California Public Utilities Commission

CPUC Fact Sheet

California Solar Initiative Success and Request for Comment on Budget Issues July 2010

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What is the California Solar Initiative (CSI) Program?

- The California Solar Initiative (CSI) is part of the Go Solar California campaign, an unprecedented $3.3 billion ratepayer-funded effort that aims to install 3,000 megawatts (MW) of new grid-connected solar over the next decade and to transform the market for solar energy. The program launched in 2007, and replaced a number of programs that have provided rebates to solar in California since the 1990s.

- The California Public Utilities Commission (CPUC) oversees the CSI and provides incentives to customers in investor-owned utility territories representing 68 percent of California's electric load. The CSI provides rebates for solar energy systems for existing homes, as well as existing and new commercial, industrial, government, non-profit, and agricultural properties served by Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas and Electric Company.

- CSI is the largest and most successful program in the U.S. to promote the development on a large-scale of the "rooftop" solar industry. California is two-thirds of the nation's solar market.

- The CSI has a budget of $2,167 million over 10 years, and the goal is to reach 1,940 MW of installed solar capacity by 2016. This goal includes 1,750 MW from the general market CSI program, which provides incentives for photovoltaic (PV) and other solar electric generating technologies. The goal also includes 190 MW from other portions of the program, including the two low income residential incentive programs, the Multifamily Affordable Solar Housing (MASH) Program and the Single-family Affordable Solar Homes (SASH) Program.

- A key design feature of the CSI Program is that it is designed to drive high quality solar installations by having the incentive payments based on the performance of each solar system. Most small installations receive lump-sum, up-front incentive payments, known as Expected Performance Based Buydowns (EPBB), while larger systems (including all new systems over 30 kW) are required to take Performance Based Incentive (PBI) payments based on actual electrical generation over a 5-year period. Requiring large systems to be paid based on actual performance is a key policy driver that already has shown improved performance of solar systems in California.

- **See Annual Program Assessment, Chapter 2, p.13 for more background on the CSI program.**

CSI Program Accomplishments to Date

The CPUC's California Solar Initiative team issued its Annual Program Assessment to the Legislature on July 9, 2010. Highlights of the report from the Executive Summary include:

- Three and a half years into the state's 10-year solar program, California is already 42 percent of the way towards its general market program goal in the territories of the investor-owned utilities. This figure includes both projects already installed and those currently holding reservations for incentives and in the process of being installed.
- California has over 600 MW of solar connected to the electric grid, the equivalent of a large power plant, at nearly 65,000 customer sites. Of the 598 MW of capacity installed in investor-owned utility territories, 342 MW were installed under the CSI program at 31,000 sites, as well as 256 MW installed through other programs.
- Demand is increasing. The CSI program received a record of nearly 300 MW of new CSI project applications since January 2010 - more than any other six-month period since the start of the program.
- The program had over 134 MW of new projects applying in April 2010, the highest month on record for new solar applications.
- The CSI program has 41,864 solar applications, including both pending and installed systems that (if all installed) will account for an estimated 729 MW of solar capacity.
- If all 729 MW of projects are completed, the CSI program expects to pay $1.4 billion in incentives.
- The CSI program has helped support investments of over $5 billion in solar energy in California. For every dollar spent on incentives by the state, there has been another $2.62 invested in solar technology in California from other sources.
- In line with the program goal of driving down costs, in the first three years of the program the cost per watt (adjusted for inflation) of residential installations has dropped over 15 percent. The inflation adjusted cost trends show that prices have declined since January 2007 from $10.04/watt to $8.49/watt for systems under 10 kW.
- The CSI program has reduced incentive levels seven times since 2007, according to a 10-step declining schedule adopted in 2006, where incentives decline as program demand builds and the solar industry develops scale. Incentives started at $2.50/watt, and now are as low as $0.65/watt in most utility areas.
- There are 1,400 active solar installation contractors work on the program. This means thousands of jobs and state/local sales tax revenues as the "green economy" helps California recover.
- In response to recent extraordinary program demand, the CPUC is reviewing the CSI 10-year budget to ensure that the program stays on track to meet its MW goals. A recent ruling requests comments on several proposals to modify the incentives budget to keep the program on track.

CPUC Requests Comment on Incentive Budget to Keep Budget on Track

- **Ruling Issued on Budget -** On July 9, 2010, the CPUC issued a ruling in Rulemaking (R.) 10-05-004 requesting public comment on several proposals to keep the CSI budget on track. The CPUC is expected to act by September 2010 on the proposals in the ruling. The CPUC is interested in stakeholder feedback on how to best manage a complex incentive budget in light of competing goals.

- **Program in 4th of 10 Years -** The program is now in its fourth year of operation. The CPUC's ruling is an attempt to make sure the program stays on track with its nearly $2 billion 10-year budget.

- **Concern about accelerated budget depletion -** The ruling notes that the CPUC needs to check in on the 10-year budget out of concern that both the recent spike in program and the fact that PBI payments are having a greater impact on the CSI budget than originally anticipated has caused the program incentive budget to be committed ahead of schedule; if unadjusted, this risks leaving the program out of funding before it achieves its overall MW goals. The CSI program has lowered rebates up to seven times in some utility territories, according to an established schedule adopted by the CPUC in 2006. The CPUC has not revisited the schedule since Dec. 2006, but noted then that it would review the budget periodically to make sure it stayed on track.

- **What is proposed?** The ruling seeks comment on slightly modifying (by accelerating) the planned rate of decline for several types of solar projects. The ruling proposes reducing incentives for PBI projects (any project over 30 kW), reducing the existing incentive premium for government and non-profit projects (non-taxable entities), and transferring an additional $20 million from administration to the incentives budget. The ruling does not propose any change to the residential market.

- **Impact on Public Sector Entities -** Under the proposal that is open for comment, projects owned by government or non-profits (public entities) would still receive incentives that are higher than any other customer class, but the rebates would be reduced slightly from their currently scheduled levels. The program has always paid public entities a higher rebate because those entities cannot utilize the federal Investment Tax Credit. However, that premium so far has been fixed at $0.75/watt higher than any other entity. The ruling proposes (as one of several measures) reducing, but not eliminating, the premium paid to public entities. For example, at incentive Step 7, public entity rebates would be 58 percent higher (@ $1.03/watt) than commercial-entity rebates (@$0.65/watt), instead of the existing public entity rebate which is 115 percent higher (@$1.40/watt) than commercial-entity rebates.

- **Why Necessary -** The CPUC is interested in reviewing the budget now in order to make sure that all MWs originally planned to be installed under the program can be served with incentives. The CPUC does not want to commit all incentive funding without also meeting the MWs targeted for the program. In order to prevent a huge number of applications from rushing forward while the CPUC contemplates new incentive levels for PBI and non-taxable applicants, which would worsen the budget concern, a temporary postponement in issuing of confirmed reservations for these types of customers is necessary.

- **Budget Variability and Uncertainty -** The CSI program is funding nearly 42,000 projects in California, and the size of the program, and a number of factors, makes the expected incentive budget vary daily. Factors include the number and size of projects that apply and/or drop out of the program daily, the proportion of non-taxable entity participants receiving higher than average rebates, and the actual performance of projects.

- **Program is Still Operating While CPUC takes Comment -** The program is still open to all applicants while the CPUC considers the budget change proposals, expected by September. The ruling suspends the issuance of reservation confirmations for certain projects received after the date of the ruling; however the CPUC structured the proposed action in a way to only minimally interfere with the solar market because:
  - Over 300 MW and 10,000 projects were received since January 2010. No project received prior to July 9, 2010, is affected by the ruling, so the installation pipeline will continue uninterrupted.
  - Commercial and government/non-profit projects (and/or all large projects) usually take 12-18 months to complete installation. Schools have an additional 18 months to complete installation of a solar system.
  - The residential market is unaffected by the ruling or the incentive change proposal.

How will all CSI Applications be Treated While CPUC Considers Budget Changes?

This is how all applications (new and existing) will be handled while the CPUC considers the potential changes:

Applications Received on or before July 9, 2010

- All applications that have already been issued a reservation will continue to be processed as normal with the existing incentive level that has already been confirmed.
- All applications that have not been issued a reservation, but are either in the queue or being reviewed by Program Administrators, will continue to be processed as normal with the existing incentive levels.

Applications Received after July 9, 2010

- All EPBB applications, EXCEPT government/nonprofit-owned applications, will continue to be processed as normal with the existing incentive levels.
- All PBI applications will be reviewed for completeness, however they will not yet receive a confirmed reservation that sets their incentive level. All government/nonprofit-owned (EPBB or PBI) applications will be reviewed for completeness, however, they will not yet receive a confirmed reservation that sets their incentive level. All these new PBI and government/non-profit-owned applications will be put in a queue for reservation until further directed by the CPUC. These applications will be subject to a potential incentive level change depending on the CPUC's proposed modification of the CSI program incentives.

Please contact your program administrators if you have additional questions about specific project applications.

For more information on solar, please visit www.GoSolarCalifornia.ca.gov.