

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for the California Solar
Initiative, the Self-Generation Incentive Program
and Other Distributed Generation Issues.

Rulemaking 12-11-005
(Filed November 8, 2012)

**OPENING COMMENTS OF GRID ALTERNATIVES REGARDING THE STAFF
PROPOSAL DATED JULY 2, 2014 FOR ASSEMBLY BILL 217 IMPLEMENTATION**

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Table of Contents

I. Introduction.....	2
II. Comments on Attachment B, Questions #1-3; 6-10.....	2-13
III. Conclusion	13

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I. INTRODUCTION

On July 2, 2014, the California Public Utilities Commission (CPUC or Commission) issued an *Administrative Law Judge's Ruling (1) Incorporating Staff Proposal into the Record (2) Requesting Comments from Parties and (3) Setting Comment Dates* (ALJ Ruling). GRID Alternatives appreciates the opportunity to provide comments regarding the *Staff Proposal for the Implementation of Assembly Bill 217* ("Staff Proposal"). GRID Alternatives generally supports the recommendations in the Staff Proposal summarized on page 35 of Appendix A and provides additional comment on questions posed in Appendix B.

II. COMMENTS ON ATTACHMENT B, QUESTIONS #1-3; 6-10

1) Are there specific certifications or program standards at community colleges or other solar job training programs that the Commission should consider in their formulation of job training requirements for the SASH and MASH programs?

As the statewide SASH Program Administrator, GRID Alternatives has integrated job training and workforce development into every single SASH project. The main goal of this requirement in SASH was to help get local installers and local job training program sponsors working together, talking with one another, discussing industry needs, and partnering with one another. The underlying goal of the SASH/MASH job training requirement should continue to be the creation of a platform for contactors, job training organizations, and job trainees to connect in a manner that is constructive and beneficial to all parties.

Given the wide range of job training organizations throughout California, it is critically important to provide flexibility for their unique models/programs to meet the SASH/MASH

requirement so that their students can engage with these ‘hands-on’ training opportunities. GRID Alternatives believes this flexibility can be achieved while still providing some structure and standards for installers to identify appropriate partners. Given that the contractors will be responsible for bringing these job trainees onto their projects, there may be a natural vetting that takes place by the contractors since it is in their interest to bring on job trainees from local, effective, high quality programs.

For the SASH Sub-contractor Partnership Program (“SPP”), the job training requirement is to hire part-time a job trainee who is currently enrolled in or has participated in a job training program in the past 12 months, and provide the trainee with substantive hands-on solar installation experience throughout the entire installation process. A job training program was defined as one that provided a minimum 40 hour of relevant classroom or hands-on training.

Similarly, every one of GRID Alternatives' in-house volunteer-based installations includes a job training component through GRID Alternatives' Team Leader Program¹, local job training partnerships, and general volunteer opportunities. GRID Alternatives' installation model creates a “classroom on the roof” experience providing valuable hands-on training to job trainees interested in installation, sales, design, and all aspects of residential solar projects.

The Staff Proposal states, “...the SPP presently run by GRID Alternatives—if set as a standard for all SASH projects—already accomplishes the job training objectives of AB 217.”² GRID Alternatives agrees that the SPP job training requirement satisfies AB 217's job training mandate for projects installed using the SPP model, but strongly believes that SASH projects installed using GRID Alternatives' volunteer and job trainee-based installation model also meets AB 217's objective to “provide job training and employment opportunities in the solar energy and energy efficiency sectors of the economy”³ and should satisfy the legislative mandate.

In addition to job training opportunities on the roof, GRID Alternatives also provides many different opportunities for individuals to get job training in the “back office” operations of the solar industry. For example, GRID Alternatives runs a SolarCorps Fellowship program that

¹ GRID's Team Leader Program offers experienced volunteers more comprehensive, in-depth training to further develop their skills and increase employment opportunities in the solar jobs market. Team Leaders can use the experience to meet the installation requirements needed to sit for the North American Board of Certified Energy Practitioners (NABCEP) PV Installer Certification Exam.

² Staff Proposal, page 30.

³ The text of AB 217 is available at:

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB217

provides one-year fellowships to individuals beginning their careers in solar and who want to dedicate a year of service to helping bring solar to underserved communities. SolarCorps opportunities at GRID Alternatives include fellowships in project management, system design, marketing and outreach, communications, job trainee and volunteer management, market development, construction, and fundraising. Since these are paid fellowship positions, GRID Alternatives brings other funding partners to these job training efforts including partnerships with the AmeriCorps program through the Corporation for National and Community Service. Additionally, GRID Alternatives creates similar opportunities for individuals from diverse backgrounds to obtain hands-on experience working in all aspects of solar installation through a variety of volunteer and internship positions throughout the state. All of GRID Alternatives' job training efforts – whether on the roof, in the solar warehouse, or in the office – help support the overall implementation of the SASH program and the growth of low-income solar opportunities in California.

In summary, GRID Alternatives believes the existing job training initiatives present in every SASH installation – both in the SPP and in the volunteer-based installation model – meet AB 217's job training mandate and should continue under AB 217 without significant modification. Additionally, SASH's Sub-contractor Partnership Program is a proven and successful model to provide workforce development opportunities for job trainees with California's for-profit solar contractors and could easily and effectively be applied to the MASH program under a similar structure and with similar requirements.

2) What additional factors, issues or requirements (if any) should the Commission consider with respect to low-income property eligibility standards in either program?

In an effort to identify all SASH-eligible affordable housing in California, GRID Alternatives continues to research federal, state, and local housing programs, which often use a variety of metrics to target the most economically distressed areas of the State. Using various economic distress factors, the federal and state affordable housing programs established "Target Areas," which include Empowerment/Enterprise Zones, Qualified Census Tracts (QCT), Targeted Employment Areas (TEA), among others that receive a range of housing and business incentives to spur economic development.

The IRS defines “Target Areas” as areas that have been designated as a qualified census tract or an area of chronic economic distress in accordance with Section 143(j)(3) of the IRS Code or as a qualified census tract in accordance with Section 143(j)(2) [see below]. In urban areas, the Empowerment Zone is generally inclusive of the Qualified Census Tracts. Since most rural communities do not have Empowerment Zones, the Qualified Census Tract may provide the most effective way to identify and qualify affordable housing for rural residents.

In 2010, the CPUC allowed single-family homes located in Empowerment/Enterprise Zones/TEA to meet the SASH affordable housing requirement which had a significant impact on SASH-eligibility, especially for families located in distressed urban areas; however, it had little impact in rural areas since they typically are not designated as Empowerment Zones/TEA. Expanding the affordable housing requirement for SASH to include Qualified Census Tracts would continue to bring SASH and the solar economy to communities that are not currently participating.

Qualified Census Tracts are strategically defined by the IRS so that 70% or more of the families have income less than 80% of the statewide median income, which is also one of the requirements for becoming an Empowerment Zone.

Excerpt from Internal Revenue Service Code 143 (emphasis added):

(j) Targeted area residences

(1) In general

For purposes of this section, the term "targeted area residence" means a residence in an area which is either –

- (A) a qualified census tract, or*
- (B) an area of chronic economic distress.*

(2) Qualified census tract

(A) In general

For purposes of paragraph (1), the term "qualified census tract" means a census tract in which 70 percent or more of the families have income which is 80 percent or less of the statewide median family income.

(B) Data used

The determination under subparagraph (A) shall be made on the basis of the most recent decennial census for which data are available.

(3) Area of chronic economic distress [Empowerment/Enterprise Zones]

(A) In general

For purposes of paragraph (1), the term "area of chronic economic distress" means an area of chronic economic distress –

- (i) designated by the State as meeting the standards established by the State for purposes of this subsection, and*

(ii) the designation of which has been approved by the Secretary and the Secretary of Housing and Urban Development.

(B) Criteria to be used in approving State designations

The criteria used by the Secretary and the Secretary of Housing and Urban Development in evaluating any proposed designation of an area for purposes of this subsection shall be -

- (i) the condition of the housing stock, including the age of the housing and the number of abandoned and substandard residential units,*
- (ii) the need of area residents for owner-financing under this section, as indicated by low per capita income, a high percentage of families in poverty, a high number of welfare recipients, and high unemployment rates,*
- (iii) the potential for use of owner-financing under this section to improve housing conditions in the area, and*
- (iv) the existence of a housing assistance plan which provides a displacement program and a public improvements and services program.*

GRID Alternatives believes that single-family homes located in Qualified Census Tracts (QCT) have a presumed resale restriction and meet SASH's resale restriction requirement.

3) Given that economies of scale can be realized through standardization and streamlining of application processing and administration, to what degree would it be more efficient and effective to have a single statewide third-party program administrator for the MASH program as in the SASH program?

Given the reduced amount of incentive dollars for program administration inherent in the MASH Program under AB 217 and the higher percentage of the budget allocated to incentives recommended in this Staff Proposal, it will be necessary to cut overall program administrative costs, which in part could be achieved through a single program administrator. Additional considerations include AB 217's requirements for job training and energy efficiency, which also could be overseen and orchestrated more efficiently through one entity, as in SASH.

As GRID Alternatives has proven with the administration of the SASH Program, consolidating the marketing, outreach, and administrative functions of a statewide initiative allows a program to be very efficient, cost-effective, and streamlined for program partners and participants. It has also proven to be a great model to pilot innovative program elements (such as job training and energy efficiency) that bring more value to the ratepayers and to the communities receiving services.

4) Would it be beneficial for the Commission to pursue competitive bidding to select a single MASH program administrator? If so, should any restrictions on bidding (e.g. limiting bidding only to government and/or non-profit entities) be adopted?

GRID Alternatives has no position on this issue at this time.

5) What additional steps (if any) must the Commission take to import the tenant benefit requirements of the CSI Thermal program into the MASH program? Would an escrow account to offset rising rents be a feasible requirement? Are there other affordable housing-oriented programs with similar requirements on the local, state or federal level?

GRID Alternatives has no position on this issue at this time.

6) Given that deed restrictions are an acceptable form of documentation of low-income property status in MASH (but not in SASH), are there specific standards that should be set for this particular type of documentation?

Although GRID Alternatives has no position on this particular issue at this time, we point out that deed restrictions are an acceptable form of documentation that meet the SASH Program's affordable housing requirement

7) To what degree would it be beneficial for the Commission to pursue another round of competitive bidding for SASH program administration services? If the Commission chooses to do so, what restrictions on bidding (e.g. limiting bidding only to government and/or non-profit entities), if any, should be adopted?

GRID Alternatives believes, and hopes that the Commission and other stakeholders agree, that there will be no material benefit to pursuing another round of competitive bidding for SASH administrative services. Significant ratepayer funds have been well spent to develop the existing SASH model and infrastructure, which has proven to be an efficient, effective, and collaborative program and has met or exceeded its expectations. Additionally, the competitive bid and contracting processes are time consuming and lengthy, and would certainly introduce disruption to program continuity and program implementation. This disruption could negatively impact the SASH marketing, outreach, and brand in low-income communities. It would be an unnecessary delay of time and resources to pursue competitive bidding for SASH program administrator as GRID Alternatives is uniquely positioned to continue its successful role in managing the SASH program and to ensure that maximum savings and value are generated from the ratepayer investment.

As noted in the Staff Proposal, GRID Alternatives was evaluated by a third-party program evaluator and found to be successfully performing the program administrator role in 2011⁴ and GRID Alternatives has continued to build on that foundation to provide more value to the program by increasing the number of public-private-nonprofit partnerships that support the SASH program. GRID Alternatives' partnerships include affordable housing providers, city and county housing offices, over 50 job training organizations and community colleges, seventeen Native American tribes residing in California, solar equipment manufacturers, and other entities and organizations working in low-income communities. Part of SASH's success story is that so many different stakeholders throughout California have been committed partners to the SASH program and to making solar accessible to low-income families. It has taken GRID Alternatives many years to develop these partnerships, and leveraging these relationships will be critical to successfully meeting the aggressive goals of AB 217.

Since 2004, GRID Alternatives has applied its unique "classroom on the roof" installation model that creates job training opportunities and broad community engagement with solar in low-income communities. Through the SASH program, GRID Alternatives has trained over 13,000 volunteers and job trainees to participate in SASH installations, has reserved over 4,300 volunteer positions exclusively for job training organizations, and has provided over 1,500 paid job training workdays for solar job trainees through its "pioneering" (as described in the Staff Proposal) work in the Sub-contractor Partnership Program (a program recommended in the Staff Proposal to be the model for job training in both SASH and MASH under AB 217⁵). GRID Alternatives has made every SASH solar installation a workforce development opportunity, and referred every eligible household to low-income energy efficiency providers, and it has done both without any previous legislative mandate to incorporate job training or energy efficiency.

GRID Alternatives has developed internal experts on SASH program requirements, including affordability in PU Code 2852, and has contacted every city and county in California to obtain deed-restricted property lists. This expertise, program development, and implementation of the SASH program required a significant amount of ratepayer resources, and it would be a waste of these resources to consider having a lengthy bidding process that could

⁴ Navigant Consulting, "CSI Low Income Program Administrator Performance Assessment," published April 5, 2011, available at: http://www.cpuc.ca.gov/NR/rdonlyres/3A60572D-725B-434E-A525-077428DE4E5D/0/CSIMASHandSASHPAAssessmentReport_2011.pdf

⁵ Staff Proposal, page 21.

result in another entity starting over from ground zero. The entire premise of AB 217 – to install the same capacity with half the budget – will only be possible by utilizing these existing program efficiencies as well as established public-private-nonprofit partnerships.

In order to preserve SASH program continuity and maximize program benefits of bringing solar to low-income families and providing valuable job training opportunities at every installation, GRID Alternatives should continue the role it has had in administering the SASH program for the last six years and another competitive bidding round should be avoided.

8) To what degree is it necessary for the Commission to authorize third-party ownership in the SASH program?

It is absolutely necessary to allow third-party ownership (TPO) in SASH. That being said, any TPO model needs to be designed specifically with a “families-first” perspective that maximizes the direct benefits to the homeowner and ensures adequate consumer protections. By excluding TPO from SASH, the program is currently leaving a significant amount of project financing off the table (30% Federal Investment Tax Credit, plus MACRS).

As noted in the Staff Proposal and illustrated in Figure 4, with reduced SASH incentives “a large proportion of project costs will need to be filled in the future from some funding source, most likely tax credit financing, homeowner contribution or fundraising by the Program Administrator.”⁶ GRID Alternatives agrees that “leaving TPO off the table in the future SASH program would present a very difficult, perhaps prohibitive challenge for the SASH Program Administrator.”⁷

Since 2009, GRID Alternatives has made all 4,000+ completed SASH systems affordable and attractive options for low-income families by contributing to SASH projects, on top of the SASH incentives, the organization’s own fundraising dollars, in-kind donations, and proceeds from equipment partnerships. As SASH Program Administrator, GRID Alternatives will continue to leverage these resources under AB 217, and is already augmenting its fundraising efforts in order to bring to the table as much private sector philanthropic support as possible. Only with the combination of philanthropic support, the SASH incentive, and the proceeds from

⁶ Staff Proposal, page 32.

⁷ Staff Proposal, page 33.

a TPO model, will low-income families be able to continue participating in SASH under AB 217's reduced incentive structure.

9) In D.07-11-045, the Commission noted that a proposal allowing third-party ownership in SASH would be judged according to whether it “adequately protects and benefits low-income homeowners.” What standards should the Commission consider adopting for the review of a third-party ownership proposal recommended by the Energy Division? Parties that choose to respond to this question must present complete and detailed responses, with citations to any existing models or data sources mentioned.

GRID Alternatives appreciates the Commission's unwavering position to approach the third-party ownership issue with a “families-first” perspective and its focus on protecting the interests of and maximizing the benefits to low-income families. GRID Alternatives believes that a TPO model can be developed that addresses these concerns and GRID Alternatives encourages the Commission to establish the following baseline TPO standards:

- Ensure SASH customers receive at least 50% of the savings, as compared to standard utility rates, from the solar generating equipment
- Reduce or eliminate barriers for customers with poor credit (low FICO scores) to qualify and participate
- Address concerns that homeowners may have about moving or selling their home during the TPO contract term
- Cover maintenance, operations, inverter replacement, and monitoring
- Not allow liens to be placed on homes
- Minimize the risk to the low-income customer that the solar system would be removed for delinquent payments
- Ensure that all costs are apparent and up front and that there is no risk that the TPO deal would result in an additional financial burden to the family

As aptly noted in the Staff Proposal, the SASH Program has “a built-in consumer advocate and impartial intermediary in dealing with third-party owners: the SASH Program Administrator.”⁸ To provide comprehensive consumer protection and ensure accurate information about SASH's TPO model is dispersed to target audiences, GRID Alternatives strongly believes that the SASH Program Administrator should remain the sole entity authorized to conduct marketing and

⁸ Staff Proposal, page 30.

outreach activities for the SASH program, as is currently in line with the PA's roles in these areas.

GRID Alternatives has worked for several years to develop a unique TPO model that accomplishes all baseline standards in the bulleted list above, is effective for low-income families, and passes maximum savings on to homeowners. GRID Alternatives' experience and expertise in bringing solar to low-income communities for over 10 years has helped shaped our organization's perspective on what makes a TPO model an attractive option for low-income families. GRID Alternatives' TPO model is currently being deployed through a small, successful group of pilot projects in its Colorado and New York Tri-State offices where it has been well-received by homeowners and program partners.

GRID Alternatives' TPO Model Overview:

TPO models designed for the general market typically have high barriers for low-income participation including minimum FICO credit score requirements, long-term lease terms, and escalating payments that limit household energy savings. GRID Alternatives has worked with financing partners to remove the barriers by allowing GRID Alternatives to stand between the customer and the third-party financier through a pre-paid lease/power purchase agreement ("PPA") model.

Through this TPO model, GRID Alternatives can assist the customer in pre-paying all or a significant portion of the required lease or PPA payments up front, or provide ongoing payment assistance over the life of the contract. By providing prepayment assistance, the customer's credit score or risk profile is no longer a barrier from the financier perspective. The prepaid model is also attractive to low-income homeowners who may need to sell their home during the 20-year lease period. Since most or all payments are made in advance, the low-income home buyer would easily assume the existing lease upon a sale since it is fully or nearly paid off. This model has been well-received by low-income homeowners in GRID Alternatives' pilot project. As is standard in TPO agreements, system maintenance, operation, inverter replacement, performance guarantees and monitoring services are included in the lease for its entire 20-year term.

While GRID does have an agreement with homeowners to make a small monthly or quarterly contribution, the highest maximum client contribution under GRID Alternative's TPO model would never exceed 50% of bill savings, will not include any other costs or fees, and will

always be based on the value of a dollar at the time of contracting, so there will not be any escalating payments over time. In this TPO model, because GRID Alternatives is standing in between the creditor and the low-income family and is protecting the customer's interests, default will never trigger placing a lien on their home or the removal of the solar system. Basically, GRID Alternatives is able to absorb the TPO financier's credit exposure and minimize it through diversification and our own charitable fundraising.

GRID Alternatives has worked for several years with a variety of entities in the solar financing and PPA/lease market to develop this unique TPO model that is effective for low-income families and maximizes direct homeowner benefit.

10) In addition, are there efficient ways to design or set standards for the third-party ownership structure in SASH to keep costs low and provide savings to homeowners? Parties that choose to respond to this question must present complete and detailed suggestions, with citations to any existing models or data sources mentioned.

As noted in the Staff Proposal, “as the sole entity responsible for the marketing, day-to-day decision-making, application processing and installation of SASH systems, the SASH Program Administrator is uniquely suited to be an advocate for potential SASH participants.”⁹ This integrated model has also proven to be highly efficient, has kept marketing, outreach, and administration costs low, while maximizing benefits to homeowners. As a nonprofit, public benefit organization, GRID Alternatives is uniquely positioned to lead the development of a TPO model that maximizes consumer protection and the benefits to low-income families. The Commission should task the SASH Program Administrator to develop a TPO model that meets at the minimum the baseline TPO standards described in response to the previous question (#9 above), to identify one or more financing partners or TPO providers that can accommodate these requirements, and to develop a marketing, outreach, and installation strategy in line with the PA's current role in these areas.

Having the SASH Program Administrator lead this effort will ensure that operational costs are kept as low as possible, proper contract oversight can be managed and monitored by the Program Administrator and CPUC staff, and that maximum savings and maximum direct benefit will be provided to the low-income homeowner.

⁹ Staff Proposal, page 32.

III. CONCLUSION

GRID Alternatives appreciates the opportunity to provide these comments regarding the Staff Proposal to implement Assembly Bill 217 and hopes that they are helpful to the Commission. GRID Alternatives looks forward to working collaboratively with the Commission and stakeholders throughout the AB 217 implementation process.

Respectfully submitted,



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