

1 [Solar Energy Incentive Pilot Program.]

2 **Ordinance creating a Solar Energy Incentive Pilot Program; establishing limits on the**
3 **incentive payments; providing eligibility criteria for the incentive payments;**
4 **establishing limits on the amount of assistance available; allocating program funding**
5 **among types of buildings; and imposing duties and responsibilities on the program**
6 **administrator.**

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

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

11 Section 1. The San Francisco Board Of Supervisors finds and declares as follows:

12 FINDINGS

13 A. Over the past year a San Francisco Solar Task Force (the "Solar Task Force")
14 was convened to provide analysis and policy proposals on how best to increase the
15 development of solar energy in San Francisco.

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

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

22 D. The San Francisco Public Utilities Commission (the "SFPUC") serves 16% of
23 the City's electrical demand, electric service providers serve 8% and Pacific Gas & Electric
24 serves the remaining 76%. The SFPUC has installed 2 megawatts of solar generating
25 capacity as well as 4 megawatts of methane gas cogeneration capacity, which projects have

1 bolstered the in-City renewable energy portfolio. In addition, the SFPUC is supplementing its
2 renewable energy generation portfolio with 25 MW of purchased geothermal generation.

3 E. The SFPUC is currently undertaking the development of additional large scale
4 renewable energy generation assets within the City with the objectives of expanding and
5 diversifying the renewable energy resources available to City departments and other SFPUC
6 customers, boosting the City's clean energy industry and improving overall in-City energy
7 reliability. However, there is a need for further initiatives to stimulate the growth in the City's
8 supply of renewable energy.

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

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

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

23
24
25

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

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

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

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

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

22 N. Establishing a one-year pilot program capped at \$1 million will enable the city to
23 immediately implement this program and evaluate the effectiveness of the program before
24 deciding how or whether to continue the program.

25

1 Section 2. INCENTIVE PAYMENTS.

2 (a) A pilot program is established for a period of one-year from the date of this
3 ordinance. The incentives paid under this program shall not exceed \$1 million.

4 (b) Applicants must be the owner of a system installed on or after March 4, 2008, to
5 be eligible to receive the incentive.

6 Section 3. TYPES OF SYSTEMS ELIGIBLE FOR ASSISTANCE.

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

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

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

19 Section 4. LIMITS ON AMOUNTS OF ASSISTANCE.

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

23 (b) **Limits for photovoltaic panel systems.**

24

25

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

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

14 (iii) The limit of assistance shall be \$5,000 for applicants residing in an
15 Environmental Justice District, as such district or districts are determined by the Program
16 Administrator, or for applicants that are recipients of the California Public Utilities
17 Commission's CARE (California Alternative Rates for Energy) rates that provide rate
18 discounts for qualified low or fixed income households, or for building owners that are
19 recipients of the California Department of Housing and Community Development's CalHome
20 loan program, which provides low-interest, deferred rehabilitation loans to low-income
21 homeowners.

22 (iv) The limit of assistance shall be \$6,000 for systems installed by individuals
23 trained through the City's workforce development system. The Department of Economic &
24 Workforce Development, which directs the City's overall workforce development efforts, will
25

1 be responsible for developing and ensuring compliance with workforce criteria for this
2 incentive program. These criteria may include, but are not limited to: a minimum requirement
3 for hours worked on the solar installation by an individual hired through the City workforce
4 development system; a requirement that individuals hired through the City workforce
5 development system perform skilled work on the installation; workforce training program or
6 system prioritization of San Francisco residents who are low income and/or have barriers to
7 employment; and other standards for workforce system programs. If in implementing the
8 incentive program, the Program Administrator and the Department of Economic and
9 Workforce Development determine that the terms of this clause do not provide the intended
10 stimulus for the successful placement of workers trained under local workforce development
11 programs, then the Program Administrator in coordination with the Department of Economic
12 and Workforce Development may establish new criteria that it deems more effective in
13 achieving such objectives of the program.

14 (c) Limits for photovoltaic panel systems for non-residential buildings owned by
15 non-profits. No applicant may receive assistance in excess of \$1,500 per kilowatt of electric
16 power a photovoltaic panel system is designed to generate.

17 (d) Limits for photovoltaic panel systems multi-unit residential buildings that are
18 owned and operated by non-profit organizations. No applicant may receive assistance in
19 excess of \$4,500 per kilowatt of electric power a photovoltaic panel system is designed to
20 generate. Regardless of system generating capacity, no applicant may receive assistance in
21 excess of thirty thousand dollars (\$30,000).

22 (e) Adjustments in limits.

23 (i) If the program is continued after the one-year pilot, the Program
24 Administrator may adjust limits on the incentives paid for systems installed on commercial,
25

1 industrial or manufacturing property upon a finding that such an adjustment advances the
2 objectives of the program. Such adjustments may include an increase in the limit on the
3 incentive paid in respect of (A) systems installed within an Environmental Justice District or
4 (B) systems installed by an individual, firm or organization with an office or offices within the
5 City (or bearing some other linkage to the in-City installation market as deemed appropriate
6 by the Program Administrator).

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

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

16 Section 5. ALLOCATION OF PROGRAM FUNDING AMONG TYPES OF
17 BUILDINGS.

18 For this pilot program, funds shall be allocated as follows: \$500,000 to multi-unit
19 residential buildings that are owned and operated by non-profit organizations; \$250,000 to
20 single and multifamily residential applicants that are certified by the Mayor's Office of Housing
21 as earning at or below the San Francisco median income; \$250,000 to non-residential
22 buildings that are owned by non-profit organizations.

23
24
25

1 Section 6. PROGRAM ADMINISTRATION.

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

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

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

22 (d) If there are applications for assistance in excess of appropriated funds, the
23 Program Administrator shall grant applications in the order they were filed. The Program
24 Administrator shall develop a reservation system which will allow applicants to request that
25

1 the Program Administrator reserve funds for a proposed project. Such reservation system
2 may be patterned after that utilized by the California Solar Initiative.

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

11 (f) The Program Administrator shall monitor the effective costs of renewable energy
12 system installation and other related market information for purposes of making the
13 adjustments described in Section 4(e)(i).

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

18 (h) The Program Administrator shall submit to the Board of Supervisors a status
19 report on the first six-months of the pilot program, within 45 days of the end of the first six
20 months of the program.

21 (i) The Program Administrator shall submit to the Board of Supervisors a report
22 evaluating the one-year pilot program, within 90 days after the end of the first year. The
23 report shall provide an analysis of the impacts of the program, including, without limitation, the
24 number and location by district of the projects funded, the amount of energy generated by the
25

1 projects, and the amount of time and money spent on program administration. The report
2 shall evaluate the economic and other benefits of the program and provide a cost-benefit
3 analysis. The data and analysis presented in this report shall inform future program funding,
4 operation, and amendments.

5 (j) In the context of considering appropriations for a solar incentive program in
6 future years, the Board of Supervisors will

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

9 (ii) Review and approve the Environmental Justice District boundaries
10 established by the Program Administrator pursuant to subsection 18.6 (h);

11 (iii) Review and approve any new or modified criteria or incentives
12 established by the Program Administrator.

13

14 APPROVED AS TO FORM:
15 DENNIS J. HERRERA, City Attorney

16

By: _____
Theresa L. Mueller
Deputy City Attorney

17

18

19

20

21

22

23

24

25