October 12, 2011

ADVICE 2638-E  
(Southern California Edison Company U 338-E)

ADVICE 3924-E  
(Pacific Gas and Electric Company U 39-E)

ADVICE 23  
(California Center for Sustainable Energy)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
ENERGY DIVISION

SUBJECT: Proposed California Solar Initiative (CSI) Inspection Plan

In compliance with Decision (D.)11-07-031,1 Southern California Edison Company (SCE), on behalf of the CSI Program Administrators (PAs), hereby submits this advice filing to propose a CSI Inspection Plan. The CSI PAs consist of SCE, Pacific Gas and Electric Company, and the California Center for Sustainable Energy in the service territory of San Diego Gas & Electric Company.

PURPOSE

In D.11-07-031, the California Public Utilities Commission (Commission) ordered the CSI PAs to undertake a joint review of their CSI General Market inspection procedures, sampling methodology, and inspection costs.2 The PAs were directed to assess the inspection sampling methodology, including targeted inspections for new contractors and infraction recipients. The inspection procedure review was to consider the cost of inspections versus the benefit inspections provide in preventing fraud and maintaining program integrity.3 The Commission also suggested that the PAs use the results of the

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1 D.11-07-031, p. 29; Conclusion of Law (CL) 10, p. 62; and Ordering Paragraph (OP) 6, p. 66.
2 D.11-07-031, p. 29; CL 10, p. 62; and OP 5, p. 66.
3 D.11-07-031, p. 29; CL 10, p. 62.
inspection procedure review to request that the California Energy Commission (CEC) reconsider or refine its one-in-seven (1-in-7) inspection requirements.\(^4\)

The Commission ordered the CSI PAs to submit a joint Tier 2 advice letter with a CSI inspection plan within 90 days of the effective date of the decision.\(^5\) SCE hereby submits the Tier 2 advice letter on their behalf, in compliance with Ordering Paragraph 6 of D.11-07-031.

**BACKGROUND**

The CEC adopted the Senate Bill (SB) 1 Guidelines, which require the PAs to inspect 1-in-7 CSI projects and incorporate this inspection sample size into the CSI Program Handbook.\(^6\) The CSI Program stakeholders and the PAs have cost concerns regarding the 1-in-7 inspection requirement and the stringency of the field verification and testing protocols prescribed in the SB 1 Guidelines and the CSI Program Handbook. In order to revise the CSI Handbook inspection requirement, the PAs must first work with the CEC to change the language in the SB 1 Guidelines. For this reason, the Commission directed the PAs to undertake a review of their inspection procedures, sampling methodology, and costs and request that the CEC reconsider and/or refine its 1-in-7 inspection requirements.

**REVIEW OF INSPECTION PROCEDURES AND PROPOSED CSI INSPECTION PLAN**

The CSI PAs convened a special meeting with the CEC on August 17, 2011, to discuss two issues: (i) the end-to-end inspection process; and (ii) potential methods to drive down inspection costs while maintaining quality installations and program integrity. The PAs determined that the CSI Program could minimize administrative costs by reducing the number of inspections from a minimum of 1-in-7 to a minimum of 1-in-12, while still continuing to inspect the first two installations of new contractors. The PAs also determined that the removal of the Field Verification Form (FVF) from the CSI application process would result in additional program streamlining and cost savings for the CSI PAs, contractors, and customers.

The CSI PAs have completed their review of the current inspection protocols as required by D.11-07-031. The PAs recognize that the existing protocols have been successful in ensuring quality solar system installations and maintaining appropriate levels of program integrity and therefore, propose no changes. To date, the PAs have inspected several thousand solar generating systems with an estimated 97 percent “pass” rate. Of the remaining 3 percent of noncompliant projects, select contractors were placed on probationary status or removed from the program for excessive failures.

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\(^4\) D.11-07-031, p. 29.
\(^5\) D.11-07-031, OP 6, p. 66. D.11-07-031 was effective July 14, 2011; thus, the Tier 2 advice letter is due no later than October 12, 2011.
The PAs have determined, however, that total inspection costs can be reduced by simply lowering the number of inspections from the current minimum standard of 1-in-7 to a minimum standard of 1-in-12. The savings attributed to the annual statewide inspection costs by reducing the number of inspections is approximately $500,000.

The intent of the inspection program is to protect ratepayer funding through a verification process that ensures contractors are installing solar energy systems consistent with incentive claims submitted to the PAs. Current inspection “pass” rates demonstrate that the vast majority of solar energy systems are being installed consistent with the CSI Program requirements. The PAs expect that by reducing the number of inspections from 1-in-7 to 1-in-12, the program will benefit from cost savings while still maintaining a high level of proper installations.

Moreover, all performance based incentive (PBI) projects undergo system validation regardless of prior inspection since they are metered and closely monitored by the PA for five years. The PAs receive actual production data from PBI systems on a monthly basis and maintain high/low validation methods to ensure that production data falling substantially outside the forecasted range results in system inspection. Thus, such projects should be exempt from the pre-payment inspection process, since the system will be inspected if there is evidence of noncompliance during the 60-month payment process.

In addition to a new minimum standard inspection rate, the PAs recommend that the FVF should be removed from the SB 1 Guidelines as a requirement during the Incentive Claim process. The purpose of the FVF is simply to verify the system has met the minimum production requirements at the time the form was completed and signed by the Contractor. The content provided in the FVF does not supply the PA with any additional relevant information.

Currently, the Incentive Claim Form includes language certified by the Host Customer and System Owner that the system is performing properly under the following points:

- Project is operating as intended according to Contract;
- An electrical generating system meeting the terms and conditions of the CSI Program has been installed and is operating satisfactorily as of the date stated; and
- The rated electrical output of the generating system and the physical location of the system are already included in the CSI Initiative Program Reservation, Confirmation and Incentive Claim Forms.

Thus, the PAs recommend that the requirement to submit the FVF for CSI projects be removed from the SB 1 Guidelines and the CSI Handbook for the following reasons:

- The FVF is a necessity only for new construction projects participating in the New Solar Homes Partnership to provide greater assurance that the installed solar energy systems will operate properly since the homes may not be occupied at
the time of incentive claim review. The FVF is less necessary for existing homes and buildings since owners receive immediate benefits from their systems at the time of commission.

- The FVF requirement does not support the PAs’ intent to reduce program costs and further streamline the application process since Applicants must submit a document that cannot be verified. The CSI inspector is unable to validate conditions, such as the radiant temperature and shading, under which the FVF was submitted at the Incentive Claim stage. Because of this, no reason exists for the inspector to have this form on hand at the time of the inspection.
- Each Applicant submits the results of the Expected Performance Buydown Basis Tool Calculation, which provides a valid comparison by which CSI inspectors may judge the system’s expected performance.

In compliance with D.11-07-031, the PAs convened an in-person meeting with the CEC Staff on September 15, 2011, to present recommendations to modify the inspection sampling minimum standard and remove the requirement to submit the FVF for CSI projects. The PAs understand that the CEC may consider the PAs’ recommended changes to the inspection plan by the end of 2011. Therefore, the PAs request approval to submit a supplemental advice filing after the CEC adopts changes to the SB 1 Guidelines, if any additional modifications to the approved CSI Program Handbook become necessary.

**TIER DESIGNATION**

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.2, this advice letter is submitted with a Tier 2 designation.

**EFFECTIVE DATE**

This advice filing will become effective on November 11, 2011, the 30th calendar day after the date filed.

**NOTICE**

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, California 94102  
E-mail: inj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).
In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Akbar Jazayeri  
Vice President of Regulatory Operations  
Southern California Edison Company  
2244 Walnut Grove Avenue  
Rosemead, California 91770  
Facsimile: (626) 302-4829  
E-mail: AdviceTariffManager@sce.com

Leslie E. Starck  
Senior Vice President  
c/o Karyn Gansecki  
Southern California Edison Company  
601 Van Ness Avenue, Suite 2030  
San Francisco, California 94102  
Facsimile: (415) 929-5540  
E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B and R.10-05-004 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-4039. For changes to all other service lists, please contact the Commission’s Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing at SCE’s corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE’s web site at http://www.sce.com/AboutSCE/Regulatory/adviceletters.

For questions, please contact Michael Tomlin at (626) 302-0613 or by electronic mail at michael.tomlin@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:sl:jm
Enclosures
Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:  ☑ ELC  ☐ GAS  ☐ PLC  ☐ HEAT  ☐ WATER

Contact Person: James Yee
Phone #: (626) 302-2509
E-mail: James.Yee@sce.com
E-mail Disposition Notice to: AdviceTariffManager@sce.com

EXPLANATION OF UTILITY TYPE
ELC = Electric  GAS = Gas  PLC = Pipeline  HEAT = Heat  WATER = Water

Advice Letter (AL) #: 2638-E  Tier Designation: 2
Subject of AL: Proposed California Solar Initiative (CSI) Inspection Plan
Keywords (choose from CPUC listing): Compliance
AL filing type:  ☑ Monthly  ☐ Quarterly  ☐ Annual  ☑ One-Time  ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.11-07-031

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested?  ☑ Yes  ☐ No

If yes, specification of confidential information:
Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution Required?  ☑ Yes  ☐ No

Requested effective date: 11/11/11  No. of tariff sheets: 0

Estimated system annual revenue effect: (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).
Tariff schedules affected:

Service affected and changes proposed:

Pending advice letters that revise the same tariff sheets: None

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1 Discuss in AL if more space is needed.
Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
jnj@cpuc.ca.gov and mas@cpuc.ca.gov

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Brookfield Renewable Power
CA Bldg Industry Association
CLECA Law Office
CSC Energy Services
California Cotton Ginters & Growers Assn
California Energy Commission
California League of Food Processors
California Public Utilities Commission
Calpine
Cardinal Cogen
Casner, Steve
Chris, King
City of Palo Alto
City of Palo Alto Utilities
City of San Jose
Clean Energy Fuels
Coast Economic Consulting
Commercial Energy
Consumer Federation of California
Crossborder Energy
Davis Wright Tremaine LLP

Day Carter Murphy
Defense Energy Support Center
Department of Water Resources

Dept of General Services
Douglass & Lidell
Downey & Brand
Duke Energy
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Ellison Schneider & Harris LLP
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International Power Technology
Intestate Gas Services, Inc.
Lawrence Berkeley National Lab
Los Angeles Dept of Water & Power
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MBMC, Inc.
MRW & Associates
Manatt Phelps Phillips
McKenzie & Associates
Merced Irrigation District
Modesto Irrigation District
Morgan Stanley
Morrison & Foerster
NRG West
NaturEner
Navigant Consulting
Norris & Wong Associates
North America Power Partners
North Coast SolarResources

Northern California Power Association
Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recurrent Energy
SCD Energy Solutions
SCE
SMUD
SPURR
San Francisco Public Utilities Commission
Seattle City Light
Sempra Utilities
Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Spark Energy, L.P.
Sun Light & Power
Sunshine Design
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc.
Tiger Natural Gas, Inc.
TransCanada
Turlock Irrigation District
United Cogen
Utility Cost Management
Utility Specialists
Verizon
Wellhead Electric Company
Western Manufactured Housing
Communities Association (WMA)
eMeter Corporation