

1 [Solar Energy Incentive Program.]

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3 **Ordinance amending the Environment Code by adding Chapter 18 creating a Solar**  
4 **Energy Incentive Program; establishing limits on the incentive payments; providing**  
5 **eligibility criteria for the incentive payments; establishing limits on the amount of**  
6 **assistance available; allocating program funding among types of buildings; and**  
7 **imposing duties and responsibilities on the program administrator.**

8 Note: Additions are *single-underline italics Times New Roman*;  
9 deletions are *strikethrough italics Times New Roman*.  
10 Board amendment additions are double underlined.  
Board amendment deletions are ~~strikethrough normal~~.

11 Be it ordained by the People of the City and County of San Francisco:

12 Section 1. The San Francisco Environment Code is hereby amended by adding  
13 Chapter 18, to read as follows:

14 Section 18.1 FINDINGS

15 A. Over the past year the San Francisco Solar Task Force (the "Solar Task Force") was  
16 convened by Assessor-Recorder Phil Ting to provide analysis and policy proposals on how best to  
17 increase the development of solar energy in San Francisco.

18 B. The Solar Task Force report noted recent California Energy Commission data that show  
19 that average cost per kilowatt of solar energy installed in San Francisco is currently above the average  
20 cost of seven surrounding Bay Area counties.

21 C. According to data collected from the California Energy Commission and the California  
22 Public Utilities Commission, San Francisco now ranks last in the Bay Area in terms of the solar energy  
23 installed per capita.

24 D. The San Francisco Public Utilities Commission (the "SFPUC") serves 16% of the City's  
25 electrical demand, electric service providers serve 8% and Pacific Gas & Electric serves the remaining

1 76%. The SFPUC has installed 2 megawatts of solar generating capacity as well as 4 megawatts of  
2 methane gas cogeneration capacity, which projects have bolstered the in-City renewable energy  
3 portfolio. In addition, the SFPUC is supplementing its renewable energy generation portfolio with 25  
4 MW of purchased geothermal generation.

5 E. The SFPUC is currently undertaking the development of additional large scale  
6 renewable energy generation assets within the City with the objectives of expanding and  
7 diversifying the renewable energy resources available to City departments and other SFPUC  
8 customers, boosting the City's clean energy industry and improving overall in-City energy  
9 reliability. However, there is a need for further initiatives to stimulate the growth in the City's  
10 supply of renewable energy. The SFPUC is currently undertaking the development of  
11 additional large scale renewable energy generation assets within the City, and the  
12 development of Community Choice Aggregation, with the objective of expanding and  
13 diversifying the renewable energy resources available to City departments and other SFPUC  
14 customers, boosting the City's clean energy industry and improving overall in-City energy  
15 reliability. However, as the SFPUC's customer base represents just a portion of the City's  
16 energy consumption market there is a need for further initiatives to stimulate the growth in the  
17 City's supply of renewable energy.

18 F. The SFPUC is pursuing the establishment of Community Choice Aggregation  
19 ("CCA") within the City. Implementation of CCA will allow the SFPUC to partner with private  
20 enterprise, leverage the purchasing power of a wider customer base and access the capital  
21 markets on a broader scale in order to expand its renewable energy generation asset  
22 portfolio.

23 F.G. The Solar Task Force recommended implementation of a Solar Energy Incentive  
24 Program as one method to address this cost trend, in that an increase in private demand combined with  
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1 appropriate measures to attract investment in the City's solar manufacturing and installation industries  
2 over the long term could reduce the overall cost of solar energy as costs of importing such  
3 manufacturing technology and installation expertise are reduced or eliminated and economies of scale  
4 are introduced to the in-City solar industry.

5 G.H. A successful solar incentive program would increase the installation of solar power,  
6 thus providing greater supply during peak demand times during the day and improving the reliability of  
7 in-City generation capacity using clean solar energy.

8 H.I. The development of a more efficient and cost-effective in-City solar manufacturing and  
9 installation industry over the long term would result in savings for the SFPUC's solar projects.

10 I.J. The City has established a goal of reducing greenhouse gas emissions to 20% below  
11 1990 levels by 2012.

12 J.K. In view of the City's objectives in addressing the challenge of climate change, the  
13 positive benefits for the City's overall power consumption market and the particular benefits for the  
14 SFPUC's Power Enterprise, the SFPUC intends to allocate certain power revenues previously  
15 budgeted to renewable energy development and energy efficiency projects towards funding the  
16 implementation of the solar incentive program described in this Chapter, with the objective of  
17 providing an appropriation of \$2 million to \$5 million annually over the ten years commencing with  
18 fiscal year 2008-2009.

19 L. The City and the SFPUC intend this program to complement the SFPUC's  
20 renewable energy capital programs, including CCA, by attracting additional investment that  
21 will expand the development of renewable energy within the City and will spread the costs and  
22 risks of that development across a more diverse range of stakeholders.

23 K.M. As a complement to this initiative the SFPUC, the Mayor and the Board of Supervisors  
24 intend to pursue the establishment of a stable rate structure for all of the SFPUC's power customers,  
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1 which would enable the SFPUC to become a creditworthy bond issuer and to finance the City's own  
2 renewable energy development projects on a more advantageous tax-exempt basis.

3 Section 18.2 INCENTIVE PAYMENTS.

4 The Program Administrator shall make incentive payments to applicants in respect of solar  
5 systems installed by qualifying applicants on the basis of the provisions of this Chapter, from the funds  
6 appropriated to the program from time to time. Applicants must be the owner of the system to be  
7 eligible to receive the incentive.

8 Section 18.3 TYPES OF SYSTEMS ELIGIBLE FOR ASSISTANCE.

9 (a) **Photovoltaic panel systems.** Photovoltaic panel systems that produce electricity from  
10 sunlight, installed on existing single and multifamily residential, commercial, and industrial buildings,  
11 with generating capacity of at least one (1) kilowatt are eligible for assistance under this program.

12 (b) **Other systems.** The Program Administrator may extend program eligibility to other  
13 types of customer-owned distributed renewable energy generation systems, so long as such an  
14 extension is accompanied by publication of criteria for allocating incentive payments for such purpose  
15 and the limits on such incentives. Such an extension must be accompanied by analysis demonstrating  
16 that the projected positive market effects of the incentive on the in-City market for the development of  
17 renewable energy and energy efficiency are comparable to those attributes of the photovoltaic panel  
18 program.

19 (c) **No limit on generating capacity.** There shall be no maximum generating  
20 capacity limitation on systems that are eligible for the incentive.

21 Section 18.4 LIMITS ON AMOUNTS OF ASSISTANCE.

22 (a) **Limits for all types of systems.** No applicant may receive assistance in excess of the  
23 cost to design, purchase and install the system, net of incentives, rebates, tax credits or other payments

1 received from other governmental entities. Regardless of system generating capacity, no applicant may  
2 receive assistance in excess of ten thousand dollars (\$10,000).

3 (b) **Limits for photovoltaic panel systems for residential property.**

4 (i) Except as further provided in this clause (b), no residential applicant may  
5 receive assistance in excess of three thousand dollars (\$3,000) toward the cost to design, purchase and  
6 install photovoltaic panels. If the property is a multifamily residential project, the applicant may apply  
7 for and receive an incentive payment corresponding to each electricity meter served by the system, so  
8 long as the system provides each such electricity meter with a generating capacity from the energy  
9 generation system sufficient to satisfy the requirements of Section 18.3(a).

10 (ii) The limit of assistance shall be \$4,000 for systems installed by an individual,  
11 firm or organization ~~with an~~ whose principal office or offices are located within the City. If in  
12 implementing the program the Program Administrator determines that the terms of this clause do not  
13 provide the intended stimulus for the in-City installation industry, then the Program Administrator may  
14 establish new criteria that it deems more effective in achieving the in-City job creation and installation  
15 market objectives of the program.

16 (iii) The limit of assistance shall be \$5,000 for applicants residing in an  
17 Environmental Justice District, as such district or districts are determined by the Program  
18 Administrator.

19 (iv) The limit of assistance shall be \$6,000 for systems installed by an  
20 individual trained under the City workforce development program. If in implementing the  
21 incentive program the Program Administrator determines that the terms of this clause do not  
22 provide the intended stimulus for the succesful placement of workers trained under the City's  
23 workforce development program, then the Program Administrator may establish new criteria  
24 that it deems more effective in achieving such objectives of the program.

1           (c) Limits for photovoltaic panel systems for commercial, industrial or manufacturing  
2 property. No applicant may receive assistance in excess of \$1,500 per kilowatt of electric power a  
3 photovoltaic panel system is designed to generate.

4           (d) Adjustments in limits.

5           (i) The Program Administrator may adjust limits on the incentives paid for systems  
6 installed on commercial, industrial or manufacturing property upon a finding that such an adjustment  
7 advances the objectives of the program. Such adjustments may include an increase in the limit on the  
8 incentive paid in respect of (A) systems installed within an Environmental Justice District or (B)  
9 systems installed by an individual, firm or organization with an office or offices within the City (or  
10 bearing some other linkage to the in-City installation market as deemed appropriate by the Program  
11 Administrator).

12           (ii) Upon a demonstration of a reduction in average costs of solar improvements,  
13 including but not limited to an increase in incentives, rebates, tax credits or other payments provided  
14 by other government entities that serve to reduce the system costs borne by the consumer, the SFPUC  
15 shall have the discretion to decrease the limits set forth above by an amount reflective of the reduced  
16 need for the incentive payments.

17           (iii) With the concurrence of the Board of Supervisors, the Program Administrator  
18 may increase any of the limits set forth in this Section in connection with efforts to stimulate the  
19 development of a competitive in-City solar market, such as the establishment of an in-City photovoltaic  
20 panel manufacturing production facility.

21           Section 18.5 ALLOCATION OF PROGRAM FUNDING AMONG TYPES OF BUILDINGS.

22           For each year of this program, available funds shall be allocated on a first come, first served  
23 basis regardless of the type of applicant.

24           Section 18.6 PROGRAM ADMINISTRATION.

1           (a) The program will be administered by the Program Administrator, which shall be the  
2 SFPUC, acting by and through its Power Enterprise. SFPUC shall coordinate administration of the  
3 Solar Energy Incentive Program with the implementation and administration of CCA to  
4 maximize its efficiency in achieving the renewable energy expansion goals contemplated  
5 under CCA.

6           (b) The Program Administrator shall develop rules and application procedures.

7           (c) The Program Administrator shall establish reasonable eligibility criteria for the  
8 incentive payments so that the program is available to all applicants within the City regardless  
9 of their customer relationship with any particular electric service provider. For ease of  
10 administration these criteria shall be deemed satisfied when an applicant provides appropriate  
11 evidence that the applicant is entitled to payments under the California Solar Initiative as  
12 authorized by the California Public Utilities Commission and the State of California under SB1  
13 (Chapter 132, Statutes of 2006) (as such program may be amended from time to time, the  
14 "California Solar Initiative"); provided, however, that demonstrating eligibility for the California  
15 Solar Initiative shall not be the sole means of establishing eligibility. The Program  
16 Administrator shall also establish reasonable and clear eligibility criteria for approving  
17 incentive payments to applicants who are not beneficiaries of the California Solar Initiative,  
18 which criteria shall include (but are not limited to) confirmation that the applicant has installed  
19 the system in compliance with all applicable laws, including Department of Building Inspection  
20 inspection and approvals. The Program Administrator shall not disburse any funds to an  
21 applicant unless the applicant provides appropriate evidence that the applicant is entitled to  
22 payments under the California Solar Initiative as authorized by the California Public Utilities  
23 Commission and the State of California under SB1 (Chapter 132, Statutes of 2006) (as such  
24 program may be amended from time to time, the "California Solar Initiative"). In the event that  
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1 the applicant is not eligible for the California Solar Initiative or such program is otherwise  
2 unavailable for the system in question the Program Administrator shall determine other  
3 reasonable eligibility criteria for approving incentive payments, including evidence that the  
4 applicant has installed the system in compliance with all applicable laws, including  
5 Department of Building Inspection inspection and approvals.

6 (d) If there are applications for assistance in excess of appropriated funds, the Program  
7 Administrator shall grant applications in the order they were filed. The Program Administrator shall  
8 develop a reservation system which will allow applicants to request that the Program Administrator  
9 reserve funds for a proposed project. Such reservation system may be patterned after that utilized by  
10 the California Solar Initiative.

11 (e) The Program Administrator shall maintain annual program funding as identified within  
12 the SFPUC Power Enterprise budget as the Solar Energy Incentive Fund. At the end of each fiscal  
13 year, any program funds that were not expended shall be carried forward to the next fiscal year. Upon  
14 a finding as to the continuing effectiveness of the Solar Energy Incentive program in achieving its  
15 objectives such funds shall be appropriated then or thereafter for the purposes specified in this  
16 Chapter.

17 (f) The Program Administrator shall determine and implement payment procedures for  
18 incentives under the program. Such payment procedures may include the option to make payments on  
19 applicants' behalf directly to installers or other contractors in connection with their work on the  
20 system. Such payments shall not be considered contracts or grants of the City for any City  
21 procedural contracting ordinances, and no requirements shall be imposed as a condition of  
22 receipt of such incentive payments aside from those specifically referenced in this ordinance  
23 and as necessary to protect the City from legal liabilities and promote the goals of this  
24 ordinance.



1           (g) The Program Administrator shall monitor the effective costs of renewable energy system  
2 installation and other related market information for purposes of making the adjustments described in  
3 Section 18.4(~~f~~d)(i).

4           (h) The Program Administrator shall establish boundaries for any Environmental Justice  
5 District identified for purposes of Section 18.4(b)(iii). Any such district shall satisfy the goals,  
6 objectives and definitions of environmental justice and Environmental Justice Districts, as such  
7 concepts are set forth at any given time under state and local law.

8           (i) The Program Administrator shall submit to the Board of Supervisors a report  
9 evaluating the first year of program operation, within 90 days after the end of the first year.  
10 The report shall provide an analysis of the impacts of the program, including, without  
11 limitation, the number and location by district of the projects funded, the amount of energy  
12 generated by the projects, and the amount of time and money spent on program  
13 administration. The report shall evaluate the economic and other benefits of the program and  
14 provide a cost-benefit analysis. The data and analysis presented in this report shall inform  
15 future program funding, operation, and amendments.

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18           (j) In the context of funding appropriations for this program in future years, the  
19 Board of Supervisors will

20                   (i) Consider the Program Administrator's first-year report, identified in  
21 subsection 18.6 (i) above;

22                   (ii) Review and approve the Environmental Justice District boundaries  
23 established by the Program Administrator pursuant to subsection 18.6 (h);  
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1                    (iii) Review and approve any new or modified criteria or incentives

2                    established by the Program Administrator.

3                    APPROVED AS TO FORM:  
4                    DENNIS J. HERRERA, City Attorney

5                    By: \_\_\_\_\_  
6                    Theresa L. Mueller  
7                    Deputy City Attorney

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