

Decision 20-04-012 April 16, 2020

**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

**DECISION DETERMINING REVENUE AVAILABILITY AND ADEQUACY OF PARTICIPATION AND INTEREST IN THE SOLAR ON MULTIFAMILY AFFORDABLE HOUSING**

**Summary**

This decision determines that revenues are available and that there is adequate participation and interest in the Solar on Multifamily Affordable Housing (SOMAH) program, and therefore continues authorization of allocation of funds to the SOMAH program through June 30, 2026.

This proceeding remains open.

## **1. Background**

Pursuant to Assembly Bill (AB) 693 (Stats. 2015, Ch. 582), Decision (D.) 17-12-022 established the Solar on Multifamily Affordable Housing (SOMAH) program to provide financial incentives for installation of solar energy systems on multifamily affordable housing properties, as specified in the statute. Additionally, both AB 693 and subsequently the Commission specified the program's funding source. Public Utilities Code Section 2870(c) provides that:

The Commission shall annually authorize the allocation of one hundred million dollars (\$100,000,000) or ten percent of available funds, whichever is less, from the revenues described in subdivision (c) of Section 748.5 for the Multifamily Affordable Housing Solar Roofs Program, beginning with the fiscal year commencing July 1, 2016, and ending with the fiscal year ending June 30, 2020. The commission shall continue authorizing the allocation of these funds through June 30, 2026, if the commission determines that revenues are available after 2020 and that there is adequate interest and participation in the program.

The authorization of allocated funds for the SOMAH program generally occurs annually on a forecast basis in each electric investor owned utility (IOU)'s Energy Resource Recovery Account (ERRA) forecast application or Energy Cost Adjustment Clause (ECAC) application.

Commission oversight of the SOMAH program is within scope of this proceeding. On December 27, 2019, the assigned administrative law judge issued a ruling providing notice and opportunity for parties to comment on how the Commission determines whether revenues will be available after 2020 and whether there is adequate interest and participation in the program, in

accordance with Public Utilities Code Section 2870(c).<sup>1</sup> The ruling proposed to base its determination of available revenues and adequate participation and interest on the following information:

- For availability of revenues: Recorded and forecast greenhouse gas (GHG) revenues of the electric IOUs from 2016 through 2019, which showed an upward (rather than downward) trend and thus indicated that revenues will be available to continue funding the SOMAH program.

**Table 1: Recorded and Forecast GHG Revenues  
(Thousands)**

|            | 2016      | 2017      | 2018      | 2019*     |
|------------|-----------|-----------|-----------|-----------|
| PG&E       | \$301,670 | \$345,514 | \$348,099 | \$389,041 |
| SDG&E      | \$81,559  | \$92,540  | \$93,728  | \$103,152 |
| SCE        | \$376,175 | \$384,894 | \$389,316 | \$424,297 |
| PacifiCorp | \$9,388   | \$10,681  | \$11,217  | \$12,677  |
| Liberty    | \$2,871   | \$3,080   | \$3,329   | \$3,532   |

\*PG&E's 2019 figure represents actual GHG revenues while other IOUs' figures represent a combination of recorded and forecast revenues.

- For adequacy of participation and interest, the following information indicates there will be adequate interest and participation in the SOMAH program through June 30, 2026:
- Information from the SOMAH Working Data Set that showed, as of the general timeframe of the ruling, nearly all applications were submitted on the first day the program was opened to applications (July 1, 2019),

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<sup>1</sup> *Administrative Law Judge's Ruling Providing Notice and Opportunity Regarding Continued Funding of the Solar on Multifamily Affordable Housing Program*, filed December 27, 2019.

with a total of 254 projects engaged with the program and 138 of those projects on the waitlist.

- A July 18, 2019 memo of the United States Department of Housing and Urban Development (HUD) that rendered the majority of HUD properties in California eligible for the SOMAH program.

The ruling also invited parties to provide recommendations on how to better ensure equitable distribution of SOMAH funds in disadvantaged communities.

On January 10, 2020, the California Environmental Justice Alliance (CEJA), Pacific Gas and Electric Company (PG&E), PacifiCorp, San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Sunrun Inc. (Sunrun) filed comments in response to the ruling. On January 21, 2020, the Center for Sustainable Energy (CSE), CEJA, PG&E, SDG&E and Sunrun filed reply comments.

Parties generally agree with the proposed indicators of available revenues and adequate participation and interest, with some qualifying comments, summarized as follows:

- PG&E recommends the Commission direct the SOMAH program administrator to provide information on projected spending needs and program interest since the program launch date, asserting such information would support conclusions regarding future spending needs and future participation.
- SDG&E asserts the Commission must base its determination of whether to continue the program on the independent evaluator's reports, the first of which is expected to be provided this year (2020). To address any potential gap in funding, SDG&E suggests the Commission could temporarily extend the program through the end of 2020, with a decision on extending

the program past 2020 (based on the independent evaluator's initial report) to follow in 2021.

CEJA disagrees with both PG&E and SDG&E's suggestions, asserting both conflate other program objectives with the legislature's specific direction on how to continue authorizing allocation of program funds through June 30, 2026.

CEJA, CSE and Sunrun indicate the information contained in the ruling is sufficient to reach a determination on revenue availability and adequacy of participation and interest. Sunrun further suggests there is more interest than can be met with the maximum possible funding amount of \$1 billion, based on an estimation that \$1 billion could support approximately 1,650 to 1,700 projects.

Regarding equitable distribution of SOMAH funds in disadvantaged communities, CEJA and Sunrun make specific recommendations for program modifications aimed at increasing funding for projects located in disadvantaged communities, while SCE recommends further deliberation and consideration of whether prioritizing applications based on disadvantaged community status is appropriate, and SDG&E similarly recommends against setting aside funds specifically for projects in disadvantaged communities.

## **2. Determination of Available Revenues, Adequate Participation and Interest**

We determine, based on the information included in the December 27, 2019 ruling, that revenues will be available and participation and interest in the SOMAH program will be adequate, such that we should continue authorizing the allocation of funds for the SOMAH program through June 30, 2026. In short, we agree with CEJA that we need only reach the necessary determinations as specified in statute to continue allocating funds, not to determine whether to continue or modify the program. Because the program

commenced less than a year ago on July 1, 2019, it is premature to reach any finding on program performance. Our statutory direction is clear: the Commission shall continue authorizing the allocation of these funds through June 30, 2026, if the Commission determines that revenues are available after 2020 and that there is adequate interest and participation in the program. The Commission may at any time determine to modify the program based on future program evaluations and updated expenditures and activity data, but we need not reach such a determination at this point.

Further, and again because the program only commenced less than a year ago, we reserve judgment on whether and how to modify the program regarding equitable distribution of funds in disadvantaged communities. We support the goal of making the program as equitable as possible, and note that as part of its approved program implementation plan<sup>2</sup> and recently posted semi-annual progress report,<sup>3</sup> the SOMAH program administrator has built multiple channels to implement programmatic changes to ensure a flexible and adaptive program. These venues, such as the SOMAH Advisory Council and regularly scheduled public forums, allow stakeholders the opportunity to provide input that help guide the program, where needed, to be more responsive to stakeholder needs.

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<sup>2</sup> The SOMAH Program Implementation Plan was submitted for approval in GRID Alternatives Advice Letter 11 and the Center for Sustainable Energy Advice Letter 92. It was subsequently approved by Resolution E-4987 on April 2, 2019.

<sup>3</sup> Pursuant to Appendix B of D.17-12-022, the SOMAH Program Administrator shall submit semi-annual reports to the director of the Energy Division on progress of the SOMAH program.

For example, in its January 2020 semi-annual progress report,<sup>4</sup> the SOMAH program administrator outlined comprehensive plans to build a multiyear pipeline of projects. Within these plans were goals to help rebalance the program by promoting marketing, education and outreach to ‘self-led’ applicants like property owners, operators, or other host customers who may lack the technical expertise of a developer-led project. While this specific effort is intended to help prioritize smaller portfolio operators with limited technical acumen, future outreach and engagement plans could easily focus on other demographic or geographic criteria such as disadvantaged community status or grid benefit, for example, if deemed necessary. We encourage these efforts and any other approaches that can be implemented to ensure equitable participation in the SOMAH program.

To build off of the transparent and continual program improvement ethos engrained in the SOMAH program, we highlight the value of both the program administrator’s semi-annual reports and annual SOMAH Marketing, Education and Outreach plans.<sup>5</sup> Viewed holistically, annual SOMAH Marketing, Education and Outreach plans provide stakeholder inclusive forward-looking plans and a retrospective report of a wide variety of program performance indicators.

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<sup>4</sup> The January 1, 2020 semi-annual progress report can be retrieved here: [https://www.cpuc.ca.gov/uploadedFiles/CPUC\\_Public\\_Website/Content/Utilities\\_and\\_Industries/Energy/Energy\\_Programs/Demand\\_Side\\_Management/Customer\\_Gen\\_and\\_Storage/SOMAH\\_SemiAnnual\\_Progress\\_Report.pdf](https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy/Energy_Programs/Demand_Side_Management/Customer_Gen_and_Storage/SOMAH_SemiAnnual_Progress_Report.pdf)

<sup>5</sup> As noted in the April 9, 2019 *Revised SOMAH Program Implementation Plan*, The SOMAH program administrator has committed to submitting an annual marketing plan that includes activities proposed for the next year, a year- in- review of the activities completed in the current year, as well as the subcontractors engaged to complete the activities. All marketing plans are released to the R.14-07-002 service list for public review and comment prior to posting on the CalDGStats website.

In an effort to ensure that the SOMAH program continues its progress in reaching disadvantaged communities, we direct the SOMAH program administrator to issue its semi-annual progress reports beyond the director of the Energy Division, to also include the Rulemaking (R.) 14-07-002 and Application (A.) 16-07-015 service lists. Further, in addition to the 16 performance indicators outlined in Appendix B of Decision (D.) 17-12-022, we add disadvantaged community-centric metrics to be reported. Specifically, this report should document:

- the number and percentage of applications received for projects located in a disadvantaged community, as defined in D.17-12-022; and
- the number and percentage of applications for projects located in a disadvantaged community that are approved in the SOMAH program.

Additionally, we direct the SOMAH program administrator to provide both the annual SOMAH Marketing, Education and Outreach plans and semi-annual progress reports to the Disadvantaged Communities Advisory Group (DACAG)<sup>6</sup> and the Low-Income Oversight Board (LIOB) for their consideration. Further, we encourage continued collaboration between the SOMAH program administrator, the SOMAH Advisory Council and SOMAH

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<sup>6</sup> The DACAG advises the CPUC and the California Energy Commission regarding the development, implementation, and impacts of proposed programs related to the Clean Energy and Pollution Reduction Act of 2015 (SB 350) in disadvantaged communities. The DACAG is composed of 11 members from or representing disadvantaged communities. Members represent the diverse nature of disadvantaged communities of the state and reflect the rural and urban, cultural and ethnic, and geographic regions of the state. More information about the advisory group can be found on the DACAG web page retrievable here: <http://cpuc.ca.gov/dacag/>.



Regional Job Training Organization Task Force<sup>7</sup> with DACAG and LIOB, as appropriate.

### **3. Direction for Utility Forecasts and Recovery of Funds**

The 2020 ERRAs forecasts and ECACs decided prior to this decision set aside funds for the SOMAH program through June 30, 2020. To ensure that the full 2020 amount is set aside for the SOMAH program, all affected utilities shall include a set-aside true-up amount in their 2021 ERRA forecast or ECAC applications. Simply put, the utilities shall plan to set aside funds for the SOMAH program, to cover the period from July 1, 2020 through December 31, 2020, out of 2021 allowance revenues. Pursuant to Ordering Paragraph 7 of D.17-12-022, each electric IOU shall contribute its proportionate share of \$100 million (in years when the sum of the IOUs' available funds equal or exceed \$100 million), to be calculated based on its share of allowance sale proceeds over the previous four quarters.

This decision further directs the electric IOUs to propose, in their future ERRA forecast and ECAC applications through 2026, SOMAH program funding consistent with the following directions:

- Forecast set-aside amounts for the SOMAH program should be calculated based on the direction in Public

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<sup>7</sup> Per the SOMAH program administrator's 2020 *Semi-Annual Progress Report*, the purpose of the SOMAH Advisory Council is to ensure that equity focused community advocates' and key stakeholders' voices and interests remain at the center of the SOMAH program for its duration and that SOMAH maximizes benefits to low-income tenants and DACs by advising the SOMAH program administrator on program development and implementation. The SOMAH Regional Job Training Organization Task Force Task Force supplements the SOMAH Advisory Council in providing advice to the SOMAH program administrator specifically on the job training requirements of the program and will help realize requirements of AB 693 to drive economic benefits to DACs through local and targeted hiring by highlighting the voices and needs of job trainees from DACs and low-income communities.

Utilities Code Section 2870(c), as specified in Ordering Paragraphs 4 and 5 of D.17-12-022.

- Each utility shall include a SOMAH forecast set-aside amount as a separate line item in its applicable filings,<sup>8</sup> distinguished from other programs funded pursuant to Public Utilities Code Section 748.5(c). For all years listed in Template D-1, each utility shall also include separate line items for the other clean energy programs funded by GHG allowance proceeds, which currently include Disadvantaged Community Single-family Affordable Housing (DAC-SASH), Disadvantaged Community Green Tariff (DAC-GT), and Community Solar Green Tariff (CS-GT). Additional lines may be included for other clean energy programs that are authorized to be funded from GHG allowance proceeds. This will help ensure clarity and transparency about the amounts allocated to the SOMAH program versus other Commission-authorized clean energy programs.
- Each utility shall include a true-up of the prior year's authorized SOMAH set-aside amount, listed separately from the forecast year amount, in their applicable November update filings.<sup>9</sup> This true-up will compare the prior year's SOMAH set-aside to actual (i.e., not forecast) auction revenues, and adjust the total forecast amount to reflect actual auction revenues. The true-up information shall be presented in a table in the same format as the untitled table in D.20-02-047 at page 20.
- For purposes of Table D-1, each utility shall maintain the same methodology used for other recorded amounts in the November update filing: recorded amounts for January through September, and forecast

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<sup>8</sup> Specifically, Template D-1 (originally adopted in D.14-10-033).

<sup>9</sup> Also Template D-1.

amounts for October through December. The true-up for the final three months of each year shall occur via a Tier 1 advice letter as soon as this information becomes available, and no later than March 1 of the following year. This Tier 1 advice letter shall not include adjustments to the utility's climate credit.

- The utilities shall not return any funds that are set aside or allocated to the SOMAH program unless and until the Commission explicitly directs the utilities to return any unspent funds.

#### **4. 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 April 2, 2020 by PG&E, Sunrun Inc. (Sunrun), and the Center for Sustainable Energy, and reply comments were filed on April 7, 2020 by the California Solar & Storage Association and Sunrun. We address and dispose of requests for substantive changes here.

Sunrun requests the Commission, in this decision, to modify the methodology adopted in D.17-12-022 for annually decreasing incentive levels.<sup>10</sup> Sunrun states the current methodology should be modified to reflect economic considerations and nuances in the solar cost data reported by the National Renewable Energy Laboratory. These issues require further consideration to make such a change, especially since they were only raised in comments to a proposed decision. Because this would require modifying a Commission decision, if Sunrun (or any party) believes this change is warranted they should

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<sup>10</sup> The SOMAH program launched on July 1, 2019. Pursuant to D.17-12-022, incentive levels will be modified on July 1, 2020.

file a petition for modification of D.17-12-022 and include specific information on which the merits of such modification may be evaluated.

PG&E notes that actual GHG revenue information for the fourth quarter of the prior year is not available in time for the November update, and suggests modifications to the instructions regarding the November update. CALSSA and Sunrun both find PG&E's proposed modifications problematic, and Sunrun recommends alternative language that would result in a more immediate true-up. We agree with Sunrun that true-ups should occur more closely to when recorded GHG revenue information becomes available than what PG&E proposes, which could cause a gap of up to 18 months between revenue data availability and disbursement of funds. We have modified the proposed decision to account for fourth quarter GHG revenue information not being available for the November update, and to direct the utilities to update this information as soon as it becomes available and no later than March 1 of the following year.

Other minor modifications have been made for clarity and consistency.

## **5. Assignment of Proceeding**

Martha Guzman Aceves is the assigned Commissioner and Patrick Doherty and Valerie U. Kao are the assigned Administrative Law Judges in this proceeding.

### **Findings of Fact**

1. Public Utilities Code Section 2870(c) directs the Commission to continue authorizing the allocation of funds through June 30, 2026, if the Commission determines that revenues are available after 2020 and that there is adequate interest and participation in the program.

2. The electric IOUs' recorded and forecast GHG revenues for 2016 through 2019 show an upward trend, indicating that revenues will be available to continue funding the SOMAH program.

3. Information from the SOMAH Working Data Set, combined with confirmation by HUD that the majority of HUD properties are eligible for the SOMAH program, indicate there will be adequate interest and participation in the program.

4. The SOMAH program first opened to applications on July 1, 2019.

### **Conclusions of Law**

1. It is reasonable to determine that revenues are available after 2020 and that there is adequate interest and participation in the SOMAH program, such that the Commission should continue authorizing the allocation of these funds through June 30, 2026.

## **O R D E R**

**IT IS ORDERED** that:

1. The California Public Utilities Commission determines that revenues are available after 2020 and that there is adequate interest and participation in the Solar on Multifamily Affordable Housing program.

2. The Solar on Multifamily Affordable Housing program administrator shall issue all future semi-annual progress reports to the service list of this proceeding.

3. The Solar on Multifamily Affordable Housing (SOMAH) program administrator shall include the following metrics in all future semi-annual progress reports:

- the number and percentage of applications received for projects located in a disadvantaged community; and

- the number and percentage of applications for projects located in a disadvantaged community that are approved in the SOMAH program.

4. The Solar on Multifamily Affordable Housing (SOMAH) program administrator shall provide all future annual SOMAH Marketing, Education and Outreach plans and semi-annual progress reports to the Disadvantaged Communities Advisory Group and the Low-Income Oversight Board.

5. Liberty Utilities (CalPeco Electric) LLC, Pacific Gas and Electric Company, PacifiCorp, San Diego Gas & Electric Company, and Southern California Edison Company shall propose in their respective 2021 Energy Resource Recovery Account forecasts and Energy Cost Adjustment Clause applications, to be filed in 2020 (or associated updates, if this decision is effective after the 2020 filing dates for those proceedings), amounts to be set aside for the Solar on Multifamily Affordable Housing program from July 1, 2020 through December 31, 2020, and any necessary climate credit adjustments resulting from those set-aside amounts pursuant to Section 3 of this decision.

6. Liberty Utilities (CalPeco Electric) LLC, Pacific Gas and Electric Company, PacifiCorp, San Diego Gas & Electric Company, and Southern California Edison Company shall propose, in their respective energy resources recovery account forecast and energy cost adjustment clause applications and associated advice letters, funding for the Solar on Multifamily Affordable Housing program through June 30, 2026 pursuant to Section 3 of this decision.

7. This proceeding remains open.

This order is effective today.

Dated April 16, 2020, at San Francisco, California.

MARYBEL BATJER

President

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

Commissioners