

Pacific Energy Policy Center
4539 Lee Avenue
La Mesa, CA 91941

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**California Solar Initiative and New Solar
Homes Partnership Affordable Housing Workshop:
Comments of the Pacific Energy Policy Center**

**RE: CPUC Rulemaking 04-03-017/R. 06-03-004
CEC Docket No. 06-NSHP-1**

These comments are being filed in response to the June 1, 2006 **Notice of Joint Public Workshop Between the California Energy Commission and the California Public Utilities Commission** regarding rulemaking in the matter of developing policies, procedures and rules for the California Solar Initiative.

The stated purpose of the June 13th workshop is to “discuss the role of affordable housing in the Energy Commission’s New Solar Homes Partnership and the CPUC’s California Solar Initiative program.” These comments address that workshop goal, and examine ways to ensure that the 10% CSI low income set aside funds are invested in the most efficient manner possible to make sure that as many low income ratepayers as possible benefit from CSI implementation.

BACKGROUND

The Pacific Energy Policy Center was formed in early 2005 as a pro bono energy policy advisory organization to allow retired California energy regulators, state agency energy policy and program staff and utility energy efficiency and low income energy services policy and program staff a

continued opportunity to share their knowledge and experience, and continue providing input into California's energy policies.

On December 13, 2005 the California Public Utilities Commission (CPUC) issued a Notice of Availability (NOA) and a draft decision (DD) in this proceeding, addressing 2006 funding of its proposed California Solar Initiative (CSI). Attachment A of that NOA and DD, titled "Revised Joint Staff Proposal to Implement a California Solar Initiative" outlined plans, policies and funding levels for the CSI beyond 2006. The proposal recommends that the Commission direct the major California investor owned utilities (IOUs) to provide up to \$2.9 billion in incentives for installing new solar energy projects on the homes and business of energy customers throughout the state.

The Revised Joint Staff Report (Staff Report), called for the CPUC to "Provide for a set-aside of 10% of the total annual program funds for low-income customers and developers of affordable housing; staff will also further explore in 2006 offering a higher incentive level to low-income projects"¹.

The Staff Report also recommended that the Commission "Require an energy efficiency audit in existing buildings as a condition of receiving CSI incentives;"².

In addition, the Staff Report called for the CPUC to "Select or develop a third-party nonprofit entity to administer the residential retrofit component" and "Explore low-cost financing options" and ensure that all program elements are in place by January 1, 2007³.

The Staff Report also recommended that the new CSI be coordinated with existing energy program marketing efforts, such as "low-

¹ Revised Joint Staff Proposal to Implement a California Solar Initiative, Pg. 2

² Revised Joint Staff Proposal to Implement a California Solar Initiative, Pg. 3

³ Revised Joint Staff Proposal to Implement a California Solar Initiative, Pg. 5

income and energy efficiency marketing”, contracting with third parties as necessary for services⁴. The report noted that “We recommend that the residential portion be administered by a non-profit third party entity beginning in 2007”⁵, noting that a fairly extensive proposal for comments, public workshops and an RFP process would need to be developed and implemented in 2006 to make this happen.

The Staff report noted “Existing low-income housing projects would be eligible for this program, and would be offered a 25% higher rebate level. An additional component to assist with low-income financing may be developed after the initial program rollout.”⁶

The report noted “At least 10% of total program funds would be set aside for projects installed by existing low income residential customers and affordable housing projects. If the funds are not encumbered by November 1 of each program year, the funds would be made available to commercial and residential retrofit projects”⁷

The Staff Report suggested that the new program subsidize rooftop photovoltaic (PV) electricity generation systems and solar thermal hot water heating systems.⁸

The report suggested that “Utility customers taking services on the California Alternative Rates for Energy (CARE) should be exempted from the costs of this program as a matter of equity, especially since CARE customers are the least likely to be beneficiaries of the incentives”⁹.

On January 12, 2006, the CPUC adopted Decision (D). 06-01-024, authorizing the California IOUs to collect and spend funds to implement the CSI. The final decision adopted a 10% set aside to serve low income

⁴ Revised Joint Staff Proposal to Implement a California Solar Initiative, Pg. 6

⁵ Revised Joint Staff Proposal to Implement a California Solar Initiative, Pg. 6

⁶ Revised Joint Staff Proposal to Implement a California Solar Initiative, Pg. 7

⁷ Revised Joint Staff Proposal to Implement a California Solar Initiative, Pg. 7

⁸ Revised Joint Staff Proposal to Implement a California Solar Initiative, Pg. 9

⁹ Revised Joint Staff Proposal to Implement a California Solar Initiative, Pg. 9

energy customers, but provided very little clarification as to how the Commission planned to ensure that low income customers actually participate and benefit from the new programs, and the final decision set up new hurdles that might prevent the vast majority of California CARE customers and customers participating in the IOUs Low Income Energy Efficiency (LIEE) programs from ever participating in the new program.

Among other things, the decision mandated that in order for a low income customer to participate in the program, their home would have to be audited, and must meet the CEC's Title 24 New Construction energy efficiency standards. The decision defined "low income customers" as those customers that qualify for the IOUs CARE rate discount programs, which currently includes all customers with annual incomes at or below 200% of federal income poverty guidelines.

DISCUSSION

The Pacific Energy Policy Center (PEPC) supports the idea of the CPUC developing and implementing a statewide CSI, and supports a set aside of 10% of total CSI program funds to help low income energy customers participate in and share in the benefits of this new program.

PEPC believes that unless key elements of D. 06-01-024 are substantially refined and modified before the proposed 2007 CSI program start up date, it is very likely that millions of low income CARE customers and LIEE program customers will never be provided an opportunity to benefit from this new program.

Given California housing price trends over the last ten years, it is safe to say that very, very few low income energy customers live in new houses today. According to previous CPUC and utility studies, the vast majority of dwellings occupied by low income energy customers were built between 1935 and 1975, long before California adopted today's Title 24 new construction energy efficiency standards.

While the majority of low income customers live in single family dwellings or apartments, many of these homes have not been properly maintained by their homeowners and/or landlords over the years, and there is very little chance that they could ever be brought up to today's Title 24 new construction energy efficiency standards, since doing so would require low income homeowners to make major structural fixes, and purchase and install very expensive new energy efficiency measures that most low income customers could never afford to purchase on their own.

We believe that requiring low income homeowners to bring their homes up to today's Title 24 new construction standards as a pre-condition to having solar systems installed would prevent the vast majority of low income Californians from participating in the CSI program, and would make it very unlikely that the CSI's 10% low income set aside funds could be efficiently spent serving the state's poorest energy customers.

RECOMMENDATIONS

Instead of expending enormous financial and organizational development resources trying to fund and develop a brand new statewide third party CSI program administrator model to serve low-income residential energy customers, PEPC recommends that the Commissions implement the 10% low-income element of the CSI through the IOUs existing LIEE programs. Any new statewide third party administrator trying to identify and install solar systems on low income customers homes could not avoid overlapping, duplicating and competing with the existing LIEE program's efforts. This could result in a tremendous waste of ratepayer funds.

The LIEE programs currently serve customers that meet the CPUC's CARE income eligibility guidelines. The LIEE programs have already completed energy audits on and weatherized the homes of millions of

California low income energy customers through an already existing statewide network of local non-profit community agency service providers and for profit low income weatherization program contractors.

Many of the local nonprofit community agencies already participating in the LIEE program also build and operate local low-income housing authority projects. Many of the existing LIEE program service provider network agencies and contractors already have successful experience installing rooftop solar thermal hot water systems through their participation in local solar programs funded by the California Energy Extension Service in the late 1970s and early 1980s.

Local LIEE program service providers already install all feasible weatherization and energy appliance replacement program energy efficiency measures in income eligible customer homes¹⁰. This typically includes installing R-30 attic insulation, caulking and weatherstripping, installing hot water heater blankets, faucet aerators and low flow showerheads, replacing broken windows and repairing or replacing defective or inefficient furnaces, air conditioners, and leaky or broken hot water heaters.

If one goal of the proposed CSI effort is to make sure that existing homes are made more energy efficient before having solar systems installed, it seems reasonable to rule that previous LIEE program participation is sufficient to qualify low income customers to have CSI funded solar PV and hot water systems installed on their homes, which have already been weatherized and received energy efficient replacement appliances under the IOUs LIEE programs.

The CPUC could save a lot of time and program start up costs by ordering the IOUs to allocate the proposed 10% set aside of CSI program

¹⁰ The Staff Report does not identify what income standards that low-income CSI customers would have to meet. The Commission's existing LIEE programs provide free weatherization and appliance repair and replacement services to customers with incomes at or below 200% of federal income poverty guidelines.

funds to their LIEE programs, and adding rooftop PV and hot water heater systems as new program measures to be installed by the existing network of LIEE service providers.

LIEE service providers already are required to hold General (Class B) Contractors Licenses, plus electrical and HVAC contractor specialty licenses needed to do the kind of installation work envisioned by the Staff Report. LIEE program measure installation crews are already extensively trained based on CPUC adopted statewide program measure installation standards, policy and procedures manuals developed in close collaboration with the joint utilities, CPUC and California Energy Commission staff.

Compared to the time and cost associated with creating a new statewide third party CSI administrator focusing on services to traditionally hard to reach low income customers, It would be far easier and cheaper to train existing LIEE program crews to install rooftop solar PV and solar hot water systems as part of their treatment of income eligible LIEE program customer homes.

Providing no-cost solar systems to low income customers as part of the IOUs LIEE programs is probably the most cost effective way the Commissions could ensure that poor and elderly Californian's benefit by participating in the California Solar Initiative. Given a lack of existing organization and knowledge of low income communities, any other statewide third party CSI low income element administrator approach is far more likely to fail to serve low-income energy customers.

Over the last 24 years, California utility ratepayer funded low-income weatherization programs have trained and employed thousands of young people raised in California's low-income communities. The programs have provided these young people a chance to progress from crew staff positions to crew foreman, and into local LIEE program management

positions. Many former LIEE employees have enrolled in carpenters union apprentice classes, and become journeyman carpenters. Some have taken jobs with the state, and others help manage IOU energy efficiency programs. During this time, the LIEE programs have provided an effective avenue for youngsters to move out of poverty into the economic middle class. These ancillary benefits are on top of the energy and bill savings provided to LIEE program customers, and avoided cost benefits to all utility customers.

By adding solar PV and hot water system installation to the standard LIEE program measure mix, the Commissions would be providing many young LIEE program employees with new skills they would be able to use to support what we all hope will become a growing California solar industry.

CONCLUSION

The CPUC should order the IOUs to allocate 10% of their total CSI program funding to their existing LIEE programs. The Commission should order the IOUs to update the current statewide LIEE program measure installation standards, policies and procedures manuals to include installation of rooftop PV and hot water heater systems, beginning in January of 2007.

Respectfully submitted,

Don Wood, Senior Policy Advisor
Pacific Energy Policy Center
619-463-9035
dwood8@cox.net

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