



ALJ/VUK/fzs 5/5/2023

FILED

05/05/23

09:11 AM

R1407002

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering.

Rulemaking 14-07-002

And Related Matter.

Application 16-07-015

ADMINISTRATIVE LAW JUDGE’S RULING INVITING COMMENTS ON POTENTIAL MODIFICATIONS TO SOLAR ON MULTIFAMILY AFFORDABLE HOUSING PROGRAM

Decision (D.)17-12-022, establishing the Solar on Multifamily Affordable Solar Housing (SOMAH) program, provides that the Commission will periodically evaluate incentive levels and may adjust them as needed based on solar costs and other relevant market factors.

On March 21, 2023, the Commission adopted D.23-03-007, which increases current incentive levels and eliminates the annual incentive step-down process adopted by D.17-12-022. The decision defers consideration of proposed higher incentive levels for projects located in disadvantaged communities until this ruling, which seeks party comments on potential SOMAH program modifications, in particular those aimed at increasing participation by projects in disadvantaged communities.

The following questions are informed by the SOMAH Phase 2 evaluation and the “Response to Recommendations” documents submitted by the SOMAH Program Administrator and the electric investor-owned utilities (IOUs), all of

which are included with this ruling in Attachment 1. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, Liberty Utilities (Liberty) and PacifiCorp (together, IOUs) and the SOMAH Program Administrator are directed, and all other parties are invited, to file comments no later than June 2, 2023 and reply comments no later than June 16, 2023. Some questions are directed specifically at the IOUs or the SOMAH Program Administrator.

Program Performance

1. Appendices A and B of the SOMAH Phase 2 evaluation provide goals, metrics and key performance indicators (KPI) that can be used to track the SOMAH Program's performance over time against the program's stated goals. Should the Commission adopt these goals, metrics and KPIs?
 - a. If yes, should any of the KPIs or metrics be developed into time-based targets (*e.g.*, annual or quarterly)? Provide any specific recommendations and supporting rationale; also describe how the program implementation plan, handbook, and/or program administration contract should be revised to include your specific recommended KPIs and metrics.
2. IOUs: California Public Utilities (Pub. Util.) Code section 2870 provides that the Commission may seek to fulfill its obligation, under Pub. Util. Code section 2827.1(b)(1), to ensure specific alternatives designed for growth among residential customers in disadvantaged communities. To assess progress toward this objective, each IOU must provide data on the SOMAH program's impact on disadvantaged communities (DAC) compared to the DAC solar market at large and the non-DAC solar market. Provide a table showing counts of interconnection applications by type (residential and non-residential), DAC status (in DAC and not in DAC at time of interconnection) and year from 2018 through 2022; use the format provided

below. Include any observations relating to SOMAH installations (including those planned but not yet interconnected) in comparison to non-SOMAH installations, and any other relevant trends.¹

Year	Total Properties with Interconnection Applications		Total Properties with Interconnection Applications in DACs		Total SOMAH Properties with active applications		Total SOMAH Properties with completed installations	
	Residential (or Mixed)	Non-residential	Residential (or Mixed)	Non-residential	In DACs	Not in DACs	In DACs	Not in DACs
2018								
2019								
2020								
2021								
2022								
Total								

3. The Commission is required by Pub. Util. Code section 2870(j)(2) to evaluate the SOMAH program every three years. The selected contractor, Verdant, noted some challenges with receiving complete data from the IOUs and shared that changes can "ease the burden of pulling the interval data needed for future impact evaluations."²
 - a. IOUs: What adjustments to data management have occurred in response to this finding to support current and future evaluations?
 - b. [All parties:] What is a reasonable policy for the IOUs to fulfill SOMAH program evaluation data responses in a timely and complete manner?

Incentive Levels

4. Are incentives for the solar system the primary driver for SOMAH program participation, or are other program

¹ SOMAH project application data is a part of the "SOMAH Working Data Set" an Excel document available for download on the Distributed Generation Statistics website (https://www.californiadgstats.ca.gov/downloads/#_somah)

² Phase 2 Evaluation at page 137.

- elements, like technical assistance or financing availability, equally or more important?
5. If higher incentive levels are adopted, should they be tied to criteria that support program mandates or other goals? What would be the most appropriate criteria (such as location, percent of generation allocated to tenants, system size, etc.) and associated incentive adder(s)?
 6. Does the authorizing statute allow for incentive funding to be used to support other solar installation related costs such as those that address physical site barriers, like structural roof repairs?³ If allowable, should the Commission permit incentive funding for other solar installation related costs? If a solar system is sized for electrification or electric vehicle charging, are there additional technologies that should become part of the “total system installation costs”?
 7. SOMAH Program Administrator: Is the Expected Performance Based Buydown methodology, adopted in D.06-08-028, functional for SOMAH projects?⁴ Are there ways it can be refined to better support SOMAH program goals?

Storage: D.17-12-022 did not adopt incentives for storage but concluded that “nothing in this decision precludes a developer from pairing a solar generation system that receives SOMAH incentives with storage, to the extent that paired storage is allowed under applicable tariffs.”⁵ Parties should respond to the following questions with the understanding that the program landscape is likely

³ SOMAH Phase 2 Evaluation at page 68 “PROPERTY OWNER BARRIER #6: Property physical site issues. Many property owners interviewed reported barriers related to physical aspects of either their buildings or their properties. These barriers included items such as issues relating to the age or condition of the roof or adequacy of space available for solar panels.”

⁴ D.17-12-022, at 42: “The program’s incentive structure provides fixed, up front, capacity-based incentives for qualifying solar energy systems, using the Expected Performance Based Buydown methodology adopted in D.06-08-028.”

⁵ D.17-12-022 at page 43

to change with the Commission's forthcoming implementation of Assembly Bill (AB) 209 (Stats. 2022, Ch. 251) under Rulemaking (R.) 20-05-012. AB 209 expands the Self-Generation Incentive Program (SGIP) to include solar with storage installations.⁶

8. SOMAH incented solar systems are arranged to be front-of-the-meter and take service under a virtual net energy metering tariff. When the solar is paired with a battery in this arrangement, that storage is prohibited from importing energy from the grid.⁷ Pub. Util. Code section 2870(a)(4) defines "solar energy system" as "a solar energy photovoltaic device that meets or exceeds the eligibility criteria established pursuant to Section 25782 of the Public Resources Code." Does a solar *and* storage system meet the definition of a "solar energy system" in Pub. Util. Code section 2870? Would such a system be eligible to receive SOMAH incentive funding?
 - a. If yes, what would be the necessary program requirements for a SOMAH incented solar plus storage system to ensure that benefits primarily accrue to tenants?
9. For solar plus storage systems, should the current SOMAH incentives (\$/watt) be modified?
 - a. If yes, should there be a cap on the number of properties and/or the total funding allocated to this purpose?

⁶ AB 209 states "This bill would delete the requirement that the PUC administers solar technologies separately from the program. The bill would specify that the limitation on the eligibility for incentives under the program to distributed energy resources applies to incentives that are funded by the authorized annual collection. The bill would require the PUC, in administering the program, to use funds that are appropriated by the Legislature, as provided, for the purposes of providing incentives to eligible residential customers *who install behind-the-meter energy storage systems or solar photovoltaic systems paired with energy storage systems.*"

⁷ D.17-12-005

- b. If yes, should the program prioritize properties by need and if so, how?
- 10. If storage is included, are there functionalities or monitoring requirements that the program should adopt, such as the guarantee and performance requirements within the program for solar?
- 11. Should the SOMAH program provide a higher incentive for the solar portion of a system when solar is co-located with storage?
- 12. Should a new requirement be added to review a property's storage needs to assess battery back-up needs and make referrals to relevant storage or wildfire safety programs?

Financing: D.17-12-022 directed that part of the SOMAH Program Administrator's expertise must include experience in finance capitalization. The Phase 2 Evaluation found that project financing was a primary participation barrier for property owners.⁸

- 13. Should program incentive funding be used to provide an upfront payment option for projects? If yes, what other advance payment options (such as using completed program milestones to trigger portions of the incentive) should the Commission consider?
- 14. Should the SOMAH Program Administrator or the utilities pilot a Residential Financial Assistance program like the PG&E SGIP pilot?⁹ If yes, provide your recommendation and rationale for an appropriate pilot design. What would be an appropriate budget and time

⁸ Phase Evaluation at page 65 "PROPERTY OWNER BARRIER #4: Project financing. Project financing, primarily up front and out of pocket costs, was a primary barrier for most property owners. Several property owners reported it was their inability to figure out the project financing that led to them to cancelling submitted SOMAH applications."

⁹ IBID at 89

period? Would the pilot require an evaluation (during and/or after)?

15. What risks do a finance component (pilot and/or permanent offering) present to the program and ratepayers, and how should any identified risks be mitigated?

Contractor Support: SOMAH has two application tracks, adopted by Resolution E-4987 (approving the SOMAH Program Implementation Plan). “Track A” is for property owners who need upfront Technical Assistance services to design a solar project and/or help to identify eligible contractors and “Track B” participants apply with a pre-determined contractor and project plan. As of March 2023, only 45 out of 727 applications have entered via Track A and for active applications (excluding those suspended or cancelled) only 8 out of 412 are Track A.¹⁰ The Phase 2 Evaluation found that “Track A application volumes have been low and have experienced high levels of cancellation” and that SOMAH eligible contractors that have business operations in or near DACs are limited.¹¹

16. What factors explain the low participation in Track A? Provide your rationale, and any supporting information / data.
17. Given the greater participation of Track B (contractor-led) projects over Track A, should the SOMAH Program Administrator adjust its tactics to better support contractors in its outreach? How?
 - a. SOMAH Program Administrator: In reply comments, for any recommended adjustments, provide an estimate of possible administrative budget impacts (if any).

¹⁰ DG Statistics SOMAH Data Set retrieved on March 20, 2023.

¹¹ SOMAH Phase 2 Evaluation at page 127

18. As of March 2023, the SOMAH program has had only 17 contractors submit applications.¹² How can the program encourage greater contractor participation and be more inclusive? Please specify in your answer if earmarked funding is needed, and for what purpose.
19. How can the SOMAH Program Administrator better locate solar contractors working in or serving DACs and more rural areas? Please specify in your answer if earmarked funding is needed, and for what purpose.
20. Should Track A's multiple bid requirement, adopted by Resolution E-4987, be removed?

Program Requirements: The Phase 2 Evaluation found that contractors felt participation requirements were overly burdensome and that 40 percent of property owners would not submit a future SOMAH application due to lack of staff capacity, administrative burden, and project funding.¹³ D.17-12-022 adopted essential program requirements and Resolution E-4987 adopted the Program Implementation Plan, which incorporated D.17-12-022's requirements and added additional program elements, such as tenant education. When responding to the following questions, please specify modifications to the Program Implementation Plan that you may recommend.

21. What tasks (such as application assistance to system design, subcontracted construction, and interconnection support) can, and should, the SOMAH Program Administrator take on to reduce property and contractor burden and/or costs? Are there any current SOMAH Program Administrator administrative activities that could and should be eliminated to make staff time and budget available for these new tasks?

¹² DG Statistics SOMAH Working Data Set retrieved on March 20, 2023

¹³ SOMAH Phase 2 Evaluation at pages 53 and 132

- a. SOMAH Program Administrator: What are the possible administrative budget impacts, if any?
22. Instead of, or in addition to, incentive level adjustments, which programmatic requirements should be modified, reduced or removed (if any)?
 - a. Should these program requirement changes apply to all applicants or just those with unique barriers? For example, should the Commission modify the job training requirements for projects located in DACs or rural locations to make them less burdensome?
 23. The Program Implementation Plan (adopted via Resolution E-4987)¹⁴ established a marketing tactic to include community-based organizations with broad geographic and demographic coverage. Does the program's current suite of community-based organizations provide adequate statewide coverage? If not, how should this shortcoming be addressed? How can community-based organizations help contractors or property owners with identified barriers?

Projects in Liberty and PacifiCorp service territories: According to the SOMAH Program Administrator's Eligible Properties Map, there are up to 40 properties with 1,800 units eligible in PacifiCorp and Liberty territories and only two active applications in Liberty territory.^{15,16}

¹⁴ Program Implementation Plan's marketing tactics include community-based organizations stating "The SOMAH PA will subcontract with community-based organizations to provide culturally and linguistically appropriate outreach to the communities they serve...The contracted organizations will rotate on an annual basis to ensure broad geographic and demographic coverage" (page 26).

¹⁵ SOMAH Eligible Properties Map Data retrieved on December 14, 2022 from: <https://calsomah.org/resources/eligible-properties-map>

¹⁶ SOMAH Working Data Set retrieved on March 20, 2023 from: https://www.californiadgstats.ca.gov/downloads/#_somah

24. Are there program elements that need to be adjusted to help overcome barriers in PacifiCorp and Liberty territories?
25. Should PacifiCorp and Liberty, which have few applicants and eligible properties compared to the large electric IOUs, have a unique incentive level to encourage project development? If yes, provide a specific recommendation and supporting rationale.
26. Given the low number of potential program participants in PacifiCorp and Liberty service territories, is it reasonable for PacifiCorp and Liberty to continue to contribute funds to the SOMAH program through June 2026?
27. Should the SOMAH Program Administrator undertake a direct effort to support the completion of all willing and eligible properties in PacifiCorp and Liberty areas so those utilities can exit the program early? Would there be administrative or other cost savings for the program and for the utilities' customers if this were to occur?
28. Given the lack of participation in Liberty and PacifiCorp territories and the noted property owner barriers, should the SOMAH Program Administrator manage and provide solar installation services to all Liberty and PacifiCorp eligible properties?
 - a. SOMAH Program Administrator: What are the possible administrative budget impacts, if any?

IT IS SO RULED.

Dated May 5, 2023, at San Francisco, California.

/s/ VALERIE U. KAO

Valerie U. Kao
Administrative Law Judge

Attachments