

BOARD of SUPERVISORS



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MEMORANDUM

TO: Mawuli Tugbenyoh, Liaison to the Board of Supervisors, Mayor's Office
Harlan Kelly, Jr., General Manager, Public Utilities Commission
Todd Rufo, Director, Office of Economic and Workforce Development
Ben Rosenfield, City Controller, Office of the Controller
Olson Lee, Director, Mayor's Office of Housing and Community Development
Tom Hui, Director, Department of Building Inspection

FROM: Erica Major, Assistant Clerk, Government Audit and Oversight Committee,
Board of Supervisors

DATE: November 22, 2016

SUBJECT: HEARING MATTER INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following hearing request, introduced by the Public Utilities Commission on November 15, 2016:

File No. 161179

Ordinance amending the Environment Code to adjust the incentives in the Solar Energy Incentive Program and revise certain program requirements; and affirming the Planning Department's determination under the California Environmental Quality Act.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c:

Juliet Ellis, Public Utilities Commission
Donna Hood, Public Utilities Commission
Ken Rich, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development
Todd Rydstrom, Office of the Controller
Eugene Flannery, Mayor's Office of Housing and Community Development
Sophie Hayward, Mayor's Office of Housing and Community Development
William Strawn, Department of Building Inspection
Carolyn Jayin, Department of Building Inspection

[Environment Code - Revisions to the Solar Energy Incentive Program]

Ordinance amending the Environment Code to adjust the incentives in the Solar Energy Incentive Program and revise certain program requirements; and affirming the Planning Department's determination under the California Environmental Quality Act.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. The Planning Department has determined that the actions contemplated in this ordinance comply with the California Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. ____ and is incorporated herein by reference. The Board affirms this determination.

Section 2. The Environment Code is hereby amended by revising Sections 18.1, 18.2, 18.3, 18.4, 18.5, and 18.6, and deleting Section 18.7 (including its component sections 18.7-1 through 18.7-7), to read as follows:

SEC. 18.1. FINDINGS.

~~(a)A.~~ In 2007, Over the past year the San Francisco Solar Task Force (the "Solar Task Force"), ~~was~~ convened by then Assessor-Recorder Phil Ting to provide analysis and policy proposals on how best to increase the development of solar energy in San Francisco, recommended creating the Solar Energy Incentive Program.

1 ~~(b)B.~~ The Solar Task Force report noted recent California Energy Commission data
2 ~~that show~~ showing that average cost per kilowatt of solar energy installed in San Francisco was
3 ~~is currently~~ above the average cost of seven surrounding Bay Area counties; ~~and~~ C.
4 ~~According to~~ data collected from the California Energy Commission and the California Public
5 Utilities Commission; ~~showed that~~ San Francisco ~~now ranks~~ ranked last in the Bay Area in terms
6 of the solar energy installed per capita.

7 ~~(c)D.~~ The San Francisco Public Utilities Commission (the "SFPUC") serves 17 % ~~16~~
8 ~~percent~~ of the City's electrical demand, electric service providers serve 8% ~~8 percent~~ and Pacific
9 Gas & Electric Company serves the remaining 75% ~~76 percent~~. The SFPUC has installed eight ~~2~~
10 megawatts of solar generating capacity as well as three ~~4~~ megawatts of methane gas
11 cogeneration capacity, which projects have bolstered the in-City renewable energy portfolio.
12 ~~In addition, the SFPUC is supplementing its renewable energy generation portfolio with 25 MW of~~
13 ~~purchased geothermal generation.~~

14 ~~(d)E.~~ The SFPUC continues to evaluate ~~is currently undertaking~~ the development of
15 additional large scale renewable energy generation assets within the City with the objectives
16 of expanding and diversifying the renewable energy resources available to City departments
17 and other SFPUC customers, boosting the City's clean energy industry, and improving overall
18 in-City energy reliability. ~~However, there is a need for further initiatives to stimulate the growth in the~~
19 ~~City's supply of renewable energy.~~

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

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

7 ~~(g)H.~~ A successful solar incentive program would increase the installation of solar
8 power, thus providing greater supply during peak demand times during the day and improving
9 the reliability of in-City generation capacity using clean solar energy.

10 ~~(h)I.~~ The development of a more efficient and cost-effective in-City solar
11 manufacturing and installation industry over the long term would result in savings for the
12 SFPUC's solar projects.

13 (i) The SFPUC has paid over \$23 million in solar energy incentives since 2008. These
14 incentive payments supported almost 3,800 installations that produce more than 13 megawatts of solar
15 power, and created 172 new jobs for disadvantaged San Franciscans.

16 (j) Since 2008, the cost of solar power has declined significantly in San Francisco and the
17 rest of the world.

18 (k) The Solar Energy Incentive Program is supporting more projects than ever before with
19 less money. The annual budgets in fiscal years 2013-2014 and 2014-2015 were not fully subscribed but
20 the kilowatts of solar power installed in San Francisco in those years was more than double the
21 kilowatts of solar power installed in San Francisco in fiscal years 2011-2012 and 2012-2013.

22 (l) California's Solar Initiative ("CSI") has been ramping down its incentives and in 2014,
23 the California Public Utilities Commission concluded that CSI has largely achieved its goal of
24 stimulating widespread solar adoption and creating a self-sustaining market.
25

1 (m) The 30% federal tax credit for solar power has been extended, and the California Public
2 Utilities Commission has put into place favorable net-energy metering terms for Pacific Gas and
3 Electric Company customers installing solar power. San Francisco offers similar net-energy metering
4 terms for its CleanPowerSF customers.

5 (n) In 2016, the Office of the Controller audited the Solar Energy Incentive Program and
6 recommended improvements to the qualifications for additional incentives for low-income customers.

7 (o) Section 908 of the Environment Code requires San Francisco to reduce greenhouse gas
8 emissions by 25% below 1990 levels by 2017; by 40% below 1990 levels by 2025; and by 80% below
9 1990 levels by 2050. The City has established a goal of reducing greenhouse gas emissions to 20
10 percent below 1990 levels by 2012.

11 (p)K. In view of the City's objectives in addressing the challenge of climate change,
12 the positive benefits for the City's overall power consumption market and the particular
13 benefits for the SF-PUC's Power Enterprise, the SFPUC intends to allocate \$11 million of
14 power revenues, including \$2 million of Solar Energy Incentive Program surplus funds from fiscal year
15 2014-2015, certain power revenues previously budgeted to renewable energy development and energy
16 efficiency projects towards funding the implementation of the solar incentive program described
17 in this Chapter 18, with the objective of providing declining annual appropriations through fiscal
18 year 2023-2024 an appropriation of \$2 million to \$5 million annually over the ten years commencing
19 with fiscal year 2008-2009.

20 (q) To maximize the value of this investment, and in light of the reduced cost of solar power
21 and the maturation of the solar power market in San Francisco, the SFPUC should simplify and reduce
22 the solar incentives over time, while maintaining additional incentives for low income residents,
23 Environmental Justice Districts, and use of installers maintaining their principal place of business in
24 San Francisco.

1 ~~(r)L.~~ The City and the SFPUC intend this program to complement the SFPUC's
2 renewable energy capital programs, including CleanPowerSFCCA, by attracting additional
3 investment that will expand the development of renewable energy within the City and will
4 spread the costs and risks of that development across a more diverse range of stakeholders.

5 ~~(s)M.~~ As a complement to this initiative, the SFPUC, the Mayor, and the Board of
6 Supervisors ~~are pursuing intend to pursue~~ the establishment of a stable rate structure for all of
7 the SFPUC's power customers, ~~to which would~~ enable the SFPUC to become a creditworthy
8 bond issuer and to finance the City's own renewable energy development projects on a more
9 advantageous tax-exempt basis.

10 **SEC. 18.2. INCENTIVE PAYMENTS.**

11 (a) The Program Administrator shall make incentive payments to applicants in
12 respect of solar systems installed by qualifying applicants on the basis of the provisions of this
13 Chapter 18, from the funds appropriated to the program from time to time.

14 (b) Applicants must be the owner of the system to be eligible to receive the
15 incentive.

16 (c) To be eligible for the incentive, a system must be installed by an individual, firm,
17 or organization that participates in San Francisco's First Source Hiring program, operated qualified
18 ~~as a workforce development installer~~ by the Office of Economic and Workforce Development,
19 ~~unless subsection (d) applies. The Office of Economic and Workforce Development, which directs the~~
20 ~~City's overall workforce development efforts, will be responsible for developing and ensuring~~
21 ~~compliance with workforce criteria for the incentive payments.~~

22 ~~(d) Subsection (c) does not apply if the individual, firm or organization installing the~~
23 ~~system;~~

24 ~~— (i) is a non-profit installer of solar generation systems;~~

1 —(ii) ~~employees a total of three employees or less, is a state-licensed contractor and has is~~
2 ~~principal office or offices within the boundaries of the City and County of San Francisco.~~

3 **SEC. 18.3. TYPES OF SYSTEMS ELIGIBLE FOR ASSISTANCE.**

4 (a) Photovoltaic panel systems. Photo-voltaic panel systems that produce electricity
5 from sunlight, installed on single and multifamily residential, commercial, and industrial
6 buildings, with generating capacity of at least one ~~(1)~~ kilowatt, and replacement parts for such
7 systems, are eligible for assistance under this program.

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

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

18 **SEC. 18.4. INCENTIVES AND LIMITS ON AMOUNTS OF ASSISTANCE.**

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

22 (b) ~~Incentives and limits~~ Limits for photovoltaic panel systems for residential property.

23 ~~(1) Residential applicants~~ Except as further provided in this clause (b), no residential
24 ~~applicant~~ may receive ~~incentives assistance in excess~~ of \$500 per kilowatt ~~3,000~~ toward the cost to
25 design, purchase and install photovoltaic panels. Commencing on January 1, 2017, every year for

1 the remaining term of the Solar Energy Incentive Program, this incentive shall be reduced by \$100 per
2 kilowatt until the incentive is zero, except as further provided in this subsection (b). If the property is a
3 multifamily residential project, the applicant may apply for and receive an incentive payment
4 corresponding to each electricity meter served by the system, so long as the system provides each such
5 electricity meter with a generating capacity of at least one kilowatt or financial credits that result from
6 a generating capacity of at least one kilowatt from the energy generation system.

7 (2ii) Applicants~~The limit of assistance shall be \$5,000 for applicants~~ residing in an
8 Environmental Justice District, as such district or districts are determined by the Program
9 Administrator, shall be eligible for an additional \$100 per kilowatt toward the cost to design, purchase
10 and install photovoltaic panels, or for applicants that are recipients of the California Public Utilities
11 Commission's CARE (California Alternative Rates for Energy) rates that provide rate discounts for
12 qualified low or fixed income households, or for building owners that are recipients of the California
13 Department of Housing and Community Development's CalHome loan program, which provides low-
14 interest, deferred rehabilitation loans to low income homeowners.

15 (3iii) Applicants that are a building owner and a recipient of the California Department of
16 Housing and Community Development's CalHome loan program, which provides low-interest, deferred
17 rehabilitation loans to low-income homeowners, shall be eligible for an additional \$100 per kilowatt
18 toward the cost to design, purchase and install photovoltaic panels~~CARE and CalHome participants or~~
19 ~~participants in the CPUC Low Income program under CSI, as well as households with incomes that are~~
20 ~~certified by the Mayor's Office of Housing pursuant to Section 18.7-5, shall be eligible for an~~
21 ~~additional \$5,000 if the application for the low income incentive is received before February 1, 2009.~~

22 (iv4) Applicants who are households~~CARE and CalHome participants or participants in~~
23 ~~the CPUC Low Income program under the CSI, as well as households with incomes that are certified~~
24 ~~by the Mayor's Office of Housing and Community Development as earning at or below the San~~
25 ~~Francisco median income pursuant to Section 18.7-5, shall be eligible for an additional \$2,000 per~~

1 kilowatt toward the cost to design, purchase and install photovoltaic panels 7,000 if the application for
2 the low income incentive is received by the Program Administrator on or after February 1, 2009. No
3 later than December 31, 2018, the Program Administrator shall evaluate this additional incentive and
4 may revise it upon consideration of any changes in the applicable markets, the remaining program
5 funds and how these can best be used to achieve the objectives of the program, and the goal of making
6 solar energy accessible to low income San Francisco residents.

7 (5^v) An incentive applicant whose system is installed by an individual, firm, or
8 organization whose principal office or offices are located within the City shall be eligible for an
9 additional incentive of \$250 per kilowatt up to a total additional incentive of \$1,000, subject to the
10 limitations of Section 18.3. If in implementing the program the Program Administrator determines that
11 the incentive identified in this paragraph does not provide the intended stimulus for the in-City
12 installation industry, then the Program Administrator may amend the terms of this incentive to make it
13 more effective in achieving the in-City job creation and installation market objectives of the program.

14 (6) Notwithstanding subsections (b)(1)-(5), no applicant may receive assistance in excess of
15 \$50,000 and no incentive may exceed \$50,000 per building. Further, if the property is a multifamily
16 residential building, the total incentive shall be limited to no more than \$500 per unit in the building
17 plus \$10,000 for the building as a whole, and the system must provide each unit with a generating
18 capacity of at least one kilowatt or financial credits that result from a generating capacity of at least
19 one kilowatt from the energy generation system.

20 (c) Incentives and limits~~Limits~~ for photovoltaic panel systems for commercial,
21 industrial, or manufacturing property. ~~Applicants~~~~No applicant~~ may receive ~~incentives~~~~assistance in~~
22 ~~excess~~ of ~~\$500~~~~1,500~~ per kilowatt of electric power a photovoltaic panel system is designed to
23 generate. Regardless of system generating capacity, no applicant may receive assistance in
24 excess of \$10,000. Commencing on January 1, 2017, this limit shall be reduced by \$100 per kilowatt
25 every year for the remaining term of the Solar Energy Incentive Program until the limit is zero.

1 (d) Adjustments in incentives and limits.

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

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

15 (2iii) With the concurrence of the Board of Supervisors and subject to the budgetary
16 and fiscal provisions of the Charter, the Program Administrator may increase any of the
17 incentives and limits set forth in this Section 18.4 in connection with efforts to stimulate the
18 development of a competitive in-City solar market, such as the establishment of an in-City
19 photovoltaic panel production facility.

20 **SEC. 18.5. ALLOCATION OF PROGRAM FUNDING AMONG TYPES OF**
21 **BUILDINGS.**

22 For each year of this program, the Program Administrator shall allocate the available
23 funds to the targeted market sectors, and, within such sectors, available funds shall be allocated on
24 a first come, first served basis regardless of the type of applicant.
25

1 **SEC. 18.6. 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 Program with the implementation and
5 administration of CleanPowerSFCCA to maximize its efficiency in achieving the renewable
6 energy expansion goals contemplated under CleanPowerSFCCA.

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 only to all applicants who are receiving
10 electric service from the SFPUC (either directly or through CleanPowerSF) or who have applied and
11 are eligible for such service; applicants must commit to take such service for a least one year after
12 installing the system or commencing SFPUC service, whichever occurs later, within the City regardless
13 of their customer relationship with any particular electric service provider. For ease of administration
14 these criteria shall be deemed satisfied when an applicant provides appropriate evidence that the
15 applicant is entitled to payments under the California Solar Initiative as authorized by the California
16 Public Utilities Commission and the State of California under SB1 (Chapter 132, Statutes of 2006) (as
17 such program may be amended from time to time, the "California Solar Initiative"); provided, however,
18 that demonstrating eligibility for the California Solar Initiative shall not be the sole means of
19 establishing eligibility. The Program Administrator shall also establish reasonable and clear eligibility
20 criteria for approving incentive payments to applicants who are not beneficiaries of the California
21 Solar Initiative, which Such criteria shall also include (but are not limited to) confirmation that the
22 applicant has installed the system in compliance with all applicable laws, including
23 Department of Building Inspection inspections and approvals.

24 (d) If there are applications for assistance in excess of appropriated funds within a
25 market sector, the Program Administrator shall grant applications in the order they were filed.

1 The Program Administrator shall develop a reservation system which will allow applicants to
2 request that the Program Administrator reserve funds for a proposed project. Such reservation
3 system may be patterned after that utilized by the California Solar Initiative.

4 (e) Subject to the budgetary and fiscal provisions of the Charter, the Program
5 Administrator shall maintain annual program funding as identified within the SFPUC Power
6 Enterprise budget as the Solar Energy Incentive Fund. At the end of each fiscal year, any
7 program funds that were not expended shall be carried forward to the next fiscal year. Upon a
8 finding as to the continuing effectiveness of the Solar Energy Incentive program in achieving
9 its objectives such funds shall be appropriated then or thereafter for the purposes specified in
10 this Chapter 18.

11 (f) The Program Administrator shall determine and implement payment procedures
12 for incentives under the program. Such payment procedures may include the option to make
13 payments on applicants' behalf directly to installers or other entities. Such payments shall not
14 be considered contracts or grants of the City for purposes of any City procedural contracting
15 ordinances, and no requirements shall be imposed as a condition of receipt of such incentive
16 payments aside from those specifically referenced in this ~~ordinance~~ Chapter 18 and as
17 necessary to protect the City from legal liabilities and promote the goals of this ordinance.

18 (g) The Program Administrator shall monitor the effective costs of renewable energy
19 system installation and other related market information for purposes of making the
20 adjustments described in Section 18.4(d)(~~ii~~).

21 (h) The Program Administrator shall establish boundaries for any Environmental
22 Justice District identified for purposes of Section 18.4(b)(~~2ii~~). Any such district shall satisfy
23 the goals, objectives, and definitions of environmental justice and Environmental Justice
24 Districts, as such concepts are set forth at any given time under state and local law.
25

1 (i) ~~The Program Administrator shall submit to the Board of Supervisors a status report on~~
2 ~~the first six months of the program, within 45 days of the end of the first six months of the program. The~~
3 ~~Program Administrator may submit an interim status report upon the exhaustion of either of the~~
4 ~~funding pools described in Section 18.7-5 and shall otherwise provide written monthly status reports.~~
5 ~~The Program Administrator shall submit to the Board of Supervisors a report evaluating the first year~~
6 ~~of program operation, within 90 days after the end of the first year. The report shall provide an~~
7 ~~analysis of the impacts of the program, including, without limitation, the number and location by~~
8 ~~district of the projects funded, the amount of energy generated by the projects, and the amount of time~~
9 ~~and money spent on program administration. The report shall evaluate the economic and other benefits~~
10 ~~of the program and provide a cost-benefit analysis. The data and analysis presented in this report shall~~
11 ~~inform future program funding, operation, and amendments.~~

12 ~~(j)~~—In the context of funding appropriations for this program in future years, the Board
13 of Supervisors will ~~(1i) Consider the Program Administrator's first-year report, identified in~~
14 ~~subsection 18.6 (i) above; (ii) R~~review and approve the Environmental Justice District
15 boundaries established by the Program Administrator pursuant to subsection 18.6 (h); and
16 ~~(2iii) r~~review and approve any new or modified criteria or incentives established by the
17 Program Administrator.

18 ~~**SEC. 18.7. SOLAR ENERGY INCENTIVE PILOT PROGRAM.**~~

19 ~~**Section 18.7-1. Findings.**~~

20 ~~A. California has set a goal to create 3,000 megawatts (MW) of new, solar-produced~~
21 ~~electricity by 2017, moving the state toward a cleaner energy future and helping lower the cost of solar~~
22 ~~systems for consumers.~~

23 ~~B. The California Public Utilities Commission, through its California Solar Initiative (CSI),~~
24 ~~provides \$2.2 Billion in incentives over the next decade for existing residential homes and existing and~~
25

1 ~~new commercial, industrial, and agricultural properties of which 10% will be set aside to assist~~
2 ~~installation of solar for low income residents and affordable housing developments.~~

3 ~~—C. On November 17, 2007, the CPUC adopted the CSI Single Family Low Income Incentive~~
4 ~~Program. The Single Family Low Income Incentive Program will provide incentives for solar PV~~
5 ~~systems from \$4.75 to \$7.00 per watt to qualifying low income homeowners. The Program will also~~
6 ~~provide full subsidy systems to very low income households who financed their home through local,~~
7 ~~state and federal housing assistance programs and whose household income is at or below the 50~~
8 ~~percent of the area median income.~~

9 ~~—D. The CSI Single Family Low Income Program will not begin accepting applications until~~
10 ~~after a statewide Program Manager has been selected. A Request For Proposals for the CSI Single-~~
11 ~~Family Low Income Program Manager was released on April 16th, 2008 and the final date for~~
12 ~~Proposal submission is May 28th, 2008. Once the Program Manager is selected, the Single-Family~~
13 ~~Low Income Program will be implemented throughout the state of California and will assist applicants~~
14 ~~in determining their individual eligibility.~~

15 ~~—E. Establishing a pilot program will enable the City to immediately implement this program~~
16 ~~and evaluate the effectiveness of the program and determine the best policy for allocation of public~~
17 ~~funds before deciding how or whether to continue the program.~~

18 **~~Section 18.7-2. Incentive Payments.~~**

19 ~~—(a) A pilot program is established for a period of one year from the date of this ordinance or~~
20 ~~until funds allocated under Section 18.7-5 are expended. The incentives paid under this program shall~~
21 ~~not exceed the amounts set forth in Section 18.7-5 below.~~

22 ~~—(b) Applicants must be the owner of a system installed on or after December 11, 2007, to be~~
23 ~~eligible to receive the incentive.~~

24 ~~—(c) To be eligible for the incentive, a system must be installed by an individual, firm or~~
25 ~~organization qualified as a workforce development installer by the Office of Economic and Workforce~~

1 ~~Development, unless subsection (d) applies. The Office of Economic and Workforce Development,~~
2 ~~which directs the City's overall workforce development efforts, will be responsible for developing and~~
3 ~~ensuring compliance with workforce criteria for the incentive payments.~~

4 ~~—(d) Subsection (c) does not apply if the individual, firm or organization installing the system:~~
5 ~~—(i) is a non-profit installer of solar generation systems;~~
6 ~~—(ii) employs a total of three employees or less, is a state-licensed contractor and has its~~
7 ~~principal office or offices located within the boundaries of the City and County of San Francisco.~~

8 **~~Section 18.7-3. Types of Systems Eligible for Assistance.~~**

9 ~~—(a) Photovoltaic panel systems. Photo-voltaic panel systems that produce electricity from~~
10 ~~sunlight, installed on residential buildings, with generating capacity of at least one (1) kilowatt are~~
11 ~~eligible for assistance under this program.~~

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

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

21 **~~Section 18.7-4. Limits on Amounts of Assistance.~~**

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

25 ~~—(b) Limits for photovoltaic panel systems.~~

1 —(i) ~~Except as further provided in this clause (b), no residential applicant may receive~~
2 ~~assistance in excess of \$3,000 toward the cost to design, purchase and install photovoltaic panels. If the~~
3 ~~property is a multifamily residential project, the applicant may apply for and receive an incentive~~
4 ~~payment corresponding to each electricity meter served by the system, so long as the system provides~~
5 ~~each such electricity meter with a generating capacity of at least one kilowatt or financial credits that~~
6 ~~result from a generating capacity of at least one kilowatt from the energy generation system.~~

7 —(ii) ~~The limit of assistance shall be \$5,000 for applicants residing in an Environmental~~
8 ~~Justice District, as such district or districts are determined by the Program Administrator, or for~~
9 ~~applicants that are recipients of the California Public Utilities Commission's CARE (California~~
10 ~~Alternative Rates for Energy) rates that provide rate discounts for qualified low or fixed income~~
11 ~~households, or for building owners that are recipients of the California Department of Housing and~~
12 ~~Community Development's CalHome loan program, which provides low interest, deferred~~
13 ~~rehabilitation loans to low income homeowners.~~

14 —(iii) ~~CARE and CalHome participants or participants in the CPUC Low Income program~~
15 ~~under CSI, as well as households with incomes that are certified by the Mayor's Office of Housing~~
16 ~~pursuant to Section 18.7-5, shall be eligible for an additional \$5,000 if the application for the low~~
17 ~~income incentive is received before February 1, 2009, subject to the limitations of Section 18.7-4(a)~~
18 ~~above.~~

19 —(iv) ~~CARE and CalHome participants or participants in the CPUC Low Income program~~
20 ~~under the CSI, as well as households with incomes that are certified by the Mayor's Office of Housing~~
21 ~~pursuant to Section 18.7-5, shall be eligible for an additional \$7,000 if the application for the low~~
22 ~~income incentive is received by the Program Administrator on or after February 1, 2009, subject to the~~
23 ~~limitations of Section 18.7-4(a) above.~~

24 —(v) ~~An incentive applicant whose system is installed by an individual, firm or organization~~
25 ~~whose principal office or offices are located within the City shall be eligible for an additional incentive~~

1 up to \$1,000, subject to the limitations of Section 18.3. If in implementing the program the Program
2 Administrator determines that the incentive identified in this paragraph does not provide the intended
3 stimulus for the in-City installation industry, then the Program Administrator may amend the terms of
4 this incentive to make it more effective in achieving the in-City job creation and installation market
5 objectives of the program.

6 ~~—(c) Limits for photovoltaic panel systems for non-residential buildings owned by non-~~
7 ~~profits and non-residential buildings occupied by non-profits and owned by governmental entities.~~
8 ~~No applicant may receive assistance in excess of \$1,500 per kilowatt of electric power a photovoltaic~~
9 ~~panel system is designed to generate.~~

10 ~~—(d) Limits for photovoltaic panel systems for multi-unit residential buildings that are~~
11 ~~owned and operated by non-profit organizations. No applicant may receive assistance in excess of~~
12 ~~\$4,500 per kilowatt of electric power a photovoltaic panel system is designed to generate, up to a total~~
13 ~~of \$150,000. An applicant may receive up to an additional \$100,000 in matching funds on a dollar per~~
14 ~~dollar basis, subject to a maximum of \$4,500 per kilowatt. Regardless of system generating capacity or~~
15 ~~matching funds, no applicant may receive assistance in excess of \$250,000. Buildings owned by for-~~
16 ~~profit entities may be eligible for the incentive designated in this paragraph if at least 75% of the~~
17 ~~residential units, excluding a manager's unit, are designated as affordable housing units under a~~
18 ~~Federal, State, or local government restriction recorded against the property on which the building is~~
19 ~~located in a manner that maintains affordability for a term no less than 30 years.~~

20 ~~—(e) Adjustments in limits.~~

21 ~~—(i) If the program is continued after the one-year pilot, the Program Administrator may~~
22 ~~adjust limits on the incentives paid for systems installed on commercial, industrial or manufacturing~~
23 ~~property upon a finding that such an adjustment advances the objectives of the program. Such~~
24 ~~adjustments may include an increase in the limit on the incentive paid in respect of (A) systems~~
25 ~~installed within an Environmental Justice District or (B) systems installed by an individual, firm or~~

1 ~~organization with an office or offices within the City or bearing some other linkage to the in-City~~
2 ~~installation market as deemed appropriate by the Program Administrator).~~

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

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

12 **~~Section 18.7-5. Allocation of Program Funding Among Types of Buildings.~~**

13 ~~—For this pilot program, funds shall be allocated as follows: 1,500,000 to buildings that are~~
14 ~~owned and operated by non-profit organizations or single and multifamily residential applicants that~~
15 ~~are certified by the Mayor's Office of Housing as earning at or below the San Francisco median income~~
16 ~~or CARE and CalHome participants or participants in the CPUC Low income program under CSI.~~

17 **~~Section 18.7-6. Program Administration.~~**

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

22 ~~—(b) The Program Administrator shall develop rules and application procedures.~~

23 ~~—(c) The Program Administrator shall establish reasonable eligibility criteria for the incentive~~
24 ~~payments so that the program is available to all applicants within the City regardless of their customer~~
25 ~~relationship with any particular electric service provider. For ease of administration these criteria~~

1 ~~shall be deemed satisfied when an applicant provides appropriate evidence that the applicant is entitled~~
2 ~~to payments under the California Solar Initiative as authorized by the California Public Utilities~~
3 ~~Commission and the State of California under SB1 (Chapter 132, Statutes of 2006) (as such program~~
4 ~~may be amended from time to time, the "California Solar Initiative"); provided, however, that~~
5 ~~demonstrating eligibility for the California Solar Initiative shall not be the sole means of establishing~~
6 ~~eligibility. The Program Administrator shall also establish reasonable and clear eligibility criteria for~~
7 ~~approving incentive payments to applicants who are not beneficiaries of the California Solar Initiative,~~
8 ~~which criteria shall include (but are not limited to) confirmation that the applicant has installed the~~
9 ~~system in compliance with all applicable laws, including Department of Building Inspection inspection~~
10 ~~and approvals.~~

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

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

23 ~~—(f) The Program Administrator shall monitor the effective costs of renewable energy system~~
24 ~~installation and other related market information for purposes of making the adjustments described in~~
25 ~~Section 18.7-4(e)(i).~~

1 ~~—(g) The Program Administrator shall establish boundaries for any Environmental Justice~~
2 ~~District identified for purposes of Section 18.7(b)(iii). Any such district shall satisfy the goals,~~
3 ~~objectives and definitions of environmental justice and Environmental Justice Districts, as such~~
4 ~~concepts are set forth at any given time under state and local law.~~

5 ~~—(h) The Program Administrator shall submit to the Board of Supervisors a status report on~~
6 ~~the first six months of the pilot program, within 45 days of the end of the first six months of the~~
7 ~~program. The Program Administrator may submit an interim status report upon the exhaustion of~~
8 ~~either of the funding pools described in Section 18.7-5 and shall otherwise provide written monthly~~
9 ~~status reports.~~

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

17 ~~—(j) In the context of considering appropriations for a solar incentive program in future years,~~
18 ~~the Board of Supervisors will (i) Consider the Program Administrator's first-year report, identified in~~
19 ~~subsection 18.7-6(i) above; (ii) Review and approve the Environmental Justice District boundaries~~
20 ~~established by the Program Administrator pursuant to subsection 18.7-6(h); (iii) Review and approve~~
21 ~~any new or modified criteria or incentives established by the Program Administrator.~~

22 **Section 18.7-7. Reserved.**

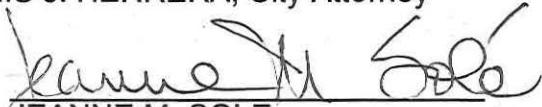
23 Section 3. Effective Date. This ordinance shall become effective 30 days after
24 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
25

1 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
2 of Supervisors overrides the Mayor's veto of the ordinance.

3 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
4 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
5 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
6 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
7 additions, and Board amendment deletions in accordance with the "Note" that appears under
8 the official title of the ordinance.

9
10
11 APPROVED AS TO FORM:
12 DENNIS J. HERRERA, City Attorney

13 By:

14 
15 JEANNE M. SOLE
16 Deputy City Attorney

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LEGISLATIVE DIGEST

[Environment Code - Revisions to the Solar Energy Incentive Program]

Ordinance amending the Environment Code, to adjust the incentives in the Solar Energy Incentive Program and revise certain program requirements; and affirming the Planning Department's determination under the California Environmental Quality Act.

Existing Law

Chapter 18 the Environment Code created a Solar Energy Incentive Program (GoSolarSF). GoSolarSF is administered by the San Francisco Public Utilities Commission (SFPUC) and offers incentives for installation of solar systems to all qualified residents and businesses in San Francisco. GoSolarSF requires most installers to participate in City work force development programs and includes additional incentives for low-income homeowners and households, applicants in Environmental Justice Districts, and installers having their principal office or offices located in San Francisco. Chapter 18 allows the SFPUC to extend program eligibility to other types of customer-owned distributed renewable energy generation systems. It also still includes a one-year pilot program for low income customers that is no longer in effect.

Amendments to Current Law

This ordinance would:

- Limit eligibility for GoSolarSF incentives to customers of San Francisco municipal electric utility or community choice aggregation program (CleanPowerSF);
- Simplify and put into place annual step-downs of incentives to reflect the lower cost of solar power and to extend the program budget through 2021;
- Modify the requirements for local workforce development and the qualifications for additional incentives for low-income customers as recommended by the Office of the Controller;
- Provide that the SFPUC may extend program eligibility to complementary distributed energy programs, such as incentives for inverter replacement, energy storage or electric vehicle infrastructure;
- Delete references to the one-year pilot program that is no longer in effect.

Background Information

GoSolarSF was established in 2008 by Ordinance 102-08. Since 2008, the cost of solar power has declined significantly in San Francisco, and the world. As a result, in 2014, the California Public Utilities Commission (CPUC) concluded that California's Solar Incentives (CSI) program has largely achieved its goals of stimulating widespread solar adoption and creating a self-sustaining market. The 30% federal tax credit for solar power has been extended and the CPUC has put into place net-energy metering terms for Pacific Gas and Electric Company customers installing solar power. San Francisco offers similar net-energy metering terms to CleanPowerSF customers. GoSolarSF is now supporting more projects than ever before with less money and many projects are going forward in San Francisco without any GoSolarSF or CSI incentives.

In 2015, the SFPUC launched CleanPowerSF, San Francisco's community choice aggregation program. CleanPowerSF offers Standard, Green and SuperGreen options. The SFPUC intends to market GoSolarSF with the SuperGreen CleanPowerSF option to maximize participation in both programs. This ordinance would limit incentives to San Francisco electric customers in order to maximize the benefit of GoSolarSF to San Francisco.

In 2016, the San Francisco Office of the Controller audited GoSolarSF and recommended improvements to the requirements for the qualifications for additional incentives for low-income customers. In addition, SFPUC has identified additional opportunities to promote distributed energy technologies, including incentives for inverter replacements, energy storage and electric vehicle infrastructure.

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