STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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TO PARTIES OF RECORD IN RULEMAKING 10-05-004

This is the proposed decision of President Michael R. Peevey . It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

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

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

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Duda at dot@cpuc.ca.gov and President Peevey's advisor Damon Franz at df1@cpuc.ca.gov. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ JANET A. ECONOME for
Karen V. Clopton, Chief
Administrative Law Judge

KVC:oma

Attachment

Decision **PROPOSED DECISION OF PRESIDENT PEEVEY**
(Mailed 10/28/2011)

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 10-05-004 (Filed May 6, 2010)

MODIFICATION OF CALIFORNIA SOLAR INITIATIVE BUDGET, REVENUE REQUIREMENT AND PERFORMANCE BASED INCENTIVES AS ADOPTED IN DECISIONS (D.) 06-08-028, D.10-09-046 AND D.11-07-031

Summary

This decision modifies the California Solar Initiative (CSI) Program budget, revenue requirement, and Performance-Based Incentive (PBI) payment rates to implement Senate Bill (SB) 585 (Stats. 2011, Ch. 312), signed by the governor on September 22, 2011.

Specifically, the CSI budget, most recently adopted in Decision (D.) 10-09-046, is increased by $200 million. The CSI revenue requirement, i.e., the amount Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are authorized to collect to fund the CSI Program, is modified from the schedule adopted in D.11-07-031 in order to collect the $200 million budget increase. Finally, PBI payment levels originally adopted in D.06-08-028 are revised to reflect a 4% discount rate in accordance with SB 585.

Background

The Commission established the California Solar Initiative (CSI) Program in 2006 in Decision (D.) 06-01-024, and later that year, the program was implemented in D.06-08-028. A budget for the CSI Program was initially established in D.06-01-024, was modified several times thereafter, and was most recently modified in D.10-09-046. The Commission adopted the most recent CSI revenue requirement to collect the funds needed for the CSI Program in D.11-07-031.

In D.06-08-028, the Commission established incentive levels for the program, including Performance-Based Incentives (PBI) to reward larger solar energy installations based on system production. As the Commission stated in D.06-08-028, it wanted to ensure equivalency between up-front incentives paid to smaller solar energy systems, known as Expected Performance Based Buydown (EPBB) incentives and PBI incentives, which are paid out on a per kilowatt hour (kWh) basis over five years. Thus, the Commission assumed an 8% discount rate as part of the PBI payments.

In 2010, the Commission became aware that a budget shortfall in the CSI Program was occurring because of increased production, which resulted in higher PBI payments to systems that qualified for PBI. As the Commission noted in D.10-09-046:

> "the budgetary impact (i.e., cash flow) of PBI payments is greater than the equivalent EPBB incentive….[A] system receiving PBI payments has a budgetary impact that is approximately 22% higher than the corresponding EPBB incentive. [footnote omitted.] …. The impacts of the difference between EPBB and PBI payments on the budget are significant, and were the program fully subscribed, could result in a budget shortfall of around $260 million."
> (D.10-09-046 at 6.)

In an effort to address the budget shortfall noted by the Commission in D.10-09-046, the Legislature passed Senate Bill (SB) 585 and increased the cost limit of the total CSI Program by $200 million dollars. Despite this new and higher CSI cost limit, the bill requires the Commission to use interest accumulated from customer collections prior to collecting additional funds from Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) ratepayers.

In addition, SB 585 adds Pub. Util. Code § 2851.1[1] regarding a "discount rate" incorporated into PBI payments. The bill defines a discount rate as a financial mechanism to provide interest representing the time value of money to solar projects that receive PBI payments. SB 585 sets a discount rate of 4%, unless the Commission determines the rate should be reduced.

Following the passage of SB 585, the Administrative Law Judge (ALJ) in this proceeding issued a ruling (ALJ Ruling)[2] requesting comments from parties on specific modifications to the CSI Program to implement SB 585. Comments on the ruling were filed by the California Center for Sustainable Energy (CCSE), the Community Environmental Council, PG&E, SCE, and the Solar Alliance. Reply comments were filed by the Community Environmental Council, the Interstate Renewable Energy Council, SCE, and the Solar Alliance.

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1 All statutory references are to the California Public Utilities Code unless otherwise noted.

2 *See "ALJ's Ruling Requesting Comment on Modification of Decision 10-09-046, Decision 11-07-031 and Decision 06-08-028 to Implement Senate Bill 585,"* Rulemaking 10-05-004, September 27, 2011.

In the sections that follow, this decision addresses the specific proposals in the ALJ Ruling for modification of prior CSI orders in order to implement SB 585.

Modifications to CSI Budget

As noted above, SB 585 increases the cost limit of the CSI Program by $200 million dollars. As the legislation notes in Section 2851.1(b), the CSI Program is currently running a budget shortfall for nonresidential solar incentives in incentive step levels 8, 9, and 10. For this reason, Section 2851(e)(1) is amended by SB 585 to increase the total cost of the CSI Program funded by customers of PG&E, SCE and SDG&E from $2.1668 billion to $2.3668 billion. These funds are allocated between the three CSI Program Administrators (PAs).[3]

The ALJ Ruling states that given the passage of SB 585, the Commission should modify the CSI budget to reflect the new cost limit of $2.3668 billion. The ALJ Ruling proposed allocating the increased $200 million in budget to the portion of the CSI Program experiencing a shortage of funds, namely the nonresidential incentive budget for Steps 8, 9 and 10, to cover the shortfall in nonresidential incentives identified both in SB 585 and in D.10-09-046. (See D.10-09-046, at 4-5, and Finding of Fact 6 at 29.) The ALJ Ruling also proposed that the additional $200 million would be allocated to PG&E, SCE and SDG&E using the same allocation percentages previously adopted in D.10-09-046. Specifically, PG&E would receive 43.7%, SCE would receive 46.0% and SDG&E would receive 10.3% of the additional $200 million.

SCE agrees with the allocation proposed in the ALJ Ruling. It notes that this allocation was initially adopted in D.06-12-033 based on each utility's share

[3] The CSI PAs are PG&E, SCE, and CCSE in the service territory of SDG&E.

of total electric sales. In contrast, CCSE, PG&E, the Solar Alliance, and the Community Environmental Council all propose that the Commission instead allocate the additional $200 million based on current budget shortfalls and funding needs in each utility territory. According to Solar Alliance, an allocation using existing percentages ignores the reality that PG&E has 57% of the current projected budget shortfall, while SCE has 32% and SDG&E has 11%. PG&E contends that if existing allocations are used, as proposed in the ALJ Ruling, it will still have a budget shortfall of $24.4 million, while SCE and CCSE would each have excess funding. Solar Alliance proposes the allocation shown in Table 1 below, claiming these allocation percentages ensure funding will be available to complete the non-residential portion of the CSI Program.

Table 1. Solar Alliance Proposed Allocation of Additional $200 Million

Utility	**Percentage**	**Additional Budget Allocation ($ in millions)**
PG&E	57%	$114
SCE	32%	$64
SDG&E	11%	$22
Total	**100%**	**$200**

SCE responds that the Commission should not adjust the allocation methodology adopted in D.06-12-033 at this time, but should wait until a later program stage because budget shortfall amounts can vary substantially year to year. SCE notes that its budget shortfall increased $22 million from the first quarter of 2011 to the end of the third quarter of 2011, largely due to increases in PBI payments. Thus, it asserts that current shortfall trends may reverse and it is premature to reallocate CSI funds based on today's program shortfall percentages. It suggests the Commission wait to see how changes in the PBI discount rate affect existing budget shortages.

We agree with SCE that it is premature to change the allocations of total CSI funds adopted in D.06-12-033. The budget shortfall that exists today is a moving target and will no doubt change. The budget shortfall is impacted by the proportion of projects that receive higher governmental/nonprofit incentive rates in each territory, and the proportion of projects that apply for PBI payments versus upfront incentives. The programs administered by PG&E and CCSE are in later incentive steps than SCE. SCE's shortfall could increase as it reaches later stages of the program too. Further, if the markets in the territories of PG&E and SDG&E (administered by CCSE) have had higher demand levels for solar and used up their budget allocation more quickly, that could signal that the market for solar acceptance in those territories is at a more mature stage. Ultimately, that is a good thing and indicates that less incentive money may be needed in those areas to sustain interest and demand for solar products. The fact that SCE has less budget shortfall today is partially due to the fact that the solar market and incentive applications have moved more slowly in the SCE territory.

We will preserve the initial budget allocation and give each utility territory the same percentage share of the additional $200 million that we adopted in D.06-12-033. This will preserve 46% of the budget for the SCE territory, with the expectation that the market for solar in the SCE territory could heat up and demand for these incentive funds will appear. This strategy is in keeping with our goals for the CSI Program when we established it in D.06-01-024 and committed to "transform the existing market in a way that makes solar products cost-effective without incentives." (D.06-01-024 at 4.)

When each CSI PA has reserved the funds allocated to it, the program in that territory will no longer be able to accept reservations. We will direct our Energy Division to continue to monitor the budget situation closely and notify the assigned Commissioner and ALJ should the Energy Division deem it appropriate for the Commission to consider future CSI budget adjustments. If future budget allocation changes are considered, the Commission may also need to change the CSI revenue requirement to ensure that money collected from electric ratepayers in a given utility territory funds the program in that same territory. Further, any changes to the CSI budget allocation would need to be considered before all budget funds are committed.

In summary, we will modify Table 6 of D.10-09-046 to add $200 million to CSI General Market Program Incentives (line 1 of Table 2 below). The $200 million shall be allocated to PG&E, SCE and SDG&E using the same allocation percentages previously adopted for in D.10-09-046. The modifications to the CSI budget are shown in gray shading in Table 2 below.

Table 2. Modification of Table 6 of D.10-09-046 Revised CSI Budget and Allocation by Utility

			Allocation by Utility		
	Program Component	**Revised Budget**	**PG&E**	**SCE**	**SDG&E**
			43.70%	46.00%	10.30%
	General Market Program				
1	General Market Program Incentives	$1,947,810,000	$851,192,970	$895,992,600	$200,624,430
2	Program Administration	$94,860,000	$41,453,820	$43,635,600	$9,770,580
3	Total Measurement & Evaluation (M&E)	*26,700,000*	*$11,667,900*	*$12,282,000*	*$2,750,100*
4	*M&E, except CSI-Thermal Electric M&E*	$25,450,000	$11,121,650	$11,707,000	$2,621,350
5	*M&E, CSI-Thermal Electric only*	$1,250,000	$546,250	$575,000	$128,750
6	Total Marketing and Outreach (M&O)	*21,250,000*	*$7,731,250*	*$7,875,000*	*$5,643,750*
7	*M&O, general market CSI*[4]	$15,000,000	$5,000,000	$5,000,000	$5,000,000
8	*M&O, CSI-Thermal Electric Only*	$6,250,000	$2,731,250	$2,875,000	$643,750
9	Unallocated	$6,900,000	$3,015,300	$3,174,000	$710,700
10	***Subtotal General Market Program***	***$2,097,520,000***	***$915,061,240***	***$962,959,200***	***$219,499,560***
11	**RD&D Program**	$50,000,000	$21,850,000	$23,000,000	$5,150,000
12	**Low Income Single family (SASH) Program**	$108,340,000	$47,344,580	$49,836,400	$11,159,020
13	**Low Income Multifamily (MASH) Program**	$108,340,000	$47,344,580	$49,836,400	$11,159,020
14	**SWH Pilot Program (SWHPP) in San Diego**	$2,600,000	$0	$0	$2,600,000
15	**Total CSI Electric Budget**	**$2,366,800,000**	**$1,031,600,400**	**$1,085,632,000**	**$249,567,600**

[4] The CSI General Market M&O budget was adopted in D.11-07-031.

In addition, we shall modify Table 7 of D.10-09-046 to allocate the additional $200 million for non-residential solar incentives. Modifications to the table are shown in gray shading below in Table 3.

Table 3. Modification of Table 7 of D.10-09-046 CSI Incentives Budget by Utility Territory and Customer Sector

		Non-Residential	Residential	Total
PG&E	**43.7%**	$639,564,970	$211,628,000	$851,192,970
SCE	**46.0%**	$673,225,600	$222,767,000	895,992,600
SDG&E	**10.3%**	$150,744,430	$49,880,000	200,624,430
Total		$1,463,535,000	$484,275,000	1,947,810,000

Another issue raised by the parties in comments is whether the Commission should place restrictions on the use of this additional $200 million authorized by SB 585. PG&E and CCSE propose that the Commission restrict the SB 585 funds and allow them to be used only for new projects. In other words, the additional SB 585 funds could not be used to fund "Completed" or "PBI In-Payment" non-residential projects that retroactively seek system capacity increases after the initial reservation or confirmation stage**.** PG&E and CCSE claim that providing additional incentives for system size increases is not necessary because the projects were able to reach completion with the original incentive amount.

The Solar Alliance agrees with this proposal to the extent that the project proceeded to increase its system size without an incentive. However, it proposes that prospectively, projects should be eligible to apply for incentives at the applicable current rate if they are considering a system size increase.

We agree with restriction proposed by PG&E and CCSE to preclude "Completed" or "PBI In-Payment" projects from receiving SB 585 funds and we will adopt it because it will allow the additional funds to benefit more projects.

We decline to adopt the proposal of Solar Alliance as it is unclear and appears to directly contradict what PG&E and CCSE propose.

Modifications to CSI Revenue Requirement

The schedule of collections from ratepayers to fund CSI was initially established in D.06-01-024. This collection schedule, or "revenue requirement," has been modified several times since that 2006 decision, most recently in D.11-07-031. (See D.11-07-031, Table 5 at 47.) As noted in the ALJ Ruling, the Commission must now modify the revenue requirement in light of the $200 million budget increase allowed by SB 585. In addition, SB 585 requires the $200 million in additional program budget to be funded first by money already held in interest and forfeited application fees before any additional funds are collected from customers.

Energy Division Staff collected information from the CSI PAs and found that as of June 30, 2011, total accumulated interest and forfeited funds from the CSI Program equals $34.2 million.[5] Therefore, the ALJ Ruling noted that the revenue requirement for CSI, i.e., total customer collections, needs to be adjusted by only $165.8 million, i.e., the difference between $200 million and the $34.2 million in interest and forfeited funds. In addition, since the additional $200 million in CSI funds will go to nonresidential projects which receive PBI payments over five years, the funds will not actually be needed until sometime in the future. Therefore, the ALJ Ruling proposed adjusting the revenue requirement for the final years of CSI collections, namely 2015 and 2016, since funds are not immediately required.

[5] This $34.2 million in interest and forfeited funds is comprised of $11 million held by PG&E, $17.9 million held by SCE, and $5.3 million held by SDG&E.

The ALJ Ruling proposed specific adjustments to the revenue requirement adopted in D.11-07-031. There was no opposition to the revenue requirement proposed in the ALJ Ruling and we adopt it. Table 5 of D.11-07-031 should be modified as follows (with changes shown in gray shading in Table 4 below):

Table 4. Modification of Table 5 of D.11-07-031 Revised Annual CSI Revenue Requirements (In Millions of Dollars)

Year	PG&E	SCE	SDG&E	Total
Transfer from Self-Generation Incentive Program (SGIP) on 12/31/2006	$0	$104.6	$37.2	$141.8
2007	$140	$147	$33	$320
2008	$140	$147	$33	$320
2009	$140	$0	$0	$140
2010	$43.75	$110	$25	$178.75
2011	$105	$110	$25	$240
2012	$120	$110	$25	$255
2013	$85	$74	$16	$175
2014	$85	$74	$16	$175
2015	$85	$85	$16	$186
2016	$76.85	$106.1	$18.1	$201.05
Interest and Forfeited Funds	$11.0	$17.9	$5.3	$34.2
Total	$1,031.6	$1,085.6	$249.6	$2,366.8[6]

Further, the ALJ Ruling noted that the amount of interest and forfeited funds held by PG&E, SCE and SDG&E will change annually. As the interest and forfeited funds continue to grow, less funding will need to be collected from ratepayers in the final program year of 2016. Therefore, the ALJ Ruling proposed that the Commission require the PAs to report annually to Energy Division by advice letter the total amount of interest and forfeited funds.

[6] The numbers in the "Total" row of this table have been rounded. Actual total collections by the three utilities should not exceed the numbers in row 15 of Table 2 of this decision.

Energy Division would then monitor these advice letter filings and revise the 2016 revenue requirement by resolution as needed to reflect updated amounts for interest and forfeited funds.

SCE and PG&E comment that the CSI PAs already provide the requested information to Energy Division in their Semi-Annual CSI Expense Report in January and July of each year. Thus, they suggest that the PAs use this existing method of reporting rather than a new advice letter filing. We agree that a new report and advice letter filing are not necessary. The CSI PAs should continue to report semi-annually in their CSI Expense Reports the amount of accumulated interest and forfeited funds from the CSI Program. The Energy Division shall monitor this amount, and should no more than once annually propose adjustments to the revenue requirement adopted in this decision for Commission consideration by resolution.

Finally, the Community Environmental Council proposes that the Commission monitor rebate levels closely to assess whether earlier revenue collection may be necessary to cover higher than expected rebate requests, as has occurred in recent years. It suggests that monitoring is needed to avoid any potential break in the program, such as the one that occurred in 2010 when the CSI PAs created a waitlist for non-residential projects in some utility territories. The Energy Division already monitors the CSI budget closely and may suggest necessary program changes at any time. The Community Environmental Council's suggestions of earlier revenue collection would not have prevented the current CSI waiting list and program disruption because total CSI nonresidential incentive funds were reserved and the only remedy was legislation, namely SB 585, to increase the CSI budget.

Modifications to PBI Payments

SB 585 added Pub. Util. Code § 2851.1 regarding a "discount rate" to represent the time value of money on solar projects that receive PBI payments. As noted earlier in this decision, the Commission assumed an 8% discount rate when calculating monthly PBI payment levels in D.06-08-028. (D.06-08-028 at 35.[7]) SB 585 now requires that the Commission reduce this discount rate to 4%, unless the Commission determines the rate should be further reduced.

As the ALJ Ruling acknowledged, the Commission must now revise the PBI payment rates for Steps 8, 9, and 10 for all new CSI applicants (both residential and non-residential) to incorporate a 4% discount rate rather than the 8% rate previously incorporated into PBI payments. The ruling proposed reductions in PBI payment rates for new CSI applicants in Steps 8, 9, and 10, to incorporate the new 4% discount rate, as follows (with proposed new rates shown in gray shading):

Table 5. Proposed Revisions to D.06-12-033, Appendix B, Table 5 Levelized PBI Monthly Payment Amounts per kWh (at 4% Discount Rate)

Step	MW in Step	Existing Residential/ Commercial Rate	Proposed Residential/ Commercial with 4% Discount Rate	Existing Government/ Non-Profit Rate	Proposed Government/ Non-Profit Rate with 4% Discount Rate
8	250	$.05	$0.04	$0.15	$0.14
9	285	$.03	$0.03	$0.12	$0.11
10	350	$.03	$0.03	$0.10	$0.09

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[7] See also Table 5 of D.06-08-028 at 41. This table was later modified in D.06-12-033 to adopt new megawatt (MW) levels for each step, but the PBI payment amounts with the 8% discount rate were not modified. (D.06-12-033, Appendix B, Table 5.)

SCE and Community Environmental Council agree with the proposed changes to PBI payments rates, while the Solar Alliance suggests a minor modification to the proposed rates. Specifically, it recommends the Commission adopt a PBI payment rate to the next significant digit, so that instead of $.04 per kWh, the Step 8 rate would be $.044 per kWh, and likewise for the rates in Steps 9 and 10. The Community Environmental Council agrees with this proposal. According to Solar Alliance, this will make the PBI payment declines more gradual and provide a better bridge between the current Step 8 payment ($.05 per kWh) and the end of the program. It proposes rates as follows:

Table 6. Solar Alliance Proposed PBI Monthly Payment Rates

	Residential/Commercial with 4% Discount Rate	Government/Non-Profit Rate with 4% Discount Rate
Step 8	.044	.139
Step 9	.032	.114
Step 10	.025	.088

The proposal by Solar Alliance to adopt new PBI payment rates to a third significant digit is reasonable and we will adopt it. The new rates will reflect the 4% discount rate and will provide a more gradual decline in payment rates over the last three CSI incentive steps.

Finally, we must address details surrounding implementation of these new PBI payment rates. SCE asks for 45 days to implement the new reduced payment rates, claiming this amount of time is needed to make changes to the incentive calculator and online application system for CSI. In contrast, CCSE requests fourteen days to implement the program modifications. PG&E and CCSE recommend that the new PBI payment rates apply for both new reservations submitted after the effective date of this decision as well as all projects that are on the CSI waiting list on the effective date of the new rates.

We agree with PG&E and CCSE that we should apply the new PBI rates as soon as possible both for new applications and waiting list projects as this will use the newly authorized program funds wisely. We will make the new PBI rates effective with the date of this order. This means that all applications submitted to PG&E, CCSE and SCE beginning on the day after the effective date of this decision will receive the new lower PBI rates for Steps 8, 9, and 10. For PG&E and CCSE, the new PBI payment rates will apply to projects currently on the waiting list as well. We understand that the CSI PAs would prefer time to implement the rate changes, but the current budget shortfall does not allow this. PG&E and CCSE may begin processing waitlist applications immediately with the new rates, and should notify applicants on the waiting list that new rates apply. SCE will also need to notify applicants beginning with applications received the day after this decision that new rates have gone into effect.

Comments on Proposed Decision

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

Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Dorothy J. Duda is the assigned ALJ in this proceeding.

Findings of Fact

1. The Commission established the current CSI budget in Table 6 of D.10-09-046 and the current CSI revenue requirement in Table 5 of D.11-07-031.
2. SB 585 increased the cost limit for the total CSI Program by $200 million and sets a maximum discount rate of 4% to be incorporated into PBI payments.

3. The CSI Program is currently running a budget shortfall for nonresidential solar incentives in Step levels 8, 9, and 10, as discussed in D.10-09-046.

4. The CSI budget shortfall can vary depending on the proportion of projects that receive higher governmental/nonprofit incentive rates in each territory, and the proportion of projects that apply for PBI payments versus upfront incentives.

5. The CSI Program budget was allocated in D.06-12-033 based on each utility's share of total electric sales.

6. SB 585 requires the additional $200 million in CSI funds to be funded first by money already held by the utilities in interest and forfeited application fees before any additional funds are collected from customers.

7. As CSI interest and forfeited funds continue to grow, less funding will need to be collected from ratepayers in the final year of the program.

8. In D.06-08-028, the Commission incorporated an 8% discount rate into monthly PBI payment levels.

Conclusions of Law

1. The CSI Program budget set forth in Table 6 of D.10-09-046 should be modified to add $200 million to CSI General Market Program Incentives.

2. The additional $200 million added to the CSI Budget should be allocated to PG&E, SCE, and SDG&E using the same allocation percentages adopted in D.06-12-033 and most recently used in D.10-09-046.

3. Table 7 of D.10-09-046 should be modified to incorporate an additional $200 million for nonresidential incentives.

4. The additional $200 million in incentive funds authorized by SB 585 should not be used to fund "Completed" or "PBI In-Payment" non-residential

projects that retroactively seek system capacity increases after the initial reservation or confirmation stage.

5. The CSI revenue requirement adopted in Table 5 of D.11-07-031 should be modified as shown in Table 4 of this decision.

6. The CSI PAs should continue to report in their semi-annual CSI Expense Reports the amount of accumulated interest and forfeited funds from the CSI Program.

7. The Commission should adopt PBI monthly payments which include a 4% discount rate, as shown in Table 6 of this decision, effective immediately.

8. The Commission should adopt the tables in the appendix of this decision containing modifications to the CSI Program budget, revenue requirement and PBI payment monthly payment rates.

O R D E R

IT IS ORDERED that:

1. The California Solar Initiative budget adopted in Decision 10-09-046 is modified as set forth in the appendix to this decision.

2. The California Solar Initiative revenue requirement adopted in Decision 11-07-031 is modified as set forth in the appendix to this decision.

3. California Solar Initiative Performance-Based Incentive monthly payment levels for Steps 8, 9, and 10 adopted in Decision 06-08-028 are modified as shown in the appendix to this decision.

4. The Energy Division shall closely monitor the California Solar Initiative budget and notify the assigned Commissioner and the Administrative Law Judge to consider future budget adjustments as needed.

5. The Energy Division shall monitor interest and forfeited funds in California Solar Initiative Balancing Accounts and may annually propose

changes to the California Solar Initiative revenue requirement adopted in this order for the Commission to consider by resolution.

6. The additional $200 million in incentive funds authorized by Senate Bill 585 should not be used to fund non-residential projects that retroactively seek system capacity increases after the initial reservation or confirmation stage.

7. The Performance-Based Incentive (PBI) payment levels shown in the appendix of this decision shall be effective immediately for California Solar Initiative applications submitted to Pacific Gas and Electric Company (PG&E), the California Center for Sustainable Energy (CCSE), and Southern California Edison Company and shall apply to applications submitted beginning on the day after the effective date of this decision. For PG&E and CCSE, the new PBI rates shall also apply to all projects eligible for PBI payments that are currently on the waiting list.

8. Rulemaking 10-05-004 remains open for consideration of additional issues as set forth in the Scoping Memo Ruling of November 9, 2010.

This order is effective today.

Dated ____________________________, at San Francisco, California.

APPENDIX

The appendix shows adopted modifications to Decision (D.) 10-09-046, D.11-07-031, and D.06-08-028. Revisions to original tables are shown in gray shading.

Table 1: Modification of Table 6 of D.10-09-046 Revised CSI Budget and Allocation by Unit Allocation by Utility

			Allocation by Utility		
	Program Component	**Revised Budget**	**PG&E**	**SCE**	**SDG&E**
			43.70%	46.00%	10.30%
	General Market Program				
1	General Market Program Incentives	$1,947,810,000	$851,192,970	$895,992,600	$200,624,430
2	Program Administration	$94,860,000	$41,453,820	$43,635,600	$9,770,580
3	Total Measurement & Evaluation (M&E)	*26,700,000*	*$11,667,900*	*$12,282,000*	*$2,750,100*
4	*M&E, except CSI-Thermal Electric M&E*	$25,450,000	$11,121,650	$11,707,000	$2,621,350
5	*M&E, CSI-Thermal Electric only*	$1,250,000	$546,250	$575,000	$128,750
6	Total Marketing and Outreach (M&O)	*21,250,000*	*$7,731,250*	*$7,875,000*	*$5,643,750*
7	*M&O, general market CSI*[1]	$15,000,000	$5,000,000	$5,000,000	$5,000,000
8	*M&O, CSI-Thermal Electric Only*	$6,250,000	$2,731,250	$2,875,000	$643,750
9	Unallocated	$6,900,000	$3,015,300	$3,174,000	$710,700
10	***Subtotal General Market Program***	***$2,097,520,000***	***$915,061,240***	***$962,959,200***	***$219,499,560***
11	**RD&D Program**	$50,000,000	$21,850,000	$23,000,000	$5,150,000
12	**Low Income Single family (SASH) Program**	$108,340,000	$47,344,580	$49,836,400	$11,159,020
13	**Low Income Multifamily (MASH) Program**	$108,340,000	$47,344,580	$49,836,400	$11,159,020
14	**SWH Pilot Program (SWHPP) in San Diego**	$2,600,000	$0	$0	$2,600,000
15	**Total CSI Electric Budget**	**$2,366,800,000**	**$1,031,600,400**	**$1,085,632,000**	**$249,567,600**

[1] The CSI General Market M&O budget was adopted in D.11-07-031.

Table 2: Modification of Table 7 of D.10-09-046 CSI Incentives Budget by Utility Territory and Customer Sector

		Non-Residential	Residential	Total
PG&E	**43.7%**	$639,564,970	$211,628,000	$851,192,970
SCE	**46.0%**	$673,225,600	$222,767,000	895,992,600
SDG&E	**10.3%**	$150,744,430	$49,880,000	200,624,430
Total		$1,463,535,000	$484,275,000	1,947,810,000

Table 3. Modification of Table 5 of D.11-07-031
Revised Annual CSI Revenue Requirements
(In Millions of Dollars)

Year	PG&E	SCE	SDG&E	Total
Transfer from Self-Generation Incentive Program (SGIP) on 12/31/2006	$0	$104.6	$37.2	$141.8
2007	$140	$147	$33	$320
2008	$140	$147	$33	$320
2009	$140	$0	$0	$140
2010	$43.75	$110	$25	$178.75
2011	$105	$110	$25	$240
2012	$120	$110	$25	$255
2013	$85	$74	$16	$175
2014	$85	$74	$16	$175
2015	$85	$85	$16	$186
2016	$76.85	$106.1	$18.1	$201.05
Interest and Forfeited Funds	$11.0	$17.9	$5.3	$34.2
Total	$1,031.6	$1,085.6	$249.6	$2,366.8[2]

[2] The numbers in the "Total" row of this table have been rounded. Actual total collections by the three utilities should not exceed the numbers in row 15 of Table 2 of this decision.

Table 4: Revisions to Table 5 of D.06-08-028
(as modified by D.06-12-033, Appendix B, Table 5)
Levelized PBI Monthly Payment Amounts per kWh
(at 4% Discount Rate)

Step	MW in Step	Existing Residential/ Commercial Rate	Revised Residential/ Commercial with 4% Discount Rate	Existing Government/ Non-Profit Rate	Revised Government/ Non-Profit Rate with 4% Discount Rate
8	250	$.05	$0.044	$0.15	$0.139
9	285	$.03	$0.032	$0.12	$0.114
10	350	$.03	$0.025	$0.10	$0.088

(END OF APPENDIX)