
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

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.

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.

⁶ *Administrative Law Judge's Ruling Noticing Issuance of California Energy Commission Solar Incentive Guidelines and Directing Program Administrators to Implement Program Changes* issued January 15, 2008.

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: jnj@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](mailto: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

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

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

Utility type: <input checked="" type="checkbox"/> ELC <input type="checkbox"/> GAS <input type="checkbox"/> PLC <input type="checkbox"/> HEAT <input type="checkbox"/> WATER	Contact Person: James Yee Phone #: (626) 302-2509 E-mail: James.Yee@sce.com E-mail Disposition Notice to: AdviceTariffManager@sce.com
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EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: <u>2638-E</u>	Tier Designation: <u>2</u>
Subject of AL: <u>Proposed California Solar Initiative (CSI) Inspection Plan</u>	
Keywords (choose from CPUC listing): <u>Compliance</u>	
AL filing type: <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Annual <input checked="" type="checkbox"/> One-Time <input type="checkbox"/> Other	
If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: <u>D.11-07-031</u>	

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 ¹ : _____	
Confidential treatment requested? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Requested effective date: <u>11/11/11</u>	No. of tariff sheets: <u>-0-</u>
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 ¹ : _____	
Pending advice letters that revise the same tariff sheets: <u>None</u>	

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
jni@cpuc.ca.gov and mas@cpuc.ca.gov

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**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

AT&T	Dept of General Services	Northern California Power Association
Alcantar & Kahl LLP	Douglass & Liddell	Occidental Energy Marketing, Inc.
Ameresco	Downey & Brand	OnGrid Solar
Anderson & Poole	Duke Energy	Praxair
Arizona Public Service Company	Economic Sciences Corporation	R. W. Beck & Associates
BART	Ellison Schneider & Harris LLP	RCS, Inc.
Barkovich & Yap, Inc.	Foster Farms	Recurrent Energy
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Braun Blasing McLaughlin, P.C.	Green Power Institute	San Francisco Public Utilities Commission
Brookfield Renewable Power	Hanna & Morton	Seattle City Light
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CLECA Law Office	In House Energy	Sierra Pacific Power Company
CSC Energy Services	International Power Technology	Silicon Valley Power
California Cotton Ginners & Growers Assn	Intestate Gas Services, Inc.	Silo Energy LLC
California Energy Commission	Lawrence Berkeley National Lab	Southern California Edison Company
California League of Food Processors	Los Angeles Dept of Water & Power	Spark Energy, L.P.
California Public Utilities Commission	Luce, Forward, Hamilton & Scripps LLP	Sun Light & Power
Calpine	MAC Lighting Consulting	Sunshine Design
Cardinal Cogen	MBMC, Inc.	Sutherland, Asbill & Brennan
Casner, Steve	MRW & Associates	Tabors Caramanis & Associates
Chris, King	Manatt Phelps Phillips	Tecogen, Inc.
City of Palo Alto	McKenzie & Associates	Tiger Natural Gas, Inc.
City of Palo Alto Utilities	Merced Irrigation District	TransCanada
City of San Jose	Modesto Irrigation District	Turlock Irrigation District
Clean Energy Fuels	Morgan Stanley	United Cogen
Coast Economic Consulting	Morrison & Foerster	Utility Cost Management
Commercial Energy	NLine Energy, Inc.	Utility Specialists
Consumer Federation of California	NRG West	Verizon
Crossborder Energy	NaturEner	Wellhead Electric Company
Davis Wright Tremaine LLP	Navigant Consulting	Western Manufactured Housing Communities Association (WMA)
Day Carter Murphy	Norris & Wong Associates	eMeter Corporation
Defense Energy Support Center	North America Power Partners	
Department of Water Resources	North Coast SolarResources	