

**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)

**REPLY OF PACIFIC GAS AND ELECTRIC
COMPANY (U 39 E) TO COMMENTS ON THE
ADMINISTRATIVE LAW JUDGE'S RULING (1)
INCORPORATING STAFF PROPOSAL INTO THE
RECORD (2) REQUESTING COMMENTS FROM
PARTIES AND (3) SETTING COMMENT DATES**

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**REPLY OF PACIFIC GAS AND ELECTRIC COMPANY
(U 39 E) TO COMMENTS ON THE ADMINISTRATIVE
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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) provides these reply comments in compliance with the *Administrative Law Judge's (ALJ's) Ruling (1) Incorporating Staff Proposal into the Record (2) Requesting Comments From Parties and (3) Setting Comment Dates*, issued by ALJ Regina M. DeAngelis on July 2, 2014 (Ruling). The Ruling places the *Staff Proposal for the Implementation of Assembly Bill (AB) 217* (Staff Report) on the record and requested comments on topics related to the California Solar Initiative (CSI) Single-family Affordable Solar Homes (SASH) and Multifamily Affordable Housing (MASH) programs. The legislature provided \$108 million in additional funding for MASH and SASH and extended the program until January 1, 2022.^{1/} Opening comments were provided by PG&E and numerous other parties on July 22, 2014. PG&E responds to several issues in this reply including:

- PG&E agrees with several parties that keeping the current MASH Program Administrators (PAs) in place will provide for a smooth transition,

^{1/} See Assembly Bill (AB) 217, effective January 1, 2014, updating provision to Public Utilities Code section 2852 governing the MASH and SASH programs.

- Comments regarding the benefits gained from moving MASH to a statewide administration model are not supported by facts, and
- Everyday Energy’s call for the Center for Sustainable Energy (CSE) to be a single statewide administrator does not hold up under analysis and should be disregarded.

II. DISCUSSION

A. Keeping the Current MASH PAs in Place will Provide for a Smooth Transition

A number of parties cite the importance of providing a smooth transition in implementing AB 217 updates to the MASH program while continuing to approach it as one continuous program. PG&E agrees with the MASH Coalition’s assessment that “MASH and SASH are existing, successful programs that do not warrant extensive change^{2/}” and that “the Commission should strive above all to provide as much continuity as possible and preserve the program’s hard-won streamlined qualities.”^{3/} Everyday Energy states “It is important that the implementation of AB 217 is based on the fact that AB 217 is adding additional funding to an existing program [not implementing a new program].^{4/}” Treating MASH as one continuous program in practice would mean retaining the current PAs and implementing AB 217 changes as soon as possible to move the program forward and begin to administer incentive funds. Renewable Energy Partners points out that “the IOUs have already been adequately trained on MASH administration.”^{5/} California Solar Energy Industries Association (CALSEIA) states “we believe time is of the essence in getting the program back on track.”^{6/} PG&E strongly supports the above statements, in particular the MASH Coalition’s position that the AB 217 dollars should be administered as quickly as possible and that changing to a statewide administrator for MASH would be “detrimental”^{7/}.

^{2/} MASH Coalition comments, page 2.

^{3/} MASH Coalition comments, page 4.

^{4/} Everyday Energy comments, page 4.

^{5/} Renewable Energy Partners comments, page 2.

^{6/} CALSEIA comments, page 5.

^{7/} MASH Coalition comments, page 11.

The Mash Coalition pointed out that the MASH program is designed to serve the needs of the low income solar community that otherwise would not have access to solar^{8/}. Even CSE acknowledges in its comments: “the already long waitlist of MASH projects” and need for “a timely launch date for the MASH program^{9/}.” Transferring MASH program administration would take added time and lead to an additional delay for the many MASH applicants on the waitlist. This delay coupled with the startup costs, knowledge loss, and disruption to the customer experience involved in moving the MASH program to a statewide administrator should be avoided. The MASH Coalition sums up the concern regarding delay: “Crucially, the solar plans of waitlisted affordable housing sponsors include not only imminent MASH funding but also, in most cases, third-party financing that relies on current IRC Section 48 30% solar tax credits that expire after 2017. We cannot afford to wait.”^{10/} These are excellent points and PG&E urges the Commission to revise the Staff Proposal to retain the current PAs in order to ensure MASH’s continued success and provide a smooth transition to the AB 217 enhancements for program participants.

B. Comments Regarding the Benefits Gained from Moving MASH to a Statewide Administration Model are not Supported by Facts

1. Efficiency claims lack support

CSE states that “a single statewide administrator would create significant efficiencies in administration, thereby maximizing the percentage of the program utilized for incentives rather than overhead expenses.”^{11/} CSE bases this claim on the existence of “certain fixed costs, e.g., costs for application processing, marketing and outreach.”^{12/} However, CSE’s argument that application processing is a fixed cost is faulty. PG&E uses staff on MASH application processing based solely on volume of applications that need to be processed. If there is no work to be done on MASH processing, the staff work on other incentive programs. A statewide

^{8/} See Mash Coalition comments at page 7, citing *Bill Analysis*, ASSEMBLY COMMITTEE ON UTILITIES AND COMMERCE (Hearing Date: April 8, 2013), available at http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_0201-0250/ab_217_cfa_20130405_164009_asm_comm.html (“Bill Analysis”).

^{9/} CSE comments, page 8.

^{10/} MASH Coalition comments, page 11.

^{11/} CSE Comments, page 7.

^{12/} CSE Comments, page 7.

program would also need to staff based on the volume of applications. However, this could actually cost more since the statewide administrator would likely not have the flexibility the IOUs employ to have staff work on other programs when they are not needed for MASH processing.

The second fixed cost example CSE uses is based on marketing and outreach. Here CSE's argument is not consistent with the MASH model. Given the very high demand for the program, minimal marketing needs to be done by the PAs since the marketing and outreach is primarily completed by third parties whose business model depends on finding MASH participants so that they can complete the installations. The waitlist for AB 217 dollars is currently 53 MW, far more than the 37.5 MW goal established by AB 217. Given the waitlist, it is likely that little if any marketing will need to be done in order to administer the MASH dollars. PG&E recognizes that continued education will be the focus for these funds, which will need regional presence.

CSE's statement that "[c]urrently with three MASH PAs, that spending [fixed cost] is multiplied by three" is overstated. In addition to the points above, there are also efficiencies already built in to the administration of the MASH program, such as a single statewide database, and one contract with vendors who handle the databases.

2. SASH and MASH have Different Administration Needs

CSE argues that a statewide administrator for MASH "would be substantively similar to that of GRID Alternatives as a single statewide third-party Program Administrator for the SASH program.^{13/}" This overlooks the fact that GRID has been a statewide SASH administrator for over five years. Unlike the situation for SASH, establishing a new statewide administrator for MASH would involve the delay inherent in the RFP process, a program ramp up period, disruption for MASH applicants in the pipeline and on the waitlist, and the loss of established relationships within each territory. In addition, there are differences between the MASH and SASH markets. The multifamily market does not require the same level of one-on-one attention needed in the single family market because the MASH applicant is the building owner, not the individual residents. Also MASH does not need the same level of marketing and outreach

^{13/} CSE Comments, page 6.

because the MASH program is already highly in demand and solar contractors do much of the outreach.

3. CSE Overstates the Delays due to Coordination between PAs

CSE argues that with a statewide administrator “program issues will be addressed in a timelier manner because decisions would no longer be subject to a lengthy decision-making process requiring consensus among the varied perspectives of the Program Administrators.^{14/}” This is not an accurate representation of current processes. Day to day processes and procedures are run by each administrator in line with the MASH Handbook. The only program issue that is regularly addressed jointly is when a project asks for an additional project extension, beyond a standard extension. This occurs approximately five times per year, has never resulted in the PAs disagreeing on the decision, and is typically decided through email within one business day. Because these are special cases, they benefit from having multiple eyes look at the documentation submitted. There is no single issue based on varied perspectives of the administrators that has resulted in a delay in day to day operations of the program.

C. Everyday Energy’s Call for CSE to be a Single Statewide Administrator Does Not Hold Up Under Analysis and Should be Disregarded

Everyday Energy states that it only supports statewide MASH administration if CSE is appointed MASH statewide administrator.^{15/} The Commission should not adopt this proposal. The data does not warrant making this change in program administration. Making such a change overlooks the fact that that CSE has been less efficient in administrative spending than the two current IOU administrators. For example, the Staff Report shows that through 2013, CSE has spent 72% of its administrative dollars, versus 38% for PG&E, and 28% for SCE.^{16/} The numbers in the MASH Semiannual Report provide a similar picture.

^{14/} CSE Comments, page 7.

^{15/} Everyday Energy comments, page 10.

^{16/} Staff Proposal, page 16.

The following table summarizes key program costs by PA:

	CSE	PG&E	SCE
Cost Per Application ^{17/}	\$15,557	\$5,869	\$7,963
Incentives paid per dollar of administration spent ^{18/}	\$16	\$23	\$27
Marketing dollars per reserved or completed projects ^{19/}	\$1,934	\$249	\$324

As indicated by these numbers, PG&E and SCE are running the programs within their territories efficiently. PG&E urges the Commission to keep the status quo as there is no evidence that appointing a statewide administrator will provide savings or value to the program. In fact, the data shows that a non-IOU administrator would be more expensive.

D. Unspent Administrative Funds could be Redirected to Increase the Higher Tier Incentive Level

The MASH Coalition argues for an increase in MASH incentive levels to close the gap needed to make more projects viable.^{20/} PG&E recommends that the Commission evaluate raising the proposed second tier of incentives to address this concern. PG&E would support moving the remaining program administrative funds in the amount of \$5,869,062, less amounts incurred in 2014, to fund an increase in the proposed incentives for the second tier, as needed.

^{17/} Using application to mean applications reserved and completed (or applications requiring labor time), cost per application is equivalent to administrative spending divided by number of applications using data from inception through 2013 from the Multifamily Affordable Solar Housing Semi-annual Progress Report, January 31, 2014.

http://www.cpuc.ca.gov/NR/rdonlyres/C2AEAFEF-DD1A-4798-84A5-51B8287A540B/0/140131_MASHSemiAnnualProgressReport_Final.pdf

^{18/} Incentives divided by administrative spend using data from MASH January 2014 Semi Annual report, ITD-2013.

^{19/} CSE has spent \$75,424 on marketing and reserved or completed 39 projects. PG&E spent \$50,977 on marketing and reserved or completed 205 projects. SCE spent \$46,075 on marketing and reserved or completed 142 projects.

^{20/} MASH Coalition, page 11.

III. CONCLUSION

PG&E appreciates the opportunity to provide this reply.

Respectfully Submitted,

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