

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
ITEM # 5 I.D. # 10530
RESOLUTION E-4396
September 8, 2011

R E S O L U T I O N

Resolution E-4396. Southern California Edison (SCE) Advice Letter (AL) 2533-E, and Pacific Gas and Electric (PG&E) Advice Letter 3768-E, and California Center for Sustainable Energy (CCSE) Advice Letter- 13 , collectively the California Solar Initiative (CSI) Program Administrators.

PROPOSED OUTCOME: This Resolution denies the CSI Program Administrators' (PA) request for a 1-Step application review process and the associated process-related amendments that change the application review period and application fee submission period to 14 calendar days as originally proposed in the PAs' Advice Letters submitted in December 2010. The current 2-Step Process guidelines for processing applications will not change. The PAs will develop cost-effective strategies to reduce application paperwork and administration costs. The Commission approves all other proposed CSI Program Handbook¹ amendments proposed in the above Advice Letters.

ESTIMATED COST: \$0

By SCE Advice Letter (AL) 2533-E, filed on December 3, 2010,
Substitute Sheet filed on December 7, 2010.

By PG&E Advice Letter AL 3768-E, filed on December 3, 2010.

By CCSE Advice Letter AL 13, filed on December 3, 2010.

¹ The CSI Handbook is available here:
<http://www.cpuc.ca.gov/PUC/energy/Solar/handbook.htm>

SUMMARY

The CSI Program Administrators (PAs) submitted Advice Letters (ALs) in December 2010 requesting approval of a mandatory 1-Step application review process for small projects and other programmatic modifications to the CSI Program Handbook (Handbook). The ALs were protested by Solar Alliance on December 23. The PAs responded on January 10. Based on the protest and PA responses, Resolution E-4396, which modified the current 2-Step application process, was issued on June 27. The PAs' responses to the Resolution indicated that the modified application review process proposed by the Commission in the Resolution would not attain the AL's objectives or reduce administration cost for the PAs. This Resolution denies the PAs' proposed 1-Step application review process for the CSI program and other proposed changes relating to a mandatory 1-Step Process. The proposed Handbook amendments to change the current 20 - day application review period to 14 close-days, and the requirement to submit an application fee 14 -close days from the project invoice date is directly related to the 1-Step application process and is therefore denied by this Resolution. The Resolution grants all other proposed changes to the Handbook. The CSI Handbook changes filed via the ALs encompassed a wide range of minor programmatic modifications.

BACKGROUND

I. Decisions Governing CSI Program Handbook Process

On January 17, 2006, the Commission issued Decision (D.) 06-01-024, establishing the California Solar Initiative. D.06-08-028, which, among other things, clarified the advice letter process for submitting subsequent revisions to the Handbook, allow the PAs to periodically update the Handbook with revised or new policy changes for the CSI program by submitting proposed amendments via Advice Letter to the Commission for approval. Additionally, the Commission can also change the Handbook on its own motion, via Resolution. If the proposed amendments are not protested by parties, the amendments are approved by the Commission and the PAs implement the changes via the Handbook.

In accordance with the advice letter process, the CSI PAs submitted SCE AL 2533-E, PG&E AL 3768-E, and CCSE AL 13, on December 3, 2010, in order to modify the Handbook.

The CSI PAs collectively received over 22,400 applications in 2010 (of which more than 20,700 were residential).² Given the volume of applications, even a modest savings in administration processing cost is deemed worthwhile from administrative and ratepayer perspectives. An adoption of cost-saving strategies will reduce costs associated with administering and applying for incentives.

II. Description of the Current Statewide Application Process

D.06-01-024 stated its intent to establish web-based administrative options to facilitate transparency for CSI applications. Further, D.06-08-024 directed the CSI PAs to establish a "Statewide Online Application Process." The intent was to develop a statewide online tool to process CSI applications and allow all CSI administrators, applicants, or other stakeholders, to access organized CSI project data.

In 2007, the PAs discussed the implementation of a single interactive database via an internet-based software called "PowerClerk," which is used as a processing, retrieval, and storage database for statewide CSI application packages. The rules and guidelines for application submittal are contained in the Handbook.

The existing 2-Step Process (described below in Table 1), whereby applicants apply for the CSI rebate, receive an incentive reservation at a specified level, install the solar system, and then claim their incentive upon submittal of required documentation once installation is completed, was created by the PAs with approval from the Energy Division.

Currently, contractors can opt for the 1-Step Process which allows contractors to install and interconnect the solar system then apply for an incentive. Some contractors find the 1-Step Process financially risky and opt for the existing 2-Step Process, which offers a rebate lock-in before the system is installed. The rebate lock-in reduces the financial risk to the contractor and the customer.

² http://www.californiasolarstatistics.ca.gov/reports/monthly_stats/

Table 1. Existing 2-Step Process

Step 1: Reservation Request Package
Completed Reservation Request Package and Program Contract with Signature
Electrical System Sizing Documentation (new/expanded load for systems greater than 5 kW)
Certification of tax-exempt status (government and non-profit only)
Documentation of an Energy Efficiency Audit if facility has not met Title 24 or other exemptions. Title 24 documentation is mandatory for non-residential new construction.
Copy of signed Energy Efficiency Disclosure Form
Copy of signed Commitment Agreement (EPBB Existing Commercial buildings ≥ 100,000 sq ft and Benchmarking < 75) (Proof of Benchmarking Documentation required)
Proof of at least 15% above Title 24 Standards (non-residential new construction only)
Copy of New Construction Building Permit (non-residential new construction only)
Building Site Plan (non-residential new construction only)
Copy of Executed Agreement of Solar System Purchase and Installation
Copy of Executed Alternative System Ownership Agreement (If System Owner is Different from Host Customer)
Documentation of CPUC Code 2852 eligibility (MASH only)
Step 2: Incentive Claim Form Package
Complete Incentive Claim Form with Signatures
Copy of Executed PDP Contract (PBI Only)
Revised EPBB Calculation Printout (if applicable) (for other solar electric generating technologies a copy of the revised SOF chart marking the correct data point)
PMRS Cost Cap Exemption Documentation (if no eligible PMRS is installed)
Signed Field Verification Certification Form (for Reservation Request Applications first received on or after 7/1/09)
Copy of Retro-commissioning Report (EPBB Existing Commercial buildings ≥ 100,000 sq ft and Benchmarking < 75)

Residential and small non-residential (systems less than 10 kW) must use a 2-Step Process when applying for CSI rebates. Applicants submit numerous pieces of documentation for the 2-Step Process, (1) the Reservation Request and (2) the Incentive Claim Form stages.

First, applicants must submit the Reservation Request package. This enables the applicant to reserve a rebate level after the host customer signs a contract with the contractor. The Reservation Request documents are reviewed by the PAs and if the application is approved and not suspended because of inaccuracies or missing documents, it is approved at the current rebate step level. Second, applicants must submit the Incentive Claim Form package, which approves the payment after the system is installed, inspected and operating.

Under the existing 2-Step Process, applicants may spend several hours preparing the documents to reserve a rebate and additional time preparing and submitting documents for the Incentive Claim Form step. If any documentation changes between these two points in time, both the applicant and PA experience the extra burden of duplicative review and resolution of changes. The PAs proposed the mandatory 1-Step Process as a modification of the existing 2-Step Process hoping to eliminate the submission of numerous documents in the Reservation Request stage of the application process.

Currently, contractors can opt for the 1-Step Process which allows contractors to install and interconnect the solar system then apply for an incentive. Some contractors find the 1-Step Process financially risky and opt for the existing 2-Step Process, which offers a rebate lock-in before the system is installed. The rebate lock-in reduces the financial risk to the contractor and the customer.

The Handbook describes the detailed requirements and guidelines for the CSI Program. The Handbook is a concise reference book providing specific information and instructions about the CSI Program and how applicants can apply for a rebate.

NOTICE

Notices of SCE's AL 2533-E, PG&E's AL 3768-E, and CCSE's AL- 13 were made by publication in the Commission's Daily Calendar. SCE, CCSE and PG&E stated that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

SCE's AL 2533-E, PG&E's AL 3768-E and CCSE's AL 13 were all timely protested by Solar Alliance on December 23, 2010, and subsequently suspended by the Energy Division. The Advice Letter filings were protested on the grounds that a mandatory 1-Step Process is financially risky for applicants because it does not guarantee the incentive amount.

I. Advice Letter Proposal

On December 3, 2010, SCE submitted the ALs on behalf of the PAs to propose updates to the Handbook. The proposed changes included implementing a 1-Step application review process. The PAs proposed the following in the ALs:

“Starting 90 calendar days from the Commission’s approval of this advice filing, the 1-Step application process is mandatory for (1) all Residential projects regardless of size and Non-Residential projects less than 10 kW; and (2) host customers who have completed their interconnection to the utility grid within the past 12 months. The 1-Step application process is voluntary for Non-Residential projects greater than 10 kW.”

II. Summary of Protest

Solar Alliance protested SCE AL 2533-E, PG&E AL 3768-E, and CCSE AL 13. The following summarizes the two issues raised in the Solar Alliance protest.

Issue 1. Incentive Value Uncertainty from the 1-Step Process

Solar Alliance contends that the CSI PAs’ proposed 1-Step application process does not provide a guaranteed CSI rebate. Requiring that all residential and non-residential systems less than 10kW use the 1-Step Process creates uncertainty for the contractor and customer. Solar Alliance argues that incentive level assurance is critical during a CSI program step level changes, because as the PA reaches the end of each CSI step, uncertainty exists as to the specific rebate applicants will receive. If the contractor does not receive the requested step level, this could result in financial risk for the contractor and the customer. Solar Alliance further argues that a contractor should have an opportunity to evaluate the economics of the project before proceeding.

Issue 2. CSI Participants Risk

Solar Alliance contends that the 1-Step Process will require the CSI participant, contractor, or the customer to play a “guessing game,” on the incentive value that will be received and will place the customer at a disadvantage if the contractor makes an error with system sizing. Most likely, such an error would be caught at the first step of a 2-Step Process. The “risk” for applicants is that the

system would be installed prior to receiving a rebate reservation confirmation from the PAs.

The host customer could experience a considerably higher out-of-pocket cost for the solar system (from a PA approval of a smaller-sized system size than the system installed or from a lower rebate as step levels change). The difference in system size could jeopardize the financing of the project. Solar Alliance argues that removing the certainty of the current 2-Step Process is too risky for the customers and stated that the Commission should not approve this change to the Handbook.

III. PA Response to the Protest

The PAs jointly responded to Solar Alliance's protest on January 10, 2011. The PAs contend that the 1-Step Process provides benefits to the solar industry and the CSI program. In its response to the protest, the PAs stated the following:

Issue 1. CSI Incentive Value Uncertainty From 1-Step Process - The 1-Step Process will streamline the application review process and increase efficiency for the PAs and applicants. The new process will improve application processing times, which will reduce the cost for applicants.

Issue 2. CSI Participants Risk- The PAs recognize the potential for uncertainty and risk to the customer and the contractor and will mitigate the risk factors with the following measures:

- A. Provide additional targeted outreach efforts through various channels such as websites, trainings, emails, and newsletter articles to communicate the transition to the 1-Step Process.
- B. Use the 30-day transition period proposed in the Advice Letter filing after Commission approval to ensure participants in the program are given sufficient notification that the 1-Step Process is mandatory for all residential projects regardless of size and non-residential less than 10kW.
- C. Issue market place alerts in advance of rebate step changes to allow contractors the opportunity to communicate to customers the possibility of a lower rebate.

DISCUSSION

The Commission has reviewed the Advice Letters, protests, responses, and comments on the draft resolution, and makes the following observations.

Issue 1. Incentive Value Uncertainty from the 1-Step Process -

The Solar Alliance is correct in stating that the proposed 1-Step application process does not provide a guaranteed CSI incentive at a specific rebate level. Under the proposed 1-Step process applicants will not know their rebate level until an incentive claim form is submitted, which is after a system is installed.

Table 2 (below) illustrates the different rebate levels available in each step (Step 5 through Step 10) for a 10 kW system, and the missed step. The “missed” step amount column shows the consequences of the rebate that the applicant would miss if the step level changes at any point after the initiation of the project.

Table 2. Reduced Incentives Received Due to Missing a Step Level

Step Level	Rebate Level	10 kW system	"Missed Step"
CSI Rebate			
Step 5	\$1.55/watt	\$15,500	\$4,500
Step 6	\$1.10/watt	\$11,000	\$4,500
Step 7	\$0.65/watt	\$6,500	\$3,000
Step 8	\$0.35/watt	\$3,500	\$1,000
Step 9	\$0.25/watt	\$2,500	\$500
Step 10	\$0.20/watt	\$2,000	\$2,000

As shown in Table 2, at Step Level 8 (\$0.35/watt), a residential system owner with a 10 kW solar system is eligible for a maximum incentive of \$3,500. This size system costs, on average, \$85,000 (\$8.50/watt). If the system owner were to miss out on Step 8, and only receive Step 9 (\$0.25/watt), the system owner would receive an incentive of \$2,500, a difference of \$1,000 or 1.2 percent of total system cost.

The differences in the incentive levels or “missed” amounts illustrate the potential risk for applicants’ incentive payments.

In comments on the draft Resolution, Solar City states that the 1-Step Process would eliminate the applicant’s ability to confirm the applicable rebate amount before proceeding with installation of a project. The assurance is especially important as the PAs move to the end of a CSI step because uncertainty exists as to the specific rebate an applicant will receive.

Conclusion:

The PAs’ AL request to implement a mandatory 1-Step application review process for smaller projects imposes a potential financial risk to contractors. Under the 1-Step Process, small projects must be installed and interconnected to the utility grid before an incentive is issued but do not have the option to reserve an incentive at a specific rebate level.

We have to minimize the risk for applicants by allowing customers to submit a reservation request application early in the application process and reserve that incentive level with a rebate confirmation. Thus, the 1-Step Process will remain voluntary for all residential projects and commercial projects less than 10 kW to avoid imposing undue financial risks for the contractor and the customer.

Issue 2. CSI Participants Risk

As noted above, the Solar Alliance raised valid concerns regarding the financial risk to customers under a mandatory 1-Step process. However, the PAs are also correct in stating that the existing 2-Step process needs to be streamlined. The current 2-Step Process has resulted in a number of programmatic issues over the years. Incentive step changes frequently cause spikes in rebate demand, which lead to application processing delays. Stress, delays, and errors during step changes have frequently led to complaints from applicants directly to the CPUC.

The Commission analyzed the estimated application processing cost for the PAs based on the reported cost of the total annual cost for “Application Management” found on the PAs’ semi-annual Expense Reports,³ which PAs submit to the Commission in January and July of each year. The

³ See CSI PA Expense Reports, <http://www.cpuc.ca.gov/PUC/energy/Solar/expereports.htm>

semi-annual Expense Reports detail all of the PA program expenses and application management costs. The January 2011 semi-annual Expense Reports indicate that application management expenditures have risen each year \$4 million to \$6 million, as shown in "Appendix A, Table 1." Also shown in "Appendix A, Figures 1 and 2", are the PAs' costs per year for administration expenses (dollars) per application and administration cost (dollars) per kW. Figure 1 shows a decrease in the PAs' administrative costs for applications received from 2007 to 2010. Commission staff anticipates further reductions in application costs by reducing the amount of application review time, and reducing staff levels per application.

In comments on the draft Resolution, SCE, Solar Alliance, and Solar City support an expedited 2-Step Process. The solar contractors state that an expedited 2-Step process addresses the relevant issues and crafts an appropriate approach to address the concerns of both the Program Administrators and the solar industry. In comments, PG&E and CCSE did not support an expedited 2-Step Process that significantly changes the existing 2-Step Process, explaining that a new 2-Step Process will require additional spending to modify PowerClerk. PG&E and CCSE also note that a more stringent Application Processing Timelines directive issued by the Commission is currently in place⁴.

Conclusion: We commend the CSI PAs in attempting to streamline the administrative process to help reduce costs. D.11-07-031 adopted tighter application processing deadlines with the intent to encourage the CSI PAs to find efficiencies in processing CSI applications. While the mandatory 1-Step application process will not be adopted because of the potential financial risks to customers and contractors, creating a more efficient and expeditious CSI application process remains a goal of the Commission.

PG&E and CCSE are correct in stating a new 2-Step process will incur additional administrative costs to update the application processing feature in PowerClerk. Further, creating a new 2-Step process in the last three incentive levels of the General Market program may create confusion in the market.

⁴ D.11-07-031 directs the PAs to process applications within shorter timelines that range between 30 and 90 days.

Therefore, we direct the PAs to collectively work together to find and implement cost-effective strategies to reduce application paperwork, review current processes, and make reasonable modifications to the existing 2-Step application process. In the future, the PAs should follow the same application process guidelines to ensure consistency for program applicants.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments.

FINDINGS AND CONCLUSIONS

1. D. 06-08-028 directed the CSI PAs to file an Advice Letter to make changes to the CSI Program Handbook and clarified the advice letter process for submitting subsequent revisions to the CSI Program Handbook.
2. On December 3, 2010, SCE filed AL 2533-E, PG&E filed AL 3768-E, and CCSE filed AL 13, each seeking to change the Handbook to implement, among other things, the 1-Step Application Review Process.
3. The Advice Letter was protested by Solar Alliance.
4. Solar Alliance stated that the 1-Step Process posed a financial risk to applicants.
5. The PAs responded to the protest and filed comments on January 18.
6. In response to the protest and PA comments, the Commission issued Resolution E-4396 on June 27.
7. PA comments on the Resolution E-4396 were received on July 18.
8. D.11-07-031 directs the PAs to adopt tighter application processing timelines.
9. The mandatory nature of the 1-Step Process requested by the PAs creates potential risks for applicants that they will receive a lower incentive than expected due to a step level change after an initiation of a project.
10. It is reasonable to allow the PAs to continue the existing 2-Step Process.

THEREFORE IT IS ORDERED THAT:

- (1) The 1-Step Process requested by California Solar Initiative Program Administrators, Southern California Edison in Advice Letter 2533-E, Pacific Gas & Electric's 3768-E, and the California Center for Sustainable Energy's Advice Letter 13 and other California Solar Initiative Handbook amendments related to the 1-Step Process are denied.
- (2) All other Handbook modifications requested in the Advice Letters are approved.
- (3) The Program Administrators are directed to find and implement cost-effective strategies to reduce application paperwork, review current processes, and make reasonable modifications to the existing 2-Step application process.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 8, 2011; the following Commissioners voting favorably thereon:

Paul Clanon
Executive Director

Appendix A

Table 1. Total Application Management Cost January 2007- 2010

Program Administrator Application Management Expense Per Year 2007- 2010 (US Dollars)				
	2007	2008	2009	2010
PG&E	2,349,997	2,354,980	2,068,984	1,972,732
SCE	1,247,652	2,103,817	2,385,220	3,835,310
CCSE	536,684	726,596	619,012	608,968
Total	4,134,333	5,185,393	5,073,216	6,417,009

Data Source: CSI Program semi-annual Expense Reports, January 2011

Figure 1. Administration Dollars per Application Received, 2007-2010

Figure 2. Administration Dollar per Kilowatts (kW) in Applications, 2007-2010