives applicable to the CSI, indicating that the Legislature believed the Energy Commission was the appropriate entity to oversee conditions for funding for programs under the broader statewide solar incentive program (CSI), which includes the NSHP Program.

The NSHP Guidebook is revised typically once each year, to address issues such as changes in technology, the market, or statute. The CEC works with industry stakeholders, and the affordable housing and environmental communities to seek and incorporate feedback in each Guidebook revision, and suggests it can maintain these relationships and ensure high-quality NSHP administration. The CEC claims it has established well-defined eligibility guidelines and requirements for NSHP Program participation in the Guidebook.

The CEC believes it would need to consider the encumbrance deadline for an NSHP continuation program if allocations of funding were changed based on revisions to the incentive structure. All funding for program continuation must be encumbered by June 1, 2018. Any funding not encumbered by then is to be returned to the ratepayers. If insufficient affordable housing projects apply to use a particularly large allocation of funds and those funds are not encumbered by the deadline, that would represent a significant lost opportunity to incentivize additional solar installations and could jeopardize overall program goals.

If designated to continue as administrator of the NSHP Program, CEC agrees to work closely with the Commission and stakeholders to identify and implement adjustments to the program, as necessary.

4.2. Discussion

We share concerns expressed by various parties as to whether current levels of ratepayer funded incentives optimize new solar deployment. Based on the limited record, however, and given the need for timely funding approval, we find it is premature to redesign rebate incentive levels without further study.

As current administrator of the NSHP Program, the CEC intends to schedule a public workshop in mid-2016 to discuss needed changes, if any, to the program. Any changes would need to be developed and adopted by the CEC as revisions to the Guidebook in accordance with Public Resources Code Sections 25747(a) and 25784.

We request the CEC to schedule and host a workshop expressly covering the topic of incentive redesign. The workshop agenda should address ways in which the NSHP Program can be used to directly confront the underlying principal-agent market failure. For example, the CEC workshop should consider such approaches as having the CEC (possibly working with the Commission) to develop a methodology for estimating yearly utility bill savings that developers can use to help market solar to new home buyers. Another useful workshop goal would be to work on ME&O [measurement, evaluation and outreach] strategies targeting the new single family home market.

5. Program Administration and Reporting Requirements

5.1. Parties' Positions

Pub. Util. Code § 2851(e)(3) states that continuation of the NSHP Program will be administered pursuant to the guidelines established for the Program by the CEC. If designated to continue as administrator of the NSHP Program, the CEC proposes submitting quarterly and annual reports to the Commission detailing Program status and activities, such as:

- Application reservations, including amount of encumbered funds, amount of reserved capacity, and number of reserved systems;
- Payment claims, including amount of funds paid, total installed capacity, and number of installed systems;
- Length of time to process applications (reserving funds and payment claims);
- Overall progress toward meeting Program goals;
- Program activity by project type (e.g., large developments, custom homes, multifamily); and
- Program activity for affordable housing projects.

SDG&E, ORA, and CEC agree on reporting requirements for the CEC's continued administration of the NSHP, with the exception of providing CEC administrative cost information since the CEC's administrative costs will not be funded with monies approved by the Commission for the continued NSHP Program. The CEC's administrative costs for the continued NSHP Program would be covered by CEC positions approved through the CEC's existing budget and its future budgets.

ORA agrees with these recommended reporting requirements of quarterly and annual reports, with continued monthly updates to the Go Solar California website. ORA also recommends requiring that the report's component for measuring overall progress toward meeting Program goals include the forecasted funding surplus or deficit at the given quarter. The CEC agrees with ORA's reporting recommendation and agrees to include the funding status and the MW progress toward the Program goal, based on data availability.

ORA advocates reports on monthly updates on the Go Solar California website that include previous months of data for comparison, and potentially additional metrics from the NSHP Program case study. The CEC agrees it can publish data from previous months on the Go Solar California website and will consider regular updates to other metrics of interest, such as regional distribution and median community income distribution of NSHP installations, as part of Go Solar California website updates or in periodic reports to the Commission.

CHPC argues that any additional Program funding should be predicated on increased funding for and emphasis on the affordable housing market. The CEC expresses a willingness to consider such Program modifications within the constraints of statutory encumbrance deadlines.

PG&E believes NSHP Program accounting should include: (a) results of audits of expenditures to show overall expenditures meet Program criteria and that incentive recipients complied with requirements; and (b) accounting of aggregate expenditures within each utility service territory compared to collections from ratepayers, to ensure that such funds were not diverted disproportionately to recipients outside each utility service territory.

SDG&E likewise argues that new funding for the NSHP Program should not be authorized until the Commission explores further whether the NSHP is the most efficient and cost-effective mechanism to achieve the State's clean energy goals. SDG&E believes that (1) the CEC should be required to track and recover funds borrowed from the NSHP funding bucket and transferred to the General Fund; and (2) a plan should be put in place to protect NSHP funds from future sweeps into the General Fund or to other state agencies. If the NSHP Program is re-funded, then the incentive levels should be reduced to be in-line with the lowest step of the general CSI Program.

5.2. Discussion

We conclude that the proposed reporting requirements, as noted above, are reasonable. We recognize the importance of sound administrative and reporting measures to provide assurance that NSHP Program funds are being collected and disbursed in an efficient and cost-effective manner in accordance with established goals and expectations. We shall require the following reporting and administration measures in conjunction with continuation of the NSHP Program as authorized herein:

- The CEC shall submit quarterly and annual progress reports to the Commission detailing Program status and activities no later than two weeks after the last day of the reporting quarter or one month after the last day of the reporting year. The final quarterly and annual reporting requirements should continue in effect until December 31, 2021.
- Commission Energy Division staff, in cooperation with the CEC, shall develop a reporting template for quarterly

reports to improve report filing consistency, efficiency and accuracy.

- CEC shall work with the IOUs and Energy Solutions[13] to ensure that the NSHP project data is available on the California Solar Statistics website.[14]
- Existing reporting metrics shall be maintained, such as monthly updates to the "Go Solar California" website.[15]
- Reports shall include forecasted funding surplus or deficit for each given month or quarter.
- Each of the IOUs shall maintain a balancing account or accounts to record all ongoing collections of NSHP funds from their ratepayers and disbursements of those funds to the CEC, or to the applicants, in sufficient detail to ensure that the funds are properly collected and disbursed.
- CEC should consider and discuss at a public workshop a Measurement & Evaluation Plan with impact evaluation and cost-effectiveness studies, consistent with the evaluation of other CSI Programs. The evaluation shall include analysis of NSHP customers' geographic distribution and income distribution. If the CEC determines that it would be beneficial to use NSHP funds for evaluations, the CEC may request as much in this proceeding in addition to requesting spending authority from the Legislature, as needed.
- CEC shall periodically re-assess incentive levels to ensure maximizing ratepayer value.

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13 Energy Solutions is a consultant to the Commission's Energy Division regarding energy efficiency measurement issues.

14 https://www.californiasolarstatistics.ca.gov/.

15 http://www.gosolarcalifornia.ca.gov/.

6. Transfer of NSHP Ratepayer Collections to the CEC

6.1. Parties' Positions

The CEC proposes that NSHP funds collected by the IOUs be transferred to the CEC once the funds have been encumbered through issuance of rebate reservations. In this manner, funds would be transferred to the CEC only after being legally committed to an applicant. The CEC recommends that the IOUs be required to transfer funds to the CEC within 5 business days of receipt of the CEC's invoice for funds transfer.

The CEC also suggests that it must have legislative approval to accept and utilize funds collected by from the IOUs for the continued NSHP Program and to make payments directly to applicants, as the CEC currently does for Program applicants funded through the RRTF. Legislative approval is typically obtained through the State's annual budget act process, where the Legislature appropriates funds to state agencies for various purposes. These legislative hearings are expected to occur soon for the CEC's annual budget for the 2016-2017 fiscal year. The CEC states that it could inform the Legislature during pertinent legislative subcommittee hearings and seek authority to accept and utilize IOU funds for the continued Program as the designated administrator. The constitutional deadline for the Legislature to pass an annual state budget bill is June 15.[16]

In comments on the PD, the CEC suggests that if the CEC does not obtain statutory authority to accept and utilize NSHP funds, an alternative payment process will need to be established so incentive payments under the continued NSHP Program may be made by the IOUs. The CEC recommends the

[16] CEC comments at 19 and 20.

Commission specify the conditions under which the utilities may be required to make incentive payments directly to program applicants and the criteria for doing so, including required CEC monthly reporting and the time frame for making payments. The CEC also suggests the Commission require each utility to file Tier 3 advice letters to propose the utility's administrative costs for processing and issuing incentive payments, allow the utilities to recover their approved administrative costs, and require the utilities to track the payment of incentives to applicants, rather than the disbursement of funds transferred to the CEC. ORA states that any funding mechanism should minimize administrative costs.

PG&E states that if CEC continues to administer the NSHP Program, ratepayer funds should be transferred from the IOU to the CEC only after a final request for incentive payment has been made, but not at the point of reservation fund encumbrance, as proposed by the CEC. PG&E states that the business standard for the processing and payment of invoices is 30 days and asks the commission to consider a net-30 day period for the processing of invoices and transfer of ratepayer funds.

The CEC disagrees with the proposal for IOUs to transfer funds to the CEC only after a final request for incentive payments. CEC is concerned about having to honor legal commitments for NSHP incentives without having funds in State coffers to back the commitment. CEC believes this would create a liability in the event one of the IOUs defaulted on a future payment of Program funds to the CEC. The CEC argues it is not in a position to assume liability for the IOUs, nor does it have legal authority to do so.

The CEC believes it could possibly issue reservations on a conditional basis, however, with responsibility for making incentive payments only if the

IOUs transfer sufficient Program funds to the CEC to cover the incentive payments. CEC argues, however, that such conditional issuance of reservations must be subject to requirements that (a) the transfer of funds to the CEC would only occur after the applicant's payment claim was approved by the CEC, (b) if, for any reason the IOUs did not transfer sufficient funds to the CEC, the CEC would not make payment to the applicant nor assume liability on the IOUs' behalf for making the payment, and (c) conditional issuance of reservations must consider IOU indemnification to safeguard the State, the Commission, and the CEC from litigation and legal expenses resulting from the IOUs' failure to transfer sufficient Program funds to the CEC to cover incentive payments.

6.2. Discussion

We acknowledge PG&E's concerns that funds be transferred to the CEC only after a final request for incentive payment is made. NSHP projects can have long lead times. Transfer once the NSHP funds have been encumbered through issuance of rebate reservations would result in the accumulation of funds far in advance of expenditure of payments, increasing risks that the unexpended funds could be diverted by the Legislature for other purposes. Such diversion has occurred in the past with the RRTF.[17] We recognize that the CEC does not control actions of the Legislature and could not have prevented the Legislature from diverting or borrowing funds from the RRTF. But for these outstanding appropriations, an additional $6.63 million would exist to fund the NSHP Program.

[17] *See*, Supporting Information document CEC November 13, 2015 letter at 20.

To minimize diversion of funds going forward and support the CEC's efficient administration of the Program, we shall require that requests for transfer of funds from the IOUs to the CEC should be triggered by the participant's request for final payment of incentives. The IOUs must transfer funds to the CEC within 30 business days of receipt of the CEC's invoice for fund transfer. We shall also require, however, that the CEC be responsible for making incentive payments only if the IOUs transfer sufficient Program funds to cover the incentive payments, subject to the following conditions:

(a) transfer of funds to the CEC would only occur after the applicant's request for final payment of incentives has been approved by the CEC; and

(b) if, for any reason the IOUs did not transfer sufficient funds to the CEC, the CEC would not make payment to the applicant nor assume liability on the IOUs' behalf for making the payment.

Should the CEC, the State and/or the Commission incur any litigation and legal expenses resulting from the IOUs' failure to transfer sufficient Program funds to the CEC to cover incentive payments, the Commission will assess whether or not IOU indemnification would be required.

Additionally, if the CEC does not obtain statutory authority to accept and utilize NSHP funds as of January 1, 2017, the IOUs are directed to make incentive payments directly to program applicants starting January 1, 2017. We direct the IOUs to work with the CEC and the Energy Division on the process for invoicing and transferring incentive payments under both contingencies and include the details in implementing advice letters.

Any NSHP funds collected by the IOUs, but not encumbered by June 1, 2018 or spent by December 31, 2021 shall be returned to ratepayers.

7. Limiting NSHP Program Expenditures Within IOU Service Territories

7.1. Parties' Positions

PG&E asks that the CEC be required to provide a comparison between aggregate NSHP Program expenditures and ratepayer collections within each IOU service territory to ensure funds are not diverted disproportionately outside each respective service territory. As administrator of the NSHP Program, the CEC can calculate and report on expenditures by the NSHP Program for each IOU service territory.

CEC disagrees with limiting Program expenditures within each IOU service territory to the funds contributed by that IOU's ratepayers. CEC argues that no such requirement exists in law, nor has been applied previously. Nowhere in the law controlling the existing NSHP Program – Public Resources Code Sections 25401.6, 25744.5, and 25780, et seq. – or in Section 2851(e)(3) is there a requirement that NSHP Program expenditures be distributed among the IOU service territories in proportion to the contributions of each IOU's ratepayers. If the Legislature had intended to set spending limits, the statute would have expressly included such a requirement. The question remains whether this requirement is reasonable given Program policy goals.

7.2. Discussion

We decline to require that NSHP funds be proportionally distributed based on IOU service territory. Imposing such a restriction would hinder the Program's ability to reach its 360 MW goal, as well as hinder the SB 1 goal "to place solar energy systems on 50 percent of new homes in 13 years [by the end of 2019]." (Pub. Res. Code § 25780(a).) Such a requirement could result in large affordable housing or market-rate developments remaining unfunded to fill quotas for one IOU service territory even if another IOU may have developers seeking to add solar to new homes.

Affordable housing and market-rate developments are not controlled by the geographical boundaries of an IOU service territory. Creating a policy to prevent otherwise eligible projects from receiving funding simply based on location would be detrimental to meeting the goal of 360 MW of installed solar capacity on new homes and placing solar on 50 percent of new homes by the end of 2019.

Other State programs with related goals have no such requirement. The goals of all new homes in California being ZNE by 2020 and the AB 32 greenhouse gas emission reduction goals do not focus on expenditures per IOU territory. Statewide goals allow for flexibility in meeting the goals in the most cost-effective way without geographical boundaries created in a way completely unrelated to the achievement of those goals.

8. Ratemaking Provisions to Implement Additional NSHP Program Funding

To implement the collection of the $111.78 million for NSHP, we must determine a means of reasonably allocating the $111.78 million funding among the retail ratepayers of the three IOUs. Parties did not expressly propose specific measures as to how the ratemaking allocation process should be implemented. For this purpose, we conclude that the following ratemaking measures are reasonable for purposes of implementing the collection from the IOUs' retail ratepayers of the $111.78 million in NSHP funding.

For purposes of allocating the collection of the $111.78 million among the retail ratepayers of the three IOUs, we shall apply the allocation methodology previously adopted for the Electric Program Investment Charge (EPIC). In

D.11-12-035, EPIC was established to fund renewables and research, development and demonstration programs. The revenue requirements for EPIC were set in the same manner as for the "public goods charge" (PGC), after subtracting an energy efficiency component.[18]

As explained in D.11-12-035, PGC funds were collected through a nonbypassable rate component and pursuant to § 399.8(d), collected by PG&E, SDG&E, and SCE. To the extent that NSHP Program activities are similar to those funded through EPIC and the PGC, we find it reasonable to apply a similar ratemaking allocation for NSHP funding purposes. Accordingly, we shall require that the $111.78 million funding amount be allocated among electric retail distribution customers within the service territories of the three IOUs using the percentage allocations previously applied for purposes of EPIC, as set forth in Ordering Paragraph 7 of D.12-05-037. These percentage allocations result in the revenue requirement amounts per utility, as allocated below.

Utility	Allocation Percentage	Revenue Requirement (in $millions)
PG&E	50.1%	$56.00
SDG&E	8.8%	$9.84
SCE	41.1%	$45.95
TOTAL	100.0 %	$111.78

[18] As explained in D.11-12-035, the purpose of a PGC, as mandated by statute, was to guarantee funding for necessary activities that may not otherwise be supported during a move toward competitive wholesale and retail markets for electricity, as anticipated at the time. The PGC expired in December 2011.

PG&E, SCE, and SDG&E shall each collect their respective share of the $111.78 million revenue requirement as shown by collecting the funds in distribution rates calculated on an equal cents-per-kilowatt-hour (kWh) basis, billed to their retail electric distribution customers. The charges shall be sufficient to recover the authorized amounts over a 12-month period based on each utility's most recently approved 12-month retail sales forecast.

9. Comments on Proposed Decision

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 on May 23, 2016, and reply comments were filed on May 31, 2016. In response to Comments, revisions have been made, as appropriate.

10. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Regina M. DeAngelis is the assigned ALJ in this proceeding.

Findings of Fact

1. The NSHP Program provides financial incentives for homeowners, builders, and developers to install solar energy systems on new, energy efficient residential dwellings.

2. NSHP Program requirements are set forth in the Guidebook which incorporates one incentive structure for market rate housing and affordable housing common areas, and another for affordable housing residential projects.

3. Section 2851(e)(3)(A) provides for NSHP Program funding capped at $400 million, pursuant to collections from ratepayers of SDG&E, SCE, and PG&E.

4. Without additional funding sources, it is reasonable to project that any remaining NSHP Program funds will be exhausted on or around September 2016.

5. Additional funds totaling $111.78 million are needed for the NSHP Program to continue, and to bridge the gap between the $400 million statutory budget and current funding allocations.

6. Enabling the NSHP Program to continue will provide incentives for additional installation of solar energy systems on new, energy efficient residential dwellings, and thereby help to accomplish SB 1 goals and other State of California clean energy goals that have not yet been met.

7. In funding the authorized NSHP collection amount of $111.78 million for ratemaking purposes, it is reasonable to apply ratemaking allocations previously applied for EPIC, as established in D.11-12-035, to fund renewables and research, development and demonstration programs. Applying these methodologies results in the revenue requirement allocations of the $111.78 million total for ratepayer billing purposes as set forth in Ordering Paragraph 1 below.

8. The CEC has overseen administration of the NSHP Program since its inception in 2006 and is experienced with Program requirements and management.

9. Under CEC administration, the NSHP backlog has been reduced and a single point of contact for builders has simplified and streamlined the application process and remedied the past discrepancies in statewide administration.

10. During the time that investor-owned utilities were administering the NSHP Program, different interpretations of the Guidebook frequently resulted in differences in how the Program was administered between utility service

territories. As a result, confusion and frustration resulted among many Program participants.

11. Designating the CEC to continue as NSHP Program Administrator and utilizing its existing payment process will promote efficiency and sound Program management.

12. Although questions exist regarding whether current levels of ratepayer funded incentives offer the optimal way to maximize solar installations, it is premature for the Commission to require that the CEC reduce or redesign NSHP rebate incentive levels at this time.

13. Requiring that NSHP funds be proportionally distributed to applicants based on IOU service territory would hinder the Program's ability to reach its 360 MW goal, as well as hinder achieving SB 1 goals.

14. The CEC does not currently have statutory authority to accept and utilize funds to administer the NSHP program.

Conclusions of Law

1. This proceeding is the appropriate procedural vehicle to resolve the issues identified in the CEC letter dated November 13, 2015, requesting Commission action: (a) to require the IOUs to collect $111.78 million in funding to enable the NSHP Program to continue; (b) to designate the CEC as administrator of the continued NSHP Program; and (c) to establish certain related administrative and oversight requirements.

2. Benefits associated with the NSHP Program should continue to accrue to the ratepayers and citizens of California to the extent that such programs are just and reasonable and consistent with law.

3. Public Utilities Code Section 451 requires, among other things, that public utility charges be just and reasonable and that every public utility furnish and

maintain such adequate efficient, just, and reasonable service as are necessary to promote the safety, health, comfort, and convenience of its customers and the public.

4. The Commission has the authority (a) to require collection of funds for the NSHP Program to continue without interruption, (b) to designate a Program Administrator and (c) to establish administrative and oversight-related requirements for the continued NSHP Program.

5. It is in the public interest to impose charges on electric retail distribution customers within the service territories of PG&E, SCE, and SDG&E necessary to collect a total of $111.78 million for funding of the NSHP Program, based on the ratemaking allocations as set forth in Ordering Paragraph 1.b. below, and as previously applied to EPIC (specified in Ordering Paragraph 7 of D.12-05-037).

6. Public Utilities Code Section 2851(e)(3)(A) provides that the NSHP Program shall be funded by charges in the amount of $400 million collected from customers of SDG&E, SCE, and PG&E.

7. It is not necessary to wait until all NSHP Program funding exhausts before requiring additional ratepayer funds to be collected for the continued Program. Public Utilities Code Section 2851(e)(3)(A) requires, however, that funding under a continued NSHP Program be utilized only after Program funds available pursuant to Public Resources Code Section 25751 and any other Program funds have been exhausted.

8. Public Utilities Code Section 2851(e)(3) states that continuation of the NSHP Program will be administered pursuant to the guidelines established for the Program by the CEC.

9. The CEC should be designated to continue as NSHP Program Administrator.

10. In the interests of sound Program administration and accountability, appropriate reporting and administrative requirements should be imposed.

11. If the CEC does not obtain statutory authority to accept and utilize NSHP funds as of January 1, 2017, the IOUs should make incentive payments directly to program applicants starting January 1, 2017.

O R D E R

IT IS ORDERED that:

1. Within 20 days of the effective date of this decision, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall each file a Tier 1 advice letter to propose modifications to electric preliminary statements to establish the cost recovery mechanism for continued funding of the New Solar Homes Partnership (NSHP). The advice letter will provide that:

   a. The collected funds from ratepayers shall be expressly reserved for continuation of the NSHP.

   b. The rates charged to customers shall be set to collect funding in the amount of $111.78 million, plus franchise fees and uncollectibles, to be recovered from retail electric distribution ratepayers of PG&E, SDG&E, and SCE, through PPP rates, beginning on each utility’s next scheduled electric rate charge, and allocated using percentages approved for use with EPIC in Ordering Paragraph 7 of D.12-05-037, applied as follows:

Utility	Allocation Percentage	Revenue Requirement (in $millions)
PG&E	50.1%	$56.00
SDG&E	8.8%	$9.84
SCE	41.1%	$45.95
TOTAL	100.0 %	$111.78

c. The charges to fund NSHP shall apply on an equal cents per kWh basis as necessary to collect the amounts shown in Ordering Paragraph 1b above, using the above-referenced allocation percentages. The charges shall be set to recover the authorized amounts based on each utility's most recently approved 12-month retail sales forecast.

2. The California Energy Commission is hereby designated as administrator for the continued New Solar Homes Partnership Program, as authorized in this decision.

3. In its capacity as New Solar Homes Partnership (NSHP) Program Administrator, the California Energy Commission shall, beginning with the effective date of this decision:

a. Submit quarterly and annual progress reports to the California Public Utilities Commission (Commission) detailing NSHP Program status and activities no later than two weeks after the last day of the reporting quarter or one month after the last day of the reporting year. The final quarterly and annual reporting requirements should continue in effect until December 31, 2021;

b. Maintain existing reporting metrics, including but not limited to, monthly updates to the "Go Solar California" website; and

c. Provide the Commission with a forecast of any funding surplus or deficit for each given month or quarter reported.

4. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall each implement measures necessary to establish and maintain a balancing account, or accounts, as necessary to record all ongoing collections of New Solar Homes Partnership funds from ratepayers and disbursements of those funds to the California Energy Commission or the applicants.

5. The Commission's Energy Division staff, in cooperation with the California Energy Commission, shall develop a reporting template for quarterly budget report and progress reports to improve consistency, efficiency and accuracy.

6. The California Energy Commission shall work with Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Energy Solutions to ensure that the New Solar Homes Partnership project data is available on California Solar Statistics.

7. The California Energy Commission shall consider and discuss at a public workshop a Measurement & Evaluation Plan for the New Solar Homes Partnership Program with, at a minimum, impact evaluation and cost-effectiveness studies, to be consistent with the evaluation of other California Solar Initiative programs.

8. Within 30 days of the effective date of this decision, the California Energy Commission (CEC) shall notice a workshop to parties on this service list, to re-assess incentive levels to ensure maximizing ratepayer value. As part of this process, the CEC shall consider improvements to the low-income element of New Solar Homes Partnership (NSHP). The workshop agenda should include discussion of ways in which the NSHP Program can be used to ameliorate the principal-agent market failure in the new homes market. The workshop agenda

should also include a possible plan for Measurement & Evaluation metrics for the Program.

9. The California Energy Commission (CEC) shall be responsible for making New Solar Homes Partnership incentive payments only to the extent that sufficient Program funds are transferred from Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (the investor-owned utilities or IOUs), to cover the incentive payments, subject to the following conditions:

   a. transfer of funds to the CEC shall only occur after the applicant's request for final payment of incentives has been approved by the CEC; and

   b. if, for any reason the IOUs do not transfer sufficient funds to the CEC, the CEC will not make payment to the applicant nor assume liability on the IOUs' behalf for making the payment.

10. The California Energy Commission (CEC) and Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (the investor-owned utilities or IOUs) shall work with the Commission's Energy Division to establish an invoicing process to ensure the prompt transfer of funds. The IOUs shall transfer funds to the CEC within 30 days but the IOUs should strive to reduce the response time. The total dollar amount requested to be transferred from each IOU to the CEC shall be based on the IOU's percentage allocation of revenue requirement: PG&E-50.1%; SCE-41.1%; and SDG&E-8.8%. If the CEC does not obtain statutory authority to accept and utilize funds to administer the New Solar Homes Partnership by January 1, 2017, the IOUs shall make incentive payments directly to program applicants starting January 1, 2017. The IOUs shall each file Tier 2 advice letters

within 45 days of the effective date of this decision describing the invoicing and payment process under both contingencies.

11. Rulemaking 12-11-005 remains open.

This order is effective today.

Dated June 9, 2016, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners