

1 [Solar Energy Incentive Program.]

2

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")
16 was convened by Assessor-Recorder Phil Ting to provide analysis and policy proposals on
17 how best to increase the development of solar energy in San Francisco.

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

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

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

1 serves the remaining 76%. The SFPUC has installed 2 megawatts of solar generating
2 capacity as well as 4 megawatts of methane gas cogeneration capacity, which projects have
3 bolstered the in-City renewable energy portfolio. In addition, the SFPUC is supplementing its
4 renewable energy generation portfolio with 25 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, and the development of Community
7 Choice Aggregation, with the objective of expanding and diversifying the renewable energy
8 resources available to City departments and other SFPUC customers, boosting the City's
9 clean energy industry and improving overall in-City energy reliability. However, as the
10 SFPUC's customer base represents just a portion of the City's energy consumption market
11 there is a need for further initiatives to stimulate the growth in the City's supply of renewable
12 energy.

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

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

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

25

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

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

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

15 Section 18.2 INCENTIVE PAYMENTS.

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

20 Section 18.3 TYPES OF SYSTEMS ELIGIBLE FOR ASSISTANCE.

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

25

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

8 Section 18.4 LIMITS ON AMOUNTS OF ASSISTANCE.

9 (a) **Limits for all types of systems.** No applicant may receive assistance in
10 excess of the cost to design, purchase and install the system, net of incentives, rebates, tax
11 credits or other payments received from other governmental entities. Regardless of system
12 generating capacity, no applicant may receive assistance in excess of ten thousand dollars
13 (\$10,000).

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

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

22 (ii) The limit of assistance shall be \$4,000 for systems installed by an
23 individual, firm or organization with an office or offices within the City. If in implementing the
24 program the Program Administrator determines that the terms of this clause do not provide
25

1 the intended stimulus for the in-City installation industry, then the Program Administrator may
2 establish new criteria that it deems more effective in achieving the in-City job creation and
3 installation market objectives of the program.

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

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

10 (d) **Adjustments in limits.**

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

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

23 (iii) With the concurrence of the Board of Supervisors, the Program
24 Administrator may increase any of the limits set forth in this Section in connection with efforts
25

1 to stimulate the development of a competitive in-City solar market, such as the establishment
2 of an in-City photovoltaic panel manufacturing facility.

3 Section 18.5 ALLOCATION OF PROGRAM FUNDING AMONG TYPES OF
4 BUILDINGS.

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

7 Section 18.6 PROGRAM ADMINISTRATION.

8 (a) The program will be administered by the Program Administrator, which shall be
9 the SFPUC, acting by and through its Power Enterprise.

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

11 (c) The Program Administrator shall not disburse any funds to an applicant unless
12 the applicant provides appropriate evidence that the applicant is entitled to payments under
13 the California Solar Initiative as authorized by the California Public Utilities Commission and
14 the State of California under SB1 (Chapter 132, Statutes of 2006) (as such program may be
15 amended from time to time, the "California Solar Initiative"). In the event that the applicant is
16 not eligible for the California Solar Initiative or such program is otherwise unavailable for the
17 system in question the Program Administrator shall determine other reasonable eligibility
18 criteria for approving incentive payments, including evidence that the applicant has installed
19 the system in compliance with all applicable laws, including Department of Building Inspection
20 inspection and approvals.

21 (d) If there are applications for assistance in excess of appropriated funds, the
22 Program Administrator shall grant applications in the order they were filed. The Program
23 Administrator shall develop a reservation system which will allow applicants to request that
24
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 maintain annual program funding as identified
4 within the SFPUC Power Enterprise budget as the Solar Energy Incentive Fund. At the end of
5 each fiscal year, any program funds that were not expended shall be carried forward to the
6 next fiscal year. Upon a finding as to the continuing effectiveness of the Solar Energy
7 Incentive program in achieving its objectives such funds shall be appropriated then or
8 thereafter for the purposes specified in this Chapter.

9 (f) The Program Administrator shall determine and implement payment procedures
10 for incentives under the program. Such payment procedures may include the option to make
11 payments on applicants' behalf directly to installers or other contractors in connection with
12 their work on the system.

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

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

20

21 APPROVED AS TO FORM:
22 DENNIS J. HERRERA, City Attorney

23

24 By: _____
25 Michael J. Martin
Deputy City Attorney

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25