State of California

California Natural Resources Agency

Memorandum

To: Robert P. Oglesby
Executive Director

Date : December 20, 2012

Telephone: CALNET (916) 654-4563

From : **California Energy Commission**
1516 Ninth Street
Sacramento CA 95814-5512

Subject: **STAFF RECOMMENDATON TO APPROVE REVISIONS TO THE GUIDELINES FOR CALIFORNIA'S SOLAR ELECTRIC INCENTIVE PROGRAMS (SENATE BILL 1) AT THE JANUARY 9, 2013 BUSINESS MEETING**

Summary of Item

Energy Commission staff are recommending minor revisions to the *Guidelines for California's Solar Electric Incentive Programs (Senate Bill 1), Fourth Edition, (SB1 Guidelines)*. The proposed guideline revisions are limited in nature, including revisions to the field verification section, performance monitoring & maintenance component, and the addition of clarification criteria for adding equipment to and a procedure for removing equipment from the Energy Commission's Eligible Equipment Lists. Staff, with input and guidance from renewables lead Commissioner Carla J. Peterman, is recommending the following guideline revisions for this purpose:

Senate Bill 1 Guideline Revisions:

Field Verification:

The requirement of a 1 in 7 sample size for third-party field verifications completed by a qualified Home Energy Rating System (HERS) rater remains unchanged.

The revisions provide the following two field verification options when field verification is completed by the program administrator or the program administrator's designated qualified contractor:

1. Field verifications completed on a sample size of 1 in 7 projects; or

2. Field verifications completed on a sample size of 1 in 12 projects **must** comply with the following:

- The program administrator or the program administrator's qualified contractor is required to complete two successful field verifications on projects completed by a new qualified contractor prior to implementing the 1 in 12 field verification sampling on projects completed by that contractor.
- The program administrator or the program administrator's qualified contractor shall complete field verification on each self-installed project. Field verifications conducted on self-installed projects do not count toward the 1 in 12 field verification sampling.

Performance Monitoring and Maintenance:

- The revisions remove the Performance Metering Summary Table and cost caps. For systems using the Expected Performance Based Incentive approach, the performance monitoring and reporting service (PMRS) requirements shall be determined by the program administrator.

Reporting Requirements:

- The revisions change the reporting date for local publicly owned electric utilities to make available key solar program information from June 1 to July 1 of each program year.

Criteria for Adding Equipment to the Energy Commission's Eligible Equipment Lists:

- Summarizes the criteria for determining which components can be used in a renewable energy system that is eligible for a solar electric incentive under Senate Bill 1.
- Provides a procedure for the Energy Commission to remove equipment (photovoltaic (PV) modules, inverters, or meters) from the Energy Commission's lists of eligible equipment.

In addition to the above-noted revisions, minor grammatical, typographic, and formatting errors are being corrected in the guidelines.

Background

Senate Bill 1 (Murray, Chapter 132, Statutes of 2006, §4) directs the Energy Commission to establish eligibility criteria, conditions for incentives, and rating standards for projects applying for ratepayer-funded incentives for solar energy systems. According to Senate Bill 1, this document establishes minimum guidelines to implement California's solar energy system incentive programs overseen by the Energy Commission, the California Public Utilities Commission (CPUC) and local publicly owned electric utilities (POUs).

Senate Bill 1 builds on the CPUC's California Solar Initiative (CSI) program, Energy Commission's New Solar Homes Partnership (NSHP), and existing publicly owned utility solar energy system incentive programs. Senate Bill 1 directs total expenditures of up to $3,350,800,000 by 2017 (Senate Bill 585, enacted on September 22, 2011, increased the cost limit of the California Solar Initiative to $3,550,800,000). The goals of the program are to install solar energy systems with a generation capacity equivalent of 3,000 megawatts; to establish a self-sufficient solar industry in 10 years so that solar energy systems are a viable mainstream option for homes and commercial buildings; and in 13 years to put solar energy systems on 50 percent of new homes. The overall goal is to help build a self-sustaining solar electricity market combined with improved energy efficiency in the state's residential and non-residential buildings.

The *SB1 Guidelines* are revised from time to time to reflect changes in law and changes in market conditions. Revisions to the guidelines are adopted by the Energy Commission pursuant to Public Resources Code Section 25784.

Justification for Action Requested

Staff seeks approval of the SB1 Guidelines, Fifth Edition. If approved, these revisions will incorporate input from NSHP, CSI, and POU program administrators (PA's), promote better alignment of the overall requirements for California's solar electric incentive programs, and allow PA's more flexibility to streamline their programs to meet the dynamics of their electricity rate payer customer base."

CEQA Compliance

The Energy Commission's adoption of the minor guideline revisions is exempt from review under the California Environmental Quality Act (CEQA) (Pub. Resources Code, §§ 21000 et seq.; Cal. Code of Regs., tit. 14, §§ 15000 et seq.), because the adoption of the revisions does not constitute a project under CEQA. The guideline revisions relate to general policy and procedure making and the creation of government funding mechanisms or other government fiscal activities, which do not involve a commitment to a specific project that may result in a potentially significant physical impact on the environment. (Cal. Code of Regs., tit. 14, § 15378 (b)(2) and (4).)

Additionally, the minor guideline revisions fall within the "common sense" exemption of the CEQA regulations. This exemption indicates that CEQA only applies to projects that have a significant effect on the environment. (Cal. Code of Regs., tit. 14, § 15061 (b)(3).) A significant effect on the environment is defined as substantial, or potentially substantial, adverse change in the environment. (Pub. Resources Code, § 21068; Cal. Code of Regs., tit. 14, § 15382.) The guideline revisions merely clarify provisions that were previously adopted by the Energy Commission. These guideline revisions will not create an adverse effect on the environment.

Oral Presentation

Staff will be prepared to discuss its recommendation and to respond to questions regarding the revisions to the *SB1 Guidelines*.

Business Meeting Participants

Jim Folkman, Renewable Energy Office.
Farakh Nasim, High Performance Buildings & Standards Office
Christa Salo, Office of Chief Counsel.

Commission Action Requested

Approve the revisions to the *SB1 Guidelines*.

DAVE ASHUCKIAN, P.E.
Deputy Director
Efficiency & Renewable Energy Division