

CPUC Performance-Based Decision Fact Sheet

January 2, 2007

The California Public Utilities Commission (PUC) issued a Decision on Aug. 24, 2006 that established the major design decisions of the California Solar Initiative (CSI) and covered six main topics:

1. It created **performance-based incentives** that reward quality solar systems.
 - Starting January 1, 2007, incentives for all solar energy systems greater than 100 kilowatts in size will be paid monthly based on the actual energy produced.
 - Incentives for all systems less than 100 kilowatts will initially be paid up-front based on expected system performance. Expected performance will be calculated based on equipment ratings and installation factors, such as geographic location, tilt, and shading.
 - Starting in 2010, incentives for all systems greater than 30 kilowatts in size will be paid based on actual energy produced.
2. It set **incentive levels for 2007**, factoring in the impact of federal tax incentives.
 - Residential and commercial customers will receive incentives of up to \$2.50 per watt and will be eligible for additional federal tax credits.
 - Government and non-profit organizations will receive up to \$3.25 per watt to compensate for their lack of access to the federal tax credit as non-taxable entities.
3. It defined a **schedule for incentive reductions** over the 10 years of the CSI.
 - Incentives will automatically decrease in 10 steps based on the quantity of solar energy systems installed.
4. It determined **funding levels** by type of project and location.
 - One-third of CSI funds will be reserved for residential solar installations.
 - Incentive levels may vary in future years by utility area and customer segment based on the pace of solar demand.
5. It spelled out how the program will be **administered**.
 - The CSI will be managed by the existing self-generation incentive program administrators – Pacific Gas and Electric Company, Southern California Edison, and the San Diego Regional Energy Office. The administrators will develop a statewide online application process.
 - The PUC will consider possible statewide marketing and consumer outreach in the second phase of the proceeding, and may reconsider regional or statewide administration approaches in the future.
6. It defined **metering requirements** to monitor solar production.
 - All solar energy systems will be required to install separate meters to measure solar output.

Upcoming CSI rulemakings will address energy efficiency requirements; incentives for non-photovoltaic solar projects; affordable housing incentives; marketing and outreach plans; research, development and demonstration plans; and

the methodologies for cost-benefit analysis and renewable energy credits determinations.

Incentive Levels

Incentives will be disbursed based on the rates displayed until market demand pushes the program to the next step, in which case incentives are reduced, as illustrated in the charts below. For instance, once 70 megawatts of solar energy systems are installed in Step 2, incentives will drop to those applicable in Step 3. Once another 100 megawatts of solar energy systems are installed in Step 3, incentives will drop to Step 4. These allocations have been further allocated by utility service area and residential versus non-residential installations.

As of January 1, 2007, the program is already in Step 2 per prior CPUC decisions. Please refer to your Program Administrator’s website to determine the currently effective step and incentive rate.

Small System Incentive Schedule (per CEC-AC watt; initially for systems less than 100kW)

Step	MW per step	Residential	Commercial	Non-Taxable
1	50	n/a	n/a	n/a
2	70	\$2.50	\$2.50	\$3.25
3	100	\$2.20	\$2.20	\$2.95
4	130	\$1.90	\$1.90	\$2.65
5	160	\$1.55	\$1.55	\$2.30
6	190	\$1.10	\$1.10	\$1.85
7	215	\$0.65	\$0.65	\$1.40
8	250	\$0.35	\$0.35	\$1.10
9	285	\$0.25	\$0.25	\$0.90
10	350	\$0.20	\$0.20	\$0.70

Large System Performance-Based Incentive Schedule* (per kilowatt-hour, initially for systems 100kW or larger in size)

Step	MW per step	Residential	Commercial	Non-Taxable
1	50	n/a	n/a	n/a
2	70	\$0.39	\$0.39	\$0.50
3	100	\$0.34	\$0.34	\$0.46
4	130	\$0.26	\$0.26	\$0.37
5	160	\$0.22	\$0.22	\$0.32
6	190	\$0.15	\$0.15	\$0.26
7	215	\$0.09	\$0.09	\$0.19
8	250	\$0.05	\$0.05	\$0.15
9	285	\$0.03	\$0.03	\$0.12
10	250	\$0.03	\$0.03	\$0.10

** Smaller systems may also opt-in to this schedule to receive greater incentives for high performance.*