

Decision **PROPOSED DECISION OF COMMISSIONER PEEVEY**
(Mailed 9/1/2011)

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)

**DECISION ON LOW-INCOME SOLAR WATER HEATING COMPONENT OF
THE CALIFORNIA SOLAR INITIATIVE THERMAL PROGRAM**

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Appendix A - Low-Income Incentive Component

**DECISION ON LOW-INCOME SOLAR WATER HEATING COMPONENT OF
THE CALIFORNIA SOLAR INITIATIVE THERMAL PROGRAM****1. Summary**

This decision establishes implementation details for incentives to low-income applicants to the California Solar Initiative (CSI)-Thermal Program. In Decision (D.) 10-01-022, the Commission allocated \$25 million for these incentives that are intended to promote the installation of gas-displacing solar water heating (SWH) systems on qualifying low-income single-family and multifamily residences in the service territories of Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCalGas) and San Diego Gas and Electric Company (SDG&E). The CSI-Thermal Program will offer increased incentives to qualifying single-family and multifamily low-income customers that install SWH systems that displace natural gas usage. Incentives for qualifying single-family low-income customers will be 200% of the applicable CSI-Thermal SWH incentive level, while incentives for qualifying multifamily affordable housing will be 150% of the applicable CSI-Thermal SWH incentive level. The \$25 million budget for CSI-Thermal low-income SWH incentives will be funded by collections from gas ratepayers pursuant to Assembly Bill 1470 (stats. 2007, ch. 536), and as previously established in D.10-01-022.

This low-income SWH incentive program will be administered by the same program administrators that administer the gas-displacing portion of the CSI-Thermal Program, namely PG&E, SoCalGas and the California Center for Sustainable Energy. The program will be administered as a sub-section of CSI-Thermal, using the same Handbook, application process, and database. Funds for marketing and administration of the low-income incentive program will be

derived from the administration and marketing budget of the larger CSI Thermal Program.

2. Background

In late 2007, the Governor signed Assembly Bill (AB) 1470, authorizing the creation of a \$250 million incentive program to promote the installation of 200,000 solar water heating (SWH) systems in homes and businesses that displace the use of natural gas by 2017. Specifically, Public Utilities Code Section 2866¹ establishes eligibility requirements and other provisions of a low-income SWH incentive program, and requires that not less than 10 percent of the overall program funds be devoted to installing SWH systems on low-income residential housing. (See Section 2866(a).) Section 2861(e) of the statute defines low-income residential housing as residential housing financed with government tax credits, bonds or loans, or a residential complex in which at least 20 percent of the total units are sold or rented to lower income households. In addition, Section 2866(c) allows the Commission to extend eligibility for funding to include residential housing occupied by ratepayers participating in a Commission-approved and supervised gas corporation Low-Income Energy Efficiency (LIEE)² program.

The statute does not prescribe an incentive amount or formula for incentives to qualifying low-income households. Instead, the statute directs the Commission to “maximize incentives to properties that are committed to continuously serving the needs of lower income households” (Section

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

² The LIEE program is now known as the Energy Savings Assistance Program (ESAP).

2866(e)(1).) Further, Section 2866(d) requires the Commission to ensure that ratepayers receiving low-income SWH incentives benefit from the installation of the SWH system through reduced or lowered energy costs. Finally, Section 2866(e) requires the Commission to ensure that properties on which SWH systems are installed remain low-income residential properties for at least 10 years from the time of installation, including property ownership restrictions and income rental protections.

In order to implement AB 1470, the Commission issued a ruling in July 2009, requesting comments on a proposal by the Commission's Energy Division (Staff Proposal) for an SWH incentive program as envisioned by the statute.³ A portion of this Staff Proposal dealt with the mandate of Section 2866 regarding incentives for low-income residential housing. (*See* Staff Proposal, Section 4.12.)

After consideration of the Staff Proposal and comments on that proposal, the Commission issued Decision (D.) 10-01-022, which established the California Solar Initiative (CSI)-Thermal Program to provide financial incentives to promote the adoption of SWH systems that displace usage of electricity and natural gas for water heating in California. In D.10-01-022, the Commission budgeted \$25 million for low-income SWH incentives but stated that a future decision would establish details of those low-income incentives. This decision now addresses the details concerning low-income SWH incentives, including incentive levels, eligibility requirements, and other program implementation details.

³ *See* "Administrative Law Judge's Ruling Noticing Workshop and Requesting Comment on Staff Proposal for Solar Water Heating Program," Rulemaking (R.) 08-03-008, July 15, 2009.

3. Staff Proposal for Low-Income Solar Water Heating (SWH) Incentives

As mentioned above, the July 15, 2009 Staff Proposal for a CSI-Thermal SWH incentive program contained recommendations regarding SWH incentives for low-income residential housing and proposed to allocate \$20 million for incentives to natural gas-displacing SWH systems on eligible low-income single-family properties.⁴ The Staff Proposal recommended paying eligible low-income applicants 200% of the otherwise applicable SWH incentive level.

The Staff Proposal did not recommend offering incentives to low-income applicants for electric-displacing SWH systems due to the relatively low installation rate of electric water heating in California. The Staff Proposal noted that the CSI program already funds two low-income programs for solar photovoltaic (PV) systems, the Multifamily Affordable Solar Housing (MASH) and the Single-Family Affordable Solar Homes (SASH). Similarly, the Staff Proposal did not recommend providing low-income SWH incentives to multifamily properties, noting that 30% of residents in multifamily dwellings do not pay for water heating separately from rent. Staff reasoned it would be difficult to meet the statutory requirement of Section 2866(d), which requires that low-income residents benefit from SWH systems “through reduced or lowered energy costs.”

⁴ See Staff Proposal, July 15, 2009, Section 4.12 at 55.

With regard to program administration, the Staff Proposal recommended that the CSI-Thermal Program Administrators (PAs)⁵ administer the low-income SWH incentives, with the proposed \$20 million in funding split among the three PAs with gas customers (i.e., all PAs except SCE) in the same proportion as the CSI-Thermal program. Further, the Staff Proposal recommended that the program be available for low-income customers that participate in LIEE and meet all other income and housing eligibility guidelines for the SASH program.

Comments on the portion of the Staff Proposal pertaining to recommendations for low-income SWH incentives were filed by the Association of California Community and Energy Services (ACCES), CCSE, California Solar Energy Industries Association (CALSEIA), Ecoplexus Inc. (Ecoplexus), Environment California Research and Policy Center (Environment California), PG&E, The Utility Reform Network (TURN), S.O.L.I.D. USA, Inc. (SOLID), and jointly by SDG&E and SoCalGas (SDG&E/SoCalGas). Reply comments were filed by ACCES, SDG&E/SoCalGas, and TURN.

In addition to the parties who filed comments, two interested organizations submitted letters to staff and the Administrative Law Judge (ALJ) on the Staff Proposal with regard to low-income incentives, namely Bridge Housing Corporation and Libre Energy, Inc. These letters were reviewed and placed in the correspondence file of this proceeding.

⁵ The CSI Thermal PAs are Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas) and California Center for Sustainable Energy (CCSE).

4. Low-Income SWH Incentive Budget

The Staff Proposal recommended allocating \$20 million of CSI-Thermal Program funds for incentives to SWH systems on low-income single-family properties. Environment California and ACCES contend the Staff Proposal erred in not allocating 10% of the entire \$250 million CSI-Thermal Budget, or \$25 million. TURN recommended low-income SWH incentives be increased to \$40 million.

In D.10-01-022, the Commission agreed to increase the budget over the \$20 million proposed by staff, and allocated \$25 million for low-income SWH incentives through the CSI-Thermal Program. (*See* D.10-01-022, Table 7 at 57.) In that same decision, the Commission specified that money collected under AB 1470 will fund incentives to SWH displacing natural gas usage, while funds collected through CSI will fund electric-displacing SWH systems. (*Id.*, Appendix A at 14.) Thus, the \$25 million budget for low-income SWH incentives should be collected exclusively from natural gas ratepayers and should only be used to fund natural-gas displacing SWH systems.

The table below is a copy of Table 7 from D.10-01-022, which shows the total budget for the natural-gas displacing portion of the CSI-Thermal program. The table indicates that the entire \$25 million set aside for the low-income SWH component is dedicated to incentives. Thus, we clarify that any expenses to administer and market low-income SWH incentives must be absorbed by the existing \$20 million administration budget and \$25 million market facilitation budget for the entire CSI-Thermal Program.

Table 1: Budget for Gas-Displacing CSI Thermal Program

Gas-Displacing CSI Thermal Program Elements	CSI Thermal Program Sub-Elements	Budget
Incentives 82%	General Market Incentive Component	\$180,000,000
	Low-Income Incentive Component (10% of total funds)	\$25,000,000
	<i>Subtotal</i>	\$205,000,000
Market Facilitation 10%	Marketing & Outreach, including training, consumer education, and other market facilitation activities such as engaging with permitting offices or financing providers.	\$25,000,000
	<i>Subtotal</i>	\$25,000,000
Program Administration 8%	Application/incentive processing, General Administration, and System Inspection	\$15,000,000
	Measurement and Evaluation	\$5,000,000
	<i>Subtotal</i>	\$20,000,000
Total		\$250,000,000

The low-income incentive budget will be allocated among the three PAs with gas customers in the same proportions as the total CSI-Thermal gas-displacing program, as adopted in D.10-01-022 and reproduced in Table 2 below.⁶

⁶ See D.10-01-022, Appendix A, Table 4 at 15.

Table 2: Low-income Budget Allocation by Program Administrator

Utility	CSI-Thermal Budget Allocation	Total CSI-Thermal Low-Income Budget (\$ in millions)
PG&E	39%	\$9.75
SDG&E	10%	\$2.50
SoCalGas	51%	\$12.75
Total	100%	\$25.00

We emphasize that pursuant to Section 2866(f), if any portion of the \$25 million that is budgeted for low-income SWH incentives is unexpended and unencumbered on August 1, 2018, that money shall be used to augment cost-effective energy efficiency measures in low-income residential housing that benefit ratepayers. We will direct the PAs to submit an advice letter no later than September 1, 2018 to summarize expenditures through the program and identify any remaining funds so those funds can be transferred to energy efficiency programs as required by the statute.

5. Low-Income Program Eligibility Requirements

5.1 Background

For purposes of determining those households eligible for low-income SWH incentives, it is helpful to review both the guidance in AB 1470 and the requirements established by statute for other low-income incentives programs, namely the SASH and MASH programs funded through CSI.

AB 1470 enacted Section 2861(e), which defines low-income residential housing as either:

- Residential housing financed with low-income housing tax credits, tax-exempt mortgage revenue bonds, general obligation bonds, or local, state or federal loans or grants, and for which the rents of the occupants who are low income households, as

defined in Section 50079.5 of the Health and Safety Code, do not exceed those prescribed by deed restrictions or regulatory agreements pursuant to the terms of the financing or financial assistance; or

- A residential complex in which at least 20 percent of the total units are sold or rented to lower income households, as defined in Section 50079.5 of the Health and Safety Code, and the housing units targeted for lower income households are subject to a deed restriction or affordability covenant with a public entity that ensures that the units will be available at an affordable housing cost meeting the requirements of Section 50052.5 of the Health and Safety Code, or at an affordable rent meeting the requirements of Section 50053 of the Health and Safety Code, for a period of not less than 30 years.

The definition of low-income residential housing in AB 1470 differs slightly from the definition used to determine eligibility for the CSI SASH and MASH programs, which provide incentives for solar PV systems on low-income properties. The SASH and MASH programs rely on Section 2852, which contains a definition of “low-income residential housing” that is broader than the definition in Section 2861 because it includes multifamily housing units and individual residences that are subject to a resale restriction or equity sharing agreement. (*See* Section 2852(a)(3)(B) and (C).)

AB 1470 also enacted Section 2866(c), which states that the Commission may extend eligibility for funding to include residential housing occupied by ratepayers participating in a Commission-approved and supervised gas corporation LIEE program, where participants either occupy a single-family home or occupy at least 50 percent of all units in a multifamily dwelling.

Another relevant portion of AB 1470 requires the Commission to establish and enforce conditions on the installation of SWH systems on low-income properties to ensure these properties remain low-income residential properties

for at least 10 years from the time of installation. (Section 2866(e)(2).) Finally, Section 2864 specifies eligibility criteria for SWH systems, including design, installation, energy output, warranty, and metering standards. The statute further mandates that “[n]o gas customer funded incentives shall be made for a [SWH] system that does not meet the eligibility criteria.” (Section 2864(b).)

Given this background, we now turn to the specific eligibility requirements for single-family and multifamily properties.

5.2 Single-Family Eligibility Requirements

With regard to single-family properties, the Staff Proposal recommended that incentives be available to customers in single-family homes that participate in the LIEE Program and that meet all other income and housing eligibility requirements for the Commission’s SASH program. The SASH guidelines, which derive from Section 2852, state that the residence must be owner-occupied, and the residence must meet the definition of “low-income residential housing” in Section 2852 and California Health and Safety Code Section 50079.5. In other words, the residence must be sold to a lower-income household with total income of no more than 80% of the area median income.

ACCES opposes the Staff proposal to rely on SASH eligibility guidelines, claiming the SASH guidelines are too restrictive. Instead, ACCES urges the Commission to base eligibility requirements on Section 2866 alone, i.e., customers participating in LIEE programs.

We will not require applicants to meet the SASH eligibility guidelines, as proposed by Staff. Section 2866(c) allows the Commission to extend eligibility to residential housing occupied by ratepayers participating in a Commission-approved and supervised gas corporation LIEE program who occupy a single-family home. Given this language, applicants may qualify for low-income SWH

incentives by either meeting the definition of low-income residential housing in Section 2861 or by participating in a qualifying gas corporation LIEE program.

In comments on the proposed decision, PG&E, CCSE, and SoCalGas recommend the Commission limit eligibility for incentives to systems that have not already received an incentive through the CSI Thermal Program. We agree with this proposal and incorporate it below.

In summary, we determine that to qualify for the low-income SWH incentives through the CSI Thermal program, applicants must meet all of the following requirements:

- The project's site must be within the service territory of, and receive natural gas service from PG&E, SoCalGas, or SDG&E;
- The applicant must install a SWH system with a Solar Rating and Certification Corporation (SRCC) OG-300 rating that displaces the use of natural gas, and which has not already received an incentive through the CSI Thermal Program;
- The SWH system must meet the requirements in Section 2864, including but not limited to system design, installation, energy output, and system warranty;
- The residence must be occupied by the homeowner and/or applicant; and
- Either a) the household must currently be participating in a Commission-approved and supervised gas corporation LIEE program (now known as ESAP); or b) the residence must meet the definition of low-income residential housing in Section 2861(e).

Finally, ACCES recommends the Commission allow federal Department of Energy agencies to apply for the CSI-Thermal low-income incentives in order to leverage federal funding for SWH through weatherization programs and low income energy assistance. We encourage federal agencies to apply for

incentives on behalf of any ratepayers who otherwise meet the eligibility criteria above.

5.3 Multifamily Eligibility Requirements

The Staff Proposal did not recommend incentives to low-income residents of multifamily housing, reasoning that 30% of multifamily residents do not pay separately for water heating and the Commission could not ensure savings from a SWH installation would flow to the tenant. The Staff Proposal noted that multifamily low-income customers often pay rent and utilities in a combined formula whereby reductions in utilities only lead to increases in rent such that the total out of pocket expense remains equal.

In comments to the Staff Proposal, a number of parties objected to the exclusion of multifamily low-income properties and urged the Commission to allow residents of multifamily housing to qualify for low-income SWH incentives. ACCES, Bridge Housing, CCSE, CALSEIA, EcoPlexus, Libre Energy, SDG&E/SoCalGas, SOLID and TURN all urged the Commission to make incentives available to low-income customers living in multifamily housing. Libre Energy and ACCES contend that even if tenants do not directly pay for utilities, the benefits of solar water heating would be passed through to them through their rent. ACCES stated that the Commission overlooked the 70% of multifamily residents that pay for utilities separate from rent. Bridge Housing suggests that 80% of the budget be reserved for incentives to multifamily housing, while in contrast, CCSE suggests 8% of the budget be reserved for this purpose. CALSEIA suggests that incentives for multifamily should only go to non-profit housing agencies, while SDG&E/SoCalGas oppose this suggestion. TURN proposed that rebates be structured in a way that ensures they flow to end users.

We agree that multifamily properties with natural gas water heating should qualify for low-income incentives, particularly given that approximately 70% of multifamily residents pay for utilities separate from their rent. The Commission agrees that even in low-income properties where low-income residents do not pay a gas bill separate from the rent or where rent and utilities are subject to joint caps, the benefits of energy savings from SWH may be able to be passed on to tenants in accordance with Section 2866(d). This can occur because organizations that manage or operate low-income properties may reinvest the money saved on energy bills to improve the property or offset other costs. For these reasons, the Commission will allow multifamily properties to apply for low-income SWH incentives through the CSI-Thermal Program. Due to the small size of the program, however, we decline to adopt separate budget allocations for multifamily and single-family low-income properties.

Therefore, in order to qualify for low-income SWH incentives, the multifamily housing property must meet either the definition of low-income residential housing in Section 2861(e) or meet the terms of Section 2866(c)(2) by demonstrating that at least 50 percent of all units in the multifamily housing structure are occupied by ratepayers that are participating in a Commission-approved and supervised gas corporation LIEE program (now known as ESAP) administered by PG&E, SoCalGas or SDG&E.

In addition, in order to qualify for SWH incentives for multifamily properties, applicants must demonstrate that their gas-displacing SWH systems meet all other eligibility criteria requirements of the CSI-Thermal program, including but not limited to the requirements in Section 2864 regarding design, installation, energy output, SRCC certification, and warranty.

6. Ensuring Properties Remain Low-Income

Section 2866(e)(2) requires the Commission to establish conditions on the installation of SWH systems to ensure that the properties remain low-income residential properties for at least 10 years from the time of installation. Although the LIEE option creates a pathway to participation for single-family homes based on income criteria, it does not ensure the homes receiving incentives remain occupied by low-income residents.

For those applicants whose properties meet the definition of low-income residential property in Section 2861(e), they will by definition remain dedicated to low-income residents. For those applicants that receive low-income SWH incentives solely because they are participating in a Commission-approved gas corporation LIEE program, we will require the PAs to obtain a signed commitment from the applicant that the property will remain a low-income residential property for 10 years from the time of installation of the SWH system. The PAs should create an affidavit or other suitable form that applicants will sign in order to be eligible for incentives. The affidavit should provide information that the property meets one of the following conditions, which are currently used in the SASH program to verify eligibility:

- a documented resale restriction between the homeowner and a public entity or a qualifying nonprofit affordable housing provider;
- a documented equity sharing agreement for which the homeowner does not receive a greater share of equity than described in paragraph (2) of subdivision (c) of Section 65915 of the Government Code, between the homeowner and a public entity or a qualifying nonprofit affordable housing provider;
- a presumed resale restriction that exists because the residence is located in an enterprise zone, including Targeted Employment

Areas, as determined by the California Department of Housing and Community Development;

- a presumed resale restriction that exists because the property is located in an area that was included in a neighborhood revitalization strategy as part of the local municipality's consolidated community development plan filed with the federal Department of Housing and Urban Development.

7. Fuel Displacement Type

Several parties, namely ACCES, CALSEIA, Environment California, and SDG&E/SoCalGas, recommended that the Commission allow low-income single-family customers with electric-displacing SWH systems to apply for CSI-Thermal incentives. CCSE opposes the idea.

We decline to adopt this recommendation because we do not find it appropriate for funds collected from natural gas ratepayers to be used to fund incentives for electricity-displacement. Moreover, it is not appropriate to use funds from the electric-displacing budget of CSI-Thermal, which derive from the CSI General Market budget, for low-income SWH incentives as the CSI General Market budget is currently almost depleted. In addition, low-income electric ratepayers can take advantage of solar PV incentives through the existing CSI SASH and MASH programs.

8. Incentive Levels

The CSI-Thermal Staff Proposal recommends that SWH incentive levels for the single-family low-income applicants be set at 200% of the applicable incentive for the gas-displacing CSI-Thermal Program. Parties did not object to this incentive level, although TURN commented that the Commission should assess participation rates and consider raising the incentive if participation is low. We will adopt the low-income SWH incentive level proposed by staff for

applicants residing in single-family low-income housing because that level maximizes incentives to low-income properties as required by Section 2866(e)(1) within the program's budget constraints. We agree with TURN that we should review participation and adjust incentives in the future as needed if the rate proves too low to generate sufficient program participation.

Given that we will offer incentives to low-income applicants in multifamily housing as well, the Commission must address an incentive level for these customers. Multifamily SWH installations will likely benefit from economies of scale and can expect lower installed costs per unit of capacity than single-family projects. Moreover, multifamily housing authorities generally have access to grants, loans, and other forms of financing that will not be readily available to single-family applicants. Finally, experience with the MASH program indicates greater demand for solar incentives for multifamily affordable housing than for single-family housing through the SASH Program. For these reasons, we will set the incentive level for multifamily low-income CSI-Thermal projects lower than the incentive rate for single-family applicants. The rate shall be set at 150% of the applicable incentive for the CSI-Thermal gas-displacing program. Incentives will decline as incentives in the larger CSI-Thermal Program decline, as shown in Table 3 below.

Table 3: SWH Incentive Levels for Single-Family and Multifamily Low-Income Applicants

Step	CSI-Thermal Incentive per therm Displaced	SWH Incentive for average system	Single-Family Low-income Incentive per therm displaced	Incentive for average Low-Income system	Multifamily Low-Income Incentive per therm displaced
1	\$12.82	\$1,500	\$25.64	\$3,000	\$19.23
2	\$10.26	\$1,200	\$20.52	\$2,400	\$15.39
3	\$7.69	\$900	\$15.38	\$1,800	\$11.53
4	\$4.70	\$550	\$9.40	\$1,100	\$7.05

The actual incentive to a given applicant in either the single-family or multifamily low-income customers will be calculated in the same manner as incentives for the larger CSI-Thermal program.⁷ For example, single-family low-income incentives will be determined using the existing CSI-Thermal single-family calculator, which relies on SRCC OG-300 ratings to determine an estimate of first-year thermal displacement. This energy savings estimate would then be multiplied by 200% of the applicable single-family incentive level (after de-rating for shading and other factors). Likewise, multifamily low-income applicants will use the CSI-Thermal multifamily commercial calculator, which uses a model known as TRNSYS to estimate first-year energy savings. This estimate will then be multiplied by 150% of the applicable incentive level.

The multifamily incentives will be paid out in the same manner as incentives are paid in the larger CSI-Thermal program. Specifically, as set forth

⁷ See D.10-01-022, Section 7.3 at 41.

in the CSI-Thermal Handbook,⁸ systems smaller than 250 kilowatts in thermal capacity (kW_{th}) will receive the entire incentive amount (as determined by the incentive calculator) in a single lump-sum payment after the SWH system has been installed and passed any necessary inspections. Systems 250 kW_{th} and larger will receive 70% of the estimated incentive amount after the system has been installed and passed inspection. After one year of operation, these larger systems will receive the applicable incentive rate multiplied by the first-year's metered energy production, less the original incentive payment.

Incentives for low-income projects will be available until the \$25 million CSI-Thermal Low-Income budget is fully expended. There are no set-asides between single-family and multifamily low-income projects. Thus, funding is available on a first-come, first-serve basis, and no funding is specifically reserved for single-family or multifamily projects.

In comments on the proposed decision, PG&E, CCSE, and SoCalGas recommend incentive caps similar to those adopted by the Commission in D.10-01-022. In that decision, the Commission capped incentives for residential CSI-Thermal applicants at 125% of the incentive for an average residential system and at \$500,000 for commercial and multifamily systems. (D.10-01-022 at 33.) We agree that incentive caps should also apply to low-income SWH incentives. We will cap incentives to single-family low-income applicants at 200% of the caps in the general market CSI-Thermal program, as shown in the table below:

⁸ See CSI-Thermal Handbook, Section 3.2 (Multifamily/Commercial Incentives), August 2011, at 17-20.

Table 4: CSI-Thermal Program Single-Family Residential Project Incentive Caps

Step	General Market Single-Family Incentive Cap	Low-Income Single-Family Incentive Cap
1	\$1875	\$3750
2	\$1500	\$3000
3	\$1125	\$2250
4	\$688	\$1376

We will cap incentives to multifamily low-income systems at \$500,000, the same level as in the general market CSI-Thermal program. PG&E, CCSE and SoCalGas had suggested a higher cap for multifamily systems, but given the limited funds for low-income SWH incentives overall, we believe a cap of \$500,000 per system is sufficient and will allow more projects to be installed under the program.

9. Ensuring Benefits to Lower Income Households

Section 2866(d) requires that low-income households benefit from the installation of SWH. Specifically, the statute states:

The commission shall ensure that lower income households, as defined in Section 50079.5 of the Health and Safety Code, and, if the commission expands the program pursuant to subdivision (c), ratepayers participating in a LIEE program, that receive gas service at residential housing with a solar water heating system receiving incentives pursuant to subdivision (a), benefit from the installation of the solar water heating systems through reduced or lowered energy costs.

In the case of single-family households, it is likely that the household will have a dedicated natural gas meter and that the family will pay a separate utility bill. Thus, the benefits of the SWH installation should to flow to the household through reduced natural gas consumption.

In the case of multifamily housing, SWH is usually installed on multifamily buildings where hot water to the apartments is provided by a central boiler, and tenants are unlikely to pay a separate natural gas bill for hot water. In this scenario, the cost of natural gas for water heating is incorporated into the monthly rent, and monthly rent charges are often dictated by Section 8 of the United States Housing Act of 1937. Building owners who invest in a SWH system will most likely want to recoup the original cost of the investment in the SWH system, which makes it challenging for the Commission to ensure sharing of SWH benefits between building owners and lower-income residents.

In order to comply with Section 2866(d), we will require that where an applicant for low-income SWH incentives intends to install a SWH system on a multifamily property, the relevant PA shall obtain an affidavit from the applicant explaining how the applicant will pass reduced energy costs to qualifying lower-income residents.

10. Program Administration

As recommended in the Staff Proposal, the CSI-Thermal low-income SWH incentives should be administrated by the same PAs that administer the natural gas portion of the larger CSI-Thermal Program, namely PG&E, SoCalGas, and CCSE. The cost of administering and marketing the program will come from the PAs' larger CSI-Thermal gas-displacing administration and marketing budgets, as discussed in the Program Budget Section above. The PAs will report on the progress of the low-income SWH incentive program as part of their quarterly CSI-Thermal Progress reports, and they will report the cost of administering the program, including incentives and labor, in their semi-annual CSI Thermal expense reports.

In order to implement the low-income SWH incentives adopted in this decision through the CSI-Thermal Program, the CSI-Thermal PAs will need to incorporate the provisions of this decision into the existing CSI-Thermal Program Handbook and ensure the CSI-Thermal application form, incentive calculator, and database are amended to incorporate and account for low-income SWH incentives. We direct the PAs to jointly submit relevant revisions to the CSI Thermal Handbook by advice letter within 90 days of the effective date of this decision. Within 30 days of the Commission approving this advice letter, the CSI-Thermal PAs should begin to accept applications for low-income SWH incentives. The PAs should ensure that low-income applications are identified as such in the CSI-Thermal Database.

11. Comments of Proposed Decision

The proposed decision in this matter was mailed to the parties in accordance with Section 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed jointly by PG&E, CCSE and SoCalGas. The comments suggested minor clarifications regarding incentive caps, incentive eligibility, and implementation which are incorporated throughout the decision.

12. Assignment of Proceeding

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

Findings of Fact

1. Section 2866 establishes eligibility and budget requirements for a low-income SWH incentive program.
2. In D.10-01-022, the Commission budgeted \$25 million for low-income SWH incentives through the CSI Thermal Program.

3. According to Section 2866(f), any portion of the \$25 million low-income SWH incentive budget that is unexpended and unencumbered on August 1, 2018 shall be used to augment cost-effective energy efficiency measures in low-income residential housing that benefit ratepayers.

4. Section 2861(e) defines low-income residential housing for the purpose of low-income SWH incentives, while Section 2852 defines low-income residential housing for purposes of the SASH program for incentives to solar PV energy systems through the CSI program.

5. Section 2866(c) allows the Commission to extend eligibility for low-income SWH incentive to residential housing occupied by ratepayers participating in a qualifying gas corporation LIEE program (now known as ESAP).

6. Approximately 70% of multifamily residents pay for utilities separate from their rent.

7. Section 2866(e)(2) requires the Commission to ensure that properties receiving low-income SWH incentives remain low-income residential properties for at least 10 years from the time of installation.

8. Section 2866(d) requires the Commission to ensure that low-income households benefit from the SWH installation.

Conclusions of Law

1. The \$25 million low-income SWH incentive budget should be collected exclusively from natural gas ratepayers and should only be used to fund natural-gas displacing SWH systems.

2. Any expenses to administer and market low-income SWH incentives should be absorbed by the existing \$20 million administration budget and \$25 million market facilitation budget for the CSI Thermal Program.

3. The \$25 million low-income SWH incentive budget should be allocated among the three PAs with gas customers in the same proportions as the CSI Thermal gas-displacing program budget.

4. The Commission should extend low-income SWH incentives to residential housing occupied by ratepayers participating in a Commission-approved and supervised gas corporation LIEE program (now known as ESAP).

5. It is reasonable to make low-income SWH incentives available to multifamily properties with natural gas water heating so that the benefits of energy savings from SWH may be passed on to tenants.

6. To ensure that properties receiving incentives remain low-income residential properties, the PAs shall obtain a signed commitment from the applicant, as set forth in Appendix A, that the property will remain a low-income residential property for at least 10 years from the time of installation of the SWH system.

7. Funds collected from natural gas ratepayers to fund low-income SWH incentives should only be used to fund natural-gas displacing SWH systems.

8. The low-income SWH incentive component to CSI Thermal should be adopted as set forth in Appendix A, which sets forth eligibility requirements, incentive levels, and other program details.

9. The Commission should review participation in the low-income SWH incentive program and adjust incentives through a future decision as needed, following appropriate notice and an opportunity for comment by interested parties.

10. Low-income incentives levels for multifamily properties should be lower than single family properties because of economies of scale for multifamily

properties and greater access by multifamily properties to financing for solar installations.

11. Incentives for single-family systems should be capped at 200% of the incentive caps for general market CSI-Thermal single-family systems. Incentives for multifamily systems should be capped at \$500,000 per system.

12. The benefits of the SWH installation should flow to single-family households through reduced natural gas consumption and a lower natural gas bill.

13. The PAs should obtain an affidavit from applicants who intend to install an SWH system on a multifamily property to indicate how qualifying low-income residents will benefit from the SWH installation through reduced energy costs.

14. Low-income SWH incentives should be administered by the same PAs that administer the natural gas portion of the CSI-Thermal Program.

O R D E R

IT IS ORDERED that:

1. The low-income solar water heating incentive program set forth in Appendix A is adopted.
2. Within 90 days of the effective date of this decision, the California Solar Initiative (CSI)-Thermal Program Administrators (namely Pacific Gas and Electric Company, Southern California Gas Company and the California Center for Sustainable Energy) shall jointly submit an advice letter to revise the CSI-Thermal Handbook to incorporate the low-income solar water heating incentive program as set forth in Appendix A. Within 30 days of the Commission

approving this advice letter, the CSI-Thermal Program Administrators shall begin to accept applications for low-income solar water heating incentives

3. The California Solar Initiative Thermal Program Administrators (namely Pacific Gas and Electric Company, Southern California Gas Company and the California Center for Sustainable Energy) shall submit an advice letter no later than September 1, 2018 detailing the amount of the \$25 million low-income solar water heating incentive budget that is unexpended and unencumbered.

This order is effective today.

Dated _____, at Los Angeles, California.