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Important News For Public Agencies

How Local Public Agencies Can Go Solar

The California Solar Initiative Presents Opportunities for California Local Government

The California Solar Initiative (CSI) is an ambitious long-range program to develop the use of solar electrical generation statewide in new home construction, existing residences, commercial construction, and by local governmental entities. The CSI was created in 2006 by Senate Bill 1 (SB1) signed into law August 21, 2006 by the Governor (codified as Public Resources Code Sections 25780-25784) and by Decision 06-01-024 of the California Public Utilities Commission (CPUC). The CSI is being implemented by the CPUC, which has issued a subsequent decision (06-08-028) in an ongoing rulemaking proceeding to reconcile its decisions with SB1, and by the California Energy Commission (CEC). The goals of CSI include the creation of 3000 megawatts of new solar facilities in California over the next ten years, and to place solar energy systems on one-half of all new residences constructed by the year 2013 (Public Resources Code Section 25780).

The development of new residential solar generation is being implemented by the CPUC and CEC through the New Solar Homes Partnership. The development of solar generation on existing residences and on commercial and governmental facilities is being implemented by the CPUC through a series of ratepayer-funded subsidies to be made available over the next ten years. The program has a budget of \$2.167 billion for that purpose.

Beginning January 1, 2007, the CSI program pays Performance-Based Incentives (PBI) to solar photovoltaic projects of 100 kilowatts or greater. The PBI's are paid monthly over five years based on recorded kilowatt-hours of solar energy produced. The 100KW minimum threshold is expected to lower in future years. For projects below the threshold, the CSI program pays a single upfront incentive based not on actual but on expected solar generation, called an Expected Performance-Based Buydown (EPBB). The Program Administrators (the entities that contract with customers for customers to build solar facilities and receive the payments) are the California investor-owned utilities (PG&E, SCE and San Diego Gas & Electric). Customers eligible to participate include residential, commercial, and government/nonprofit entities. The eligible governmental entities include all state agencies and local governmental entities, specifically cities, counties, school districts and water districts. The payment structure generally favors government and nonprofit entities

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over residential and commercial, i.e., government and nonprofit entities are paid the most per kilowatt hour of solar energy generated. The incentives are structured so that customers who “go solar” first receive larger payments per KWH generated. As each customer signs up, it receives a “reservation” from its Program Administrator of a certain dollar amount based on expected solar generation. Over the next ten years, the incentive payment levels will be reduced in ten steps based on the volume of MW reservations issued within each utility’s service territory. (The idea is to incentivize customers to sign up early.) Municipal-owned utilities and customers do not participate.

The CSI requires that customers contract with solar facilities installers that are approved by the CPUC, and requires that the equipment installed (photovoltaic modules, inverters and meters) be approved by the California Energy Commission. The CPUC has published a *California Solar Initiative Program Handbook* on its website, www.cpuc.ca.gov, which provides details as to the incentive payments and explains how to participate in the program. The CEC has published a list of approved equipment on its website, www.gosolarcalifornia.ca.gov. The CSI requires that the installing customer obtain a ten year repair-or-replace warranty on the modules and inverters provided by the equipment manufacturer and installation contractor in combination, and that the system be warranted against a degradation of over 15 percent in generation over the ten year period. There is also a requirement that the customer and its contractor maintain certain insurance limits including liability insurance. For a public entity, these requirements create bonding, insurance and consequential damages issues to be addressed with legal counsel in the context of any public works contract for the procurement of solar facilities.

The CSI presents substantial opportunities for local governmental entities that are large electrical consumers, especially entities with large electrical loads for water or wastewater treatment, pumping or other operations. As an example, the Kern County Water Agency (KCWA) signed up for this program in 2006 to install a 1000KW solar photovoltaic system at the Henry Garnett Water Purification Plant, which supplies drinking water to metropolitan Bakersfield. At that time, KCWA received a reservation from PG&E in the amount of approximately \$2.8 million on a solar facility expected to cost \$8-\$9 million. KCWA’s energy consumption at the Garnett plant is currently around \$137,000 per month. KCWA expects the solar facility will reduce its electrical bill by some \$26,000 per month or about 20 percent.

Local governmental entities interested in the CSI should begin by reviewing the *California Solar Initiative Program Handbook* published by the CPUC. Engineering staff (or outside consultants) should then be able to provide calculations and advice concerning the PBI or EPBB potentially available and potential energy cost savings from “going solar.”

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