ORIGINAL

Decision 82 07 102 JUL 21 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion into the feasibility of establishing various methods of providing low-interest, long-term financing of solar energy systems for utility customers.	OII 42 (Filed April 24, 1979)

O P I N I O N

The Governor's SolarCal Council (SolarCal) by petition for modification of Decision (D.) 92251 filed April 29, 1982, asks the Commission to change the multifamily element of the solar demonstration program:

1. By increasing the multifamily rebate from $8 per dwelling unit per month to $8 per bedroom up to a maximum of $20 per dwelling unit per month.

2. By allowing buildings constrained by the size, shape, location, or roof area to receive rebates proportional to the portion of the dwelling units actually served by a solar water heating system.

3. By allowing participants purchasing qualifying systems to receive an up-front cash payment equal to the present value of the sum of the monthly rebates earned instead of those rebates over a 3-year period.

SolarCal served its petition on the parties to this proceeding. Many responses have been filed or received; most are favorable.

Filed Responses

Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCal Gas), and the staff filed responses to SolarCal's petition variously supporting, opposing, or suggesting amendments to the three proposals.

Other Responses

Letters supporting the SolarCal's petition were sent by Mission Viejo Solar, Inc., Raypak, Inc., Conserdyne Corporation, Fafco Incorporated, California Solar Energy Industries Association, Systems del Sol, Inc., and Ying Manufacturing Corporation.[1/]

Amount of Rebate

SolarCal cites the following reasons why the multifamily program is undersubscribed:

1. Since the rebate amount ($8 per unit) was originally set, it has been determined that the rebates are taxable income, which greatly decreases their value to apartment owners.
2. High interest rates induce building owners to prefer expensing energy costs and passing them through to residents as increased rent, rather than financing capital intensive solar water heating systems.
3. Lifeline rates have diminished the real disparity between the cost of using gas and the cost of using solar energy to heat water.
4. While multifamily systems are sized by bedroom, the rebates vary with the

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1/ The letters have been placed in the correspondence file for Order Instituting Investigation (OII) 42.

> number of dwelling units. Thus, in a building of three-bedroom units the system must be three times larger than for a building of one-bedroom units, but the rebate is the same per dwelling unit. The rebate provides less incentive as the average size of the unit increases.

To overcome these problems SolarCal proposes to increase the multifamily rebate from $8 per dwelling unit to $8 per bedroom up to $20 per dwelling unit per month for the same period as now provided. SolarCal does not object to lowering the goals of the multifamily programs so that the overall cost of the program will remain the same.

SDG&E also filed a petition to modify D.92251 on the same points raised by SolarCal. SDG&E supports increasing the per-unit rebate for multifamily complexes but believes that the $20 maximum proposed by SolarCal is too high. Instead SDG&E proposes the following scale of multifamily rebates:

Studio/One Bedroom	$ 8/mo.
Two Bedrooms	12/mo.
Three or More Bedrooms	16/mo.

SDG&E believes that the increased rebates will improve the attractiveness of the program to multifamily building owners who must now size a solar system in proportion to the number of bedrooms but receive an incentive based solely on the number of units. SDG&E asserts that a multifamily rebate lower than the comparable single-family rebate is appropriate because:

1. SDG&E's experience has shown multifamily solar water heating systems generally cost less per unit than single-family systems ($1,500-$2,500 vs $3,000-$4,000); and

2. Multifamily building owners can take advantage of tax benefits such as accelerated depreciation not available to most single-family homeowners.

If increased multifamily rebates are authorized, SDG&E recommends maintaining current budget levels for multifamily rebates by reducing unit goals. It is essential, according to SDG&E, that either the goals be adjusted to reflect the additional costs or appropriate rate relief be authorized to cover those costs.

SoCal Gas opposes SolarCal's proposal to increase rebates because SolarCal has not shown that the increased rebates would be cost-effective. SoCal Gas states that it owes a responsibility to all of its ratepayers to determine the cost-effectiveness of all programs for which the costs are ultimately borne by the ratepayers. If, however, the Commission decides to adopt the recommendation, SoCal Gas requests that hearings be convened to address its cost-effectiveness.

PG&E argues that SolarCal has totally ignored the impact of its proposal to increase multifamily rebates on program cost-effectiveness. PG&E states that:

> "One of the bases upon which the Commission launched its OII-42 demonstration program was its conclusion that savings produced by solar installations covered by the program will exceed the cost of the program over the life of the systems installed. SolarCal has offered no evidence that the costs of the multifamily portion of OII-42 can be increased in the fashion it proposes without skewing the cost-effectiveness balance of the overall program." (PG&E's Response, p. 14.)

PG&E also contends that while the Commission has shown increasing concern for the cost-effectiveness of programs for non-participating ratepayers, SolarCal has made no showing that nonparticipating ratepayers, who must shoulder their share of program costs through rates, will not be affected detrimentally by the proposed increase in multifamily rebates.

PG&E also believes that changing the demonstration program in the ways SolarCal suggests will defeat the evaluation purposes of the program; that it is not the responsibility of PG&E's ratepayers to bear the burden of meeting at whatever cost, the participation goals of D.92251; and that increasing the multifamily rebate as SolarCal proposes would add approximately $5,000,000 in rebate costs to PG&E's portion of the demonstration program.

The staff breaks SolarCal's proposal into two parts: (1) changing the formula for calculating the rebate from a per-dwelling unit to a per-bedroom basis; and (2) increasing the per-unit rebate offered to building owners with two or more bedrooms. It supports the first part but opposes the second part of the proposal. The staff agrees that the current system is inequitable to owners of buildings with two- or three-bedroom apartments. Those owners will have higher per-unit costs of installation but will receive no larger rebate than if the apartments were studios. Accordingly, the staff recommends that the Commission modify D.92251 to set rebates for multifamily dwellings on a per-bedroom, rather than a per-unit, basis.

The staff opposes the specific rebates recommended by SolarCal because they are inconsistent with the economic assumptions contained in D.92251 and because they will increase the cost of the program with no showing that the increases are cost-effective.

In support of its proposal to increase rebates, SolarCal argues, first, that the costs to the multifamily building owner have risen substantially since D.92251, and therefore a larger rebate is needed to provide sufficient incentive for those owners to participate. One of the alleged cost increases is taxes. SolarCal states that the Internal Revenue Service (IRS) treats rebates as ordinary income. However, as the staff points out, this is not at all certain. The revenue ruling that SolarCal relies on does not deal with utility rebates and statements by the IRS are contrary to SolarCal's conclusion. In addition the Economic Recovery Tax Act of 1981 is helpful to the solar industry because apartment owners benefit from the accelerated depreciation, increased investment tax credit, and liberalized leasing provisions of the statute.

SolarCal also argues that the Commission's decision to size solar heating systems by the number of bedrooms has diminished the value of the $8 rebate. However, as the staff points out, the Commission's subsequent allowance of smaller per-bedroom sizing requirement for multifamily dwellings than for single-family dwellings (see D.82-04-025) has led to a reduction in anticipated costs associated with sizing standards, rather than an increase.

Finally, D.82-06-107, authorizing rebates for systems installed using third-party financing (lease-purchase and micro-utility arrangements), will allow owners to install solar systems with virtually no negative cash flow. Thus, multifamily dwelling owners do not face high costs that should be mitigated by increasing the rebate as SolarCal proposes.

SolarCal also argues in support of its proposal that it is inequitable to allow rebates of $8 per unit for multifamily dwellings and $20 per unit for single-family dwellings. SolarCal forgets that this difference was based on our conclusion in D.92251 that multifamily systems would cost about one-third as much per residential unit served as a single-family installation. SolarCal has alleged no facts which suggest that that conclusion was either unreasonable at that time or is now unreasonable.

The staff concludes its analysis by stating that SolarCal fails to address two major disadvantages of its proposed modification, as follows:

> "The proposed modification of the rebates would lead to substantially higher rebate costs for the utilities for systems on multi-family dwellings. SolarCal has presented no data to suggest that such higher costs are cost-effective. In fact, SolarCal ignores the whole issue of cost-effectiveness. In addition to increased rebate payments, the utilities would incur additional administrative costs resulting from the more complex rebate scheme. SolarCal has not presented any benefits associated with its proposal which would offset these costs." (Staff Response, pp. 5-6.)

We agree with the staff analysis of SolarCal's proposal to increase the rebates for multifamily dwellings. SolarCal has not presented any facts or convincing arguments that would merit increasing the rebates as it proposes. Thus, were it not for the staff's own proposal on this point, we could conclude the discussion here.

<u>Staff Proposal</u>

The staff proposes that rebates be set at $4 per bedroom per month with a maximum of $20 per unit. An owner could also qualify for a larger rebate of $6 per bedroom with a maximum of $20 per unit when he installs a system with a collector panel area as large or larger than the minimum panel area per bedroom for a three-bedroom single-family dwelling specified for that solar system.

We will not discuss the merits of this proposal, for it comes before us in a response to SolarCal's petition and not as a separate petition for modification. Instead we choose to focus on the merits of SolarCal's petition, and conclude that the proposed modification to increase multifamily rebates is not warranted.

Proportional Rebates

SolarCal believes that proportional rebates would allow participation by property owners whose building shape, location, or other physical constraint limits the scale of the system that could be installed. For instance, on a multistory apartment building there may not be sufficient solar collector area available to provide the contribution specified by the Commission to all the building's units. If proportional rebates were offered, SolarCal proposes that they be made available also to an owner who, because of capital constraints, cannot afford to purchase a system properly sized for his entire building.

SDG&E supports proportional rebates with the qualification that the solar system must be sized according to OII 42 standards for those units served and on which proportional rebates are based. SoCal Gas believes that proportional rebates should be awarded to systems serving only a portion of a building's units. Such an approach will allow participation by property owners whose unique circumstances preclude serving all dwelling units by the solar system. SoCal Gas also supports the concept.

PG&E does not necessarily oppose authorization of proportional rebates, but it does express the following concerns:

1. If proportional rebates are allowed, the Commission must insist upon strict adherence to system sizing and installation quality standards.

2. "...proportional rebates may be injurious to the Commission's evaluation of the market response to the current multifamily rebates. ...[A]n insufficient amount of time has passed to allow the multifamily market to respond thoroughly to the current rebate program. It may be premature to conclude that multifamily participation will remain low and that substantial changes are required. Consequently, changing the multifamily rebate at this time may make it impossible to assess the actual multifamily market acceptance of solar water heating with the current rebate program. Moreover, it must be recalled that the purpose of a demonstration program is just that, to demonstrate. The object is to learn, not necessarily to meet initial, possibly unrealistic program limits." (PG&E's Response, p. 9.)

3. "...the availability of proportional rebates may serve to <u>reduce</u> rather than increase the total number of dwelling units for which rebates are paid. Rather than attract new participants who would not install solar systems without proportional rebates, this option may encourage building owners, already inclined to participate in the program and prepared to install fully sized systems, instead to make smaller and less expensive installations, serving fewer dwelling units. This would be completely contrary to the Commission's goal of stimulating installation of properly sized, high quality solar water heating systems." (PG&E's Response, p. 10.)

The staff recommends that the Commission authorize proportional rebates only when the participating utility determines that it would be physically impractical to install enough solar collectors or solar-heated storage tanks to meet the Commission's minimum collector sizing or solar-heated storage requirements. The owner would receive rebates based upon the percentage of his units actually served by his system. Thus, if a system is sized to serve one-half of his units, then he would be entitled to one-half the monthly rebate.

We recognize that some multifamily dwellings do not have enough roof space, or in some cases solar-heated water storage space, to meet our requirements for all units. Therefore, we will authorize proportional rebates but only in cases where the building owner has installed solar collectors or solar-heated storage up to the practical physical capacity of his building. Proportional rebates should not be allowed for systems sized smaller than the Commission's minimum sizing requirements which do not make full use of the space practically available.

We will not allow proportional rebates in cases of alleged financial hardship. The advent of third-party financing through lease-purchase or micro-utility arrangements (see D.82-06-107) has all but eliminated the possibility of financial hardship. In any case, such a standard (actually no test of financial hardship was suggested by SolarCal) would be controversial and expensive and difficult to administer. SolarCal has not alleged facts showing a need for such measure and its proposal will be denied.

Up-Front Cash Rebate

SolarCal asks the Commission to allow participants purchasing qualifying systems to elect to receive either monthly rebates over three years or a discounted cash payment up front. SolarCal cites these advantages of its proposal:

1. It would allow participants to use the rebate as a down payment, thus facilitating the obtaining of a loan where necessary.
2. It would reduce the amount of funds which had to be borrowed and the total interest cost.
3. It would not increase the net cost to the ratepayers of the rebate.
4. It will reduce administrative cost by eliminating the need to carry the account for three or four years.
5. It will help achieve broader and greater total participation and provide the Commission with information on this value of various incentives for consideration in future deliberations.

SolarCal alludes to one disadvantage, i.e. total capital requirements of the utilities, but it believes that this concern is counterbalanced by the unlikelihood that the program can be expected to achieve near the original goals in the time remaining.

SoCal Gas opposes the up-front cash payment proposal because the cost-effectiveness of the proposal has not been determined. SoCal Gas believes that it owes a responsibility to its ratepayers to determine the cost-effectiveness of all programs the costs for which its ratepayers bear. Again, SoCal Gas requests that the Commission convene hearings to address the cost-effectiveness of this proposal if the Commission decides to adopt it. Furthermore, if the Commission decides to implement the up-front cash payment option, SoCal Gas requests that:

1. The Commission order that the systems be inspected and found to comply with Commission standards prior to such payment; and

2. Such an approach be made prospective only so as not to include systems for which rebates already have been given.

SDG&E believes that an option to allow up-front rebates based upon the present value of the normal rebate system should be authorized only for cases of mutual agreement between the utility and the participant. This dual election is essential to protect the utility against potential adverse financial consequences. While agreeing with the arguments presented by SolarCal for the multifamily participant, SDG&E believes that the financial position of the utility must be considered in any up-front payment scheme.

Should such up-front payments be authorized, SDG&E believes that the weighted average incremental cost of capital approved in the utility's most recent rate case is the appropriate discount rate to compute present value of the normal rebates. In addition, SDG&E believes it essential that any up-front rebate payments be recovered out of current rates. Thus, appropriate rate adjustments should be authorized prior to the utility's making any up-front rebate payments. In order for this change to have any impact on the multifamily program, any required rate adjustments would have to be made expeditiously.

PG&E recommends against issuing rebates as single payments. It argues that:

> "The effectiveness of single rebate payments as a means of increasing program participation probably would be low. They would increase, rather than decrease, utility administrative costs. Finally, accelerating the existing

rebate payment schedules will require substantial increases in 1982 and 1983 program costs and concomitant increases in rates.

"SolarCal contends single rebate payments will allow program participants a better opportunity to secure financing for their solar water heating systems or enable them to avoid some financing charges. This is untrue: rebates are paid after a system is installed and its financing, if any, arranged for. While it is possible some customers could make special financing or payment arrangements with contractors to take better advantage of the lump sum payment, the likelihood of attracting significant numbers of new participants by this means seems remote. Furthermore, as with proportional rebates, it is not clear that the condition of the multi-family market in fact requires such a program change, and the change itself may be detrimental to the effectiveness of the demonstration.

"From a practical standpoint, if rebates are issued via single lump sum payments to new participants (or offered to current participants)[2] then significant and expensive alterations would be required in PGandE's rebate check issuing system. This will entail large reprogramming and other administrative costs and a substantial time requirement. Also, contrary to SolarCal's contention, PGandE's administrative burden will increase because some current participants inevitably will choose to continue receiving quarterly rebate payments requiring the maintenance of the current rebate check issuing system.

2/ SolarCal does not specifically distinguish between new and current participants in its up-front cash payment proposal. But from the arguments SolarCal makes we infer that this proposal and the others would apply to new participants only.

"Furthermore, issuing single rebate payments will eliminate the utility's ability to cease payments in the event the participant sells the building on which the solar system has been installed. This would run contrary to the Commission's intent that rebates not be paid to solar system purchasers who recoup their system investments through short-term sales of property (Decision No. 92251, mimeo, page 30):

'Only utility credits shall be available for multi-family water heater retrofits. These credits shall be $8 per unit served per month for 36 months payable quarterly or until sale of the building, whichever occurs first.' (emphasis added)

"If the Commission does authorize single rebate payments, then 1982 and 1983 program costs will increase dramatically. Single rebate payments for single[3] and multifamily applicants will, for example, increase PGandE's 1982 program costs by at least $2.6 million over the $8.2 million revenue requirement proposed in Application No. 82-01-59. 1983 program costs would be increased similarly. Offering single payments to current[4] participants would add even more to these cost escalations.

"Although the long term, real dollar cost of rebates to the ratepayer would remain unchanged if single, discounted payments are made, the burden placed on the ratepayer in the short term would be substantial. With

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3/ SolarCal's petition is specifically limited to multifamily scale residential solar systems.

4/ See footnote 2.

> the issuing of Decision No. 92251, the Commission demonstrated its intent to minimize, the impact of the program on ratepayers by having rebates paid over three and four year periods. Furthermore, in Decision No. 92251, the Commission recognizes its 'great responsibility to the ratepayers to not add unduly to their rapidly increasing utility bills' (mimeo, page 14). The Commission must understand that a switch to single lump sum rebate payments likely will increase ratepayer burdens while not contributing significantly to program participation, and possibly sacrificing effectiveness of the demonstration itself." (PG&E's Response, pp. 11-13.)

The staff states that in D.92251 (4 CPUC 2d 279-281) the Commission discussed various methods of paying the rebate, including the lump-sum method, and adopted a monthly credit, payable quarterly, as the method most likely to balance a strong customer incentive with a low cost of administration. The Commission further qualified this method of payment by stating that the monthly rebate would continue "for 36 months payable quarterly or until sale of the building, whichever occurs first." (Id. at 281.) SolarCal ignores this requirement. The staff points out that as the program is currently structured, the utility stops rebate payments if the owner sells the building (and thereby recoups his investment) before the end of the 36-month rebate period. SolarCal's proposed modification would eliminate program savings obtained by this provision.

The staff contends that SolarCal has not presented any new or persuasive arguments or evidence in support of its proposed modification to provide for lump-sum rebate payments. With the new financing opportunities authorized by D.82-06-107, the staff believes that there is less reason to provide lump-sum payments than existed when the Commission issued D.92251. For these reasons, the staff strongly recommends that the Commission not modify D.92251 to provide for lump-sum rebate payments.

We agree with the staff analysis. The advent of lease-purchase and micro-utility arrangements implies that potential customers are no longer limited to conventional financing options. Since SolarCal's proposal is based upon the assumption that the multifamily dwelling owner will be acquiring a solar water heating system by using a conventional loan, its argument that a lump-sum rebate payment is necessary to motivate an owner to make such a purchase falls of its own weight.5/ Lump-sum payments will also increase the overall cost of the program because rebates could not easily be recouped if the owner sells the building before the three-year rebate period has expired and because of higher administrative costs. Since greater costs may be anticipated and since we have placed a cap on multifamily rebates, lump-sum payments would deprive some owners of an opportunity to secure rebates.

SolarCal's arguments are not persuasive and its lump-sum rebate proposal will not be adopted.

Findings of Fact

1. SolarCal's proposal to increase rebates will involve increased rebate and administrative cost.

5/ In its comments on the solar leasing issue decided in D.82-06-107, SolarCal argued that leasing and micro-utility arrangements will form the bulk of future financing arrangements for systems in the multifamily sector.

2. SolarCal has not demonstrated that there is any need for the increases, nor that they will be beneficial, nor that they would be cost-effective.

3. Proportional rebates will increase the pool of buildings available to participate in the multifamily program.

4. Lump-sum payments, in lieu of monthly rebates over a three-year period, will increase rebate and administrative cost and are not needed in light of D.82-06-107, approving lease-purchase and micro-utility arrangements.

5. Proportional rebates in cases of alleged financial hardship are not needed, would be difficult to administer, and would be easily abused.

Conclusions of Law

1. SolarCal's proposal to increase rebates should be denied.

2. Proportional rebates should be allowed in the case of buildings where it is physically impractical to install enough collectors to meet the Commission's sizing requirements for all units in the building.

3. SolarCal's proposal to allow proportional rebates in cases of financial hardship should be denied.

4. SolarCal's proposal to allow lump-sum, up-front rebates, in lieu of monthly payments should be denied.

O R D E R

IT IS ORDERED that:

1. The affected public utilities shall allow proportional rebates in the case of buildings where it is physically impractical to install enough collectors to meet the Commission's sizing requirements for all units in the building.

2. In all other respects, the petitions of SolarCal Council and San Diego Gas & Electric Company for modification of D.92251 are denied.

This order becomes effective 30 days from today.

Dated JUL 21 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

Commissioner Leonard M. Grimes, Jr., being necessarily absent, did not participate.

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Joseph E. Bodovitz

Joseph E. Bodovitz, Executive Director

The staff concludes its analysis by stating that SolarCal fails to address two major disadvantages of its proposed modification, as follows:

> "The proposed modification of the rebates would lead to substantially higher rebate costs for the utilities for systems on multi-family dwellings. SolarCal has presented no data to suggest that such higher costs are cost-effective. In fact, SolarCal ignores the whole issue of cost-effectiveness. In addition to increased rebate payments, the utilities would incur additional administrative costs resulting from the more complex rebate scheme. SolarCal has not presented any benefits associated with its proposal which would offset these costs." (Staff Response, pp. 5-6.)

We agree with the staff analysis of SolarCal's proposal to increase the rebates for multifamily dwellings. SolarCal has not presented any facts or convincing arguments that would merit increasing the rebates as it proposes. Thus, were it not for the staff's own proposal on this point, we could conclude the discussion here.

<u>Staff Proposal</u>

The staff proposes that rebates be set at $4 per bedroom per month with a maximum of $20 per unit. An owner could also qualify for a larger rebate of $6 per bedroom with a maximum of $20 per unit when he installs a system with a collector panel area as large or larger than the minimum panel area per bedroom for a three-bedroom single-family dwelling specified for that solar system.

We will not discuss the merits of this proposal, for it comes before us in a response to SolarCal's petition and not as
55 a separate petition for modification. ~~Since the staff response~~

Instead we choose to focus on the merits of SolarCal's petition and conclude that the proposed modification

~~was filed July 1, 1982, we may delay the disposition of SolarCal's~~ petitions until some time after ~~all parties have had 30 days to~~ is necessary ~~file comments to the staff's response (see Rule 8.3 of the Rules~~ multifamily ~~of Practice and Procedure~~ and Public Utilities Code § 1708); retrofit ~~or we may~~ consider the staff proposal now, circumventing ~~orderly~~ not ~~procedure and~~ cutting off the right of the ~~parties to reply.~~ warranted

~~We choose to dispose of SolarCal's petitions now.~~

Proportional Rebates

SolarCal believes that proportional rebates would allow participation by property owners whose building shape, location, or other physical constraint limits the scale of the system that could be installed. For instance, on a multistory apartment building there may not be sufficient solar collector area available to provide the contribution specified by the Commission to all the building's units. If proportional rebates were offered, SolarCal proposes that they be made available also to an owner who, because of capital constraints, cannot afford to purchase a system properly sized for his entire building.

SDG&E supports proportional rebates with the qualification that the solar system must be sized according to OII 42 standards for those units served and on which proportional rebates are based. SoCal Gas believes that proportional rebates should be awarded to systems serving only a portion of a building's units. Such an approach will allow participation by property owners whose unique circumstances preclude serving all dwelling units by the solar system. SoCal Gas also supports the concept.

PG&E does not necessarily oppose authorization of proportional rebates, but it does express the following concerns:

The staff recommends that the Commission authorize proportional rebates only when the participating utility determines that it would be physically impractical to install enough solar SS collectors ~~on~~ OR solar-heated storage tanks to meet the Commission's minimum collector sizing or solar-heated storage requirements. The owner would receive rebates based upon the percentage of his units actually served by his system. Thus, if a system is sized to serve one-half of his units, then he would be entitled to one-half the monthly rebate.

We recognize that some multifamily dwellings do not have enough roof space, or in some cases solar-heated water storage space, to meet our requirements for all units. Therefore, we will authorize proportional rebates but only in cases where the building owner has installed solar collectors or solar-heated storage up to the practical physical capacity of his building. Proportional rebates should not be allowed for systems sized smaller than the Commission's minimum sizing requirements which do not make full use of the space practically available.

We will not allow proportional rebates in cases of alleged financial hardship. The advent of third-party financing through lease-purchase or micro-utility arrangements (see D.82-06-107) has all but eliminated the possibility of financial hardship. In any case, such a standard (actually no test of financial hardship was suggested by SolarCal) would be controversial and expensive and difficult to administer. SolarCal has not alleged facts showing a need for such measure and its proposal will be denied.

believes that there is less reason to provide lump-sum payments than existed when the Commission issued D.92251. For these reasons, the staff strongly recommends that the Commission not modify D.92251 to provide for lump-sum rebate payments.

We agree with the staff analysis. The advent of lease-purchase and micro-utility arrangements will make conventional financing obsolete. Since SolarCal's proposal is based upon the assumption that the multifamily dwelling owner will be acquiring a solar water heating system by using a conventional loan, its argument that a lump-sum rebate payment is necessary to motivate an owner to make such a purchase falls of its own weight.5/ Lump-sum payments will also increase the overall cost of the program because rebates could not easily be recouped if the owner sells the building before the three-year rebate period has expired and because of higher administrative costs. Since greater costs may be anticipated and since we have placed a cap on multifamily rebates, lump-sum payments would deprive some owners of an opportunity to secure rebates.

SolarCal's arguments are not persuasive and its lump-sum rebate proposal will not be adopted.

Findings of Fact.

1. SolarCal's proposal to increase rebates will involve increased rebate and administrative cost.

5/ In its comments on the solar leasing issue decided in D.82-06-107, SolarCal argued that leasing and micro-utility arrangements will form the bulk of future financing arrangements for systems in the multifamily sector.