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**ELECTRONIC DELIVERY**

California Energy Commission  
Docket Office  
Attn: Docket No. 06-NSHP-1  
1516 Ninth Street, MS-4  
Sacramento, CA 95814-5512

**Re: PG&E's Comments on California Solar Initiative/New Solar Homes  
Partnership Affordable Housing**

Pacific Gas and Electric Company (PG&E) respectfully submits the following comments on issues associated with affordable housing that should be considered in the development of the New Solar Homes Partnership, as discussed at the June 13, 2006 joint workshop of the CEC and the CPUC.

We appreciate a chance to comment on this important matter. Please feel free to call me at (415) 973-6463 if you have any questions.

Sincerely,

Les Guliassi

Attachment

cc: Diana Chong

**PG&E Comments**  
**California Energy Commission and California Public Utilities Commission**  
**Joint Workshop on Affordable Housing**  
**June 13, 2006**

## **Introduction**

Low-income customers have special requirements, and the affordable housing market segment offers unique challenges for solar deployment. Pacific Gas and Electric Company (PG&E) appreciates the opportunity to participate in the workshop and to provide comments on the joint California Energy Commission (CEC) and California Public Utilities Commission (CPUC) workshop on affordable housing.

Now in its 101<sup>st</sup> year of service, PG&E is committed to all of its customers for the long term. In particular, PG&E has a strong commitment to affordable housing and better serving the needs of low-income customers. PG&E strongly supports the use of solar in California and will help develop a sustainable solar industry in California through the California Solar Initiative (CSI). Already, PG&E has taken steps to begin working with the affordable housing community through a forum co-hosted with the Greenlining Institute on May 31<sup>st</sup>. The June 13<sup>th</sup> joint workshop provided us an additional, important communication and learning opportunity.

PG&E's outreach efforts to the affordable housing community, low-income customer advocates and the solar industry underscore our commitment to providing valuable services to all of our customers. PG&E believes solar energy will become an ever more important part of the services we offer, and significant company resources and attention are devoted to the success of the CSI. PG&E administration of the CSI program is essential to our ability to offer an integrated, cost effective and forward-thinking portfolio of services to our customers.

## **A Few of the Lessons Learned**

Some concepts from the workshop, such as the importance of incorporating energy efficiency improvements with solar investments, are common to all market segments, including affordable housing. Several important themes, unique to affordable housing, emerged over the course of the day:

- Fragmented, complex system of government agency support leads to complex financial arrangements;
- Lack of knowledge, technical expertise, and established implementation guidelines increases the difficulty of incorporating solar; and
- Given the financial constraints on affordable housing, extended reservation times and prompt, upfront incentive payments are essential.

PG&E sees solar as an opportunity to stabilize energy costs over time for our low-income customers and make affordable housing sustainable and even more affordable. PG&E appreciates the complexity of affordable housing finance, given its own experience as an investor. PG&E is a limited partner in 27 affordable housing projects, representing more than 1,900 units located throughout the service territory. We have learned that affordable housing developers must work with many financing sources and meet complex requirements. Most lenders and other financial sources are unfamiliar with the quantitative benefits afforded by increased energy efficiency and solar energy production, making these incremental investments difficult to finance.

Lack of knowledge, technical expertise and proven guidelines inhibits the incorporation of solar and energy efficiency. Fortunately, these challenges can be addressed. PG&E's Pacific Energy Center (PEC), for example, already offers educational programs, design tools, advice, and support to create energy efficient buildings. These programs train regulators, developers and engineers. The PEC offers classes on photovoltaics and solar hot water heating that fill within weeks of their announcement. PG&E also learned through its co-hosted forum on affordable housing that there are several organizations in California dedicated to providing training and technical assistance to the low-income community. There is clearly an opportunity, working with affordable housing organizations, to increase the use of solar through education and training for affordable housing developers, city planners and financial institutions.

Despite the commitment of many affordable housing developers to sustainability, lack of experience and financial constraints force them to forego solar or incremental energy efficiency beyond minimum requirements. This reality has significant implications for the implementation of the CSI for low-income customers.

### **Expectations and Goals for Solar in Affordable Housing**

All of the customers of California's investor-owned utilities are making a very significant investment, through the CSI, to encourage a successful solar industry. The benefits of the CSI, in some form, should flow to all customers, even those who cannot personally afford to invest in a solar system. Achieving this vision requires a more thorough understanding of all the benefits achievable through distributed solar and creative thinking about how to deliver solar benefits to lower and middle income customers.

As part of an effort to develop a larger, low-income strategy, PG&E is working with the affordable housing community and other groups to identify specific programs to deliver solar. Many issues, such as eligibility criteria, financial resources and how solar can be offered as part of a portfolio of conservation, energy efficiency, and educational services, are already being addressed. Specific goals for low-income solar deployment should be developed after a better understanding of how this customer segment can best be served and participate in the program.

### **Program Implementation Issues**

Administration: A point made again and again over the course of the workshop and underscored by Commissioner Gruenich was the need for simple, streamlined processes. PG&E has already grappled with these issues; designing award-winning programs that help our low-income customers increase their energy efficiency. We are working now to design programs to deliver solar to all of our customers, including low-income customers.

PG&E has the commitment and the experience to be the best administrator for all of our customers, especially low-income customers. PG&E already successfully administers nationally recognized mass market energy efficiency programs within its service territory. Many of the customers PG&E hopes to reach with the CSI are already enrolled in or eligible for CARE, FERA, or REACH as well as low-income energy efficiency programs. PG&E is in a unique position to offer a portfolio of services that will maximize our opportunity to assist the least fortunate while making wise and efficient use of the financial resources expended to serve them. From the perspective of all our customers, PG&E administration will promote coordination, avoid delays and simplify the program. Further, PG&E administration also eliminates the need to determine an arbitrary and confusing "dividing line" between the CEC and CPUC programs.

Incentive Structure: The comments of the affordable housing industry representatives and the factors discussed above indicate it is preferable, at this time, to deliver incentive subsidies up front rather than over time. As the program matures and financial institutions become more familiar with the economics of solar PV, the program could utilize incentives delivered over time.

Energy Efficiency Integration: As noted by several presenters, energy efficiency is a key prerequisite to improved cost-effectiveness of solar deployment. The CEC is separately considering energy efficiency requirements, and phased implementation of requirements could be designed to provide the industry adequate time to develop guidelines and identify successful practices.

### **Next Steps**

Several issues should be resolved quickly to provide the foundation for further development of the program. In particular:

- Program administration should be resolved so it is clear, to PG&E and its customers, which entity is responsible for developing a program for the low-income and affordable housing market; and
- A workshop devoted specifically to financing strategies should be convened quickly.

The CSI is designed to build a clean, renewable energy future for California and is an important opportunity to make affordable housing sustainable and even more affordable. PG&E believes California can also use this opportunity to assist the least fortunate while making wise and efficient use of the financial resources allocated on their behalf.