

Meeting Notes

Solar on Multifamily Affordable Housing (SOMAH) Advisory Council Meeting Ad-hoc Meeting

May 13, 2022

Remote Meeting

Attendees

SOMAH Program Administrators

Chris Walker | SOMAH Program Manager
Marisa Villarreal | SOMAH Program Manager
Jae Berg | SOMAH Program Manager
Hannah Warner | SOMAH Program Manager
Brittany Chenier | SOMAH Program Manager
Luke Ballweber | SOMAH Program Coordinator
Brian Jones | SOMAH PA
Stacey Lee | SOMAH Program Coordinator

SOMAH Advisory Council Members

Agustin Cabrera | RePower LA
Allan Rago | Quality Conservation Services
Andres Ramirez | People for Mobility Justice
Carlos Aguilar | Coalition for Economic Survival
Elizabeth C Elliot | Northern Circle Indian Housing Authority
Jakobi Ewart | The Niles Foundation
JB Tengco | BlueGreen Alliance
Kenneth Wells | O&M Solar Services

Meeting Agenda

1. Meeting Welcome
2. Program Incentives Petition for Modification & Group Discussion
3. Meeting Closing

Meeting Notes

Welcome, Introductions & Meeting Overview

Marisa Villarreal, SOMAH Program Manager

Marisa facilitated a round of introductions, celebrated SOMAH's most recent ribbon-cutting ceremony in San Jose, and reviewed the meeting agreements and goals.

Program Incentives Petition for Modification

Jae Berg, SOMAH Program Manager

Jae presented on the current program status and application status stats:

- 25 applications completed
- 15 applications nearly completed
- 456 active applications
- Over \$295M available incentives funding remaining
- Largest application spike at very start of the program in mid-2019 due to existing relationships between contractors and property owners with large portfolios from past programs
- Other smaller spikes over the past couple of years driven by incentive step-downs and changes in federal investment tax credit
- Only four applications received in 2022, all of which are currently receiving upfront Technical Assistance and have not yet made it to the reservation request phase
- Potentially indicates lack of interest in program and not scarcity of funds

Jae provided background on the current program incentive structure:

- SOMAH has an annual incentive step-down
- SOMAH has stepped down incentive rates twice since opening of the program
- The highest tenant incentive rate has decreased from \$3.20/W (Year 1) to \$2.97/W (Year 3), ~7.2% decrease

Jae presented SOMAH program data, Third-Party Program Evaluation results, and external market analyses, all indicating that multifamily solar PV costs are increasing, while SOMAH incentives have decreased. Jae also presented further rationale for program modifications and the proposed Petition for Modification: (1) Eliminate current annual incentive step-down methodology, and (2) restore incentives to Year 1 incentive levels.

Discussion

- **AC Member:** What is the main objection stakeholders may have to removing the incentive step-down?
- **SOMAH PA:** Stakeholders may wonder whether ratepayer and greenhouse gas (GHG) funds are properly being used and if SOMAH projects actually need additional funds.
- **AC Member:** When is the next step-down scheduled for?
- **SOMAH PA:** July 1st, 2022. The SOMAH PA is also planning to submit an extension request for the incentive step-down pending the timing of the PFM submission to avoid having a step-down while the PFM is in review by the CPUC.
- **AC Member:** SOMAH seems to have rigorous eligibility requirements. Isn't that already how SOMAH is carefully filtering out how program funds are being used?
- **SOMAH PA:** Yes, SOMAH PA filters out projects that aren't eligible. However, ratepayer watch groups want to ensure that if projects can still go through with the lower incentive rate, that SOMAH is not giving out higher incentives than needed.
- **AC Member:** Being in the sustainability industry, I imagine the SOMAH PA is trying to be as efficient as possible. I have faith in the PA team to determine what program updates and adjustments will support greater participation in the program.
- **AC Member:** With the economy being more expensive, is the SOMAH PA sure that switching to Year 1 incentive levels will solve the issue of low applications? What if a contractor comes up and says it's actually a different mathematical problem?
- **SOMAH PA:** The SOMAH PA has asked contractors this question in focus groups. We've been told incentive levels are too low, especially for rural projects, carports, or other situations where the installation is not simple. The current incentive is already too low, and reducing it further would prevent more projects from being able to participate. For projects that do go through the SOMAH program, we've heard tenant benefits will continue to decrease because costs are not fully covered by current incentive levels.
- **AC Member:** I want to make sure we're thinking about whether removing the step-down will solve the problem. Does the SOMAH PA have flexibility in supplementing the incentive some other way? For example, providing a separate incentive to cover inflation.
- **SOMAH PA:** There is no flexibility right now, but that is something SOMAH PA will be asking for in the Petition for Modification (PFM). Submitting a Petition for Modification to change the incentive rates and incentive structure is a lengthy and substantive process, and so, the SOMAH PA is also considering asking for changes via an advice letter, in addition to a PFM. For now, the SOMAH PA aims to restore Year 1 incentive levels, since that is what participants are most familiar with, while also building in flexibility for the future if needed.

- **AC Member:** Having worked with similar regulatory agencies, it's hard to get these policy changes through. If you're not sure whether changing the incentive structure will ensure more program adoption, revisiting the policy a second time will be that much more difficult. It would be important to have a certain level of certainty. What analyses have you done?
- **SOMAH PA:** SOMAH is not a market transformation program. The bottom line is that we want to get more solar on multi-family affordable housing, and the incentive structure is the largest level we can pull. We are already working to make our marketing, education, and outreach more compelling. There are lots more potential SOMAH-eligible properties that we could be reaching in terms of outreach, but how do we motivate contractors themselves to reach out to property owners? This is a situation in which the SOMAH PA wants to try adjusting its biggest lever, and will evaluate how that's working and whether we need to do more. There are multiple factors that go into determining a property's incentive calculation. Applicants are required to submit detailed information about their costs before getting them approved. There are also design factors like geography, shading, and tilt that factor into the final amount. If changing the incentives doesn't work, there's more we'll need to figure out. We are embarking on another third-party evaluation cycle soon to continue to review barriers to participation and next strategies.
- **AC Member:** It sounds like the incentive structure is just one tool in the arsenal, and that there are other things the PA is working on to address the issue. It is good to ask for the highest incentive level (Year 1), in case the California Public Utilities Commission (CPUC) tries to adjust that proposal. What is the backup plan if the Commission turns down your request?
- **SOMAH PA:** If turned down, the SOMAH PA will need to redesign the incentive structure. We're pulling all other levers, which isn't bringing tons of new applicants to the program, so we think the incentive structure may be the issue. In addition to asking for more flexibility, we acknowledge that we have a finite budget and want to ensure we'll still meet the 300 MW by 2030 goal if we're making incentives higher.
- **SOMAH PA:** The PA team has been working on a time-series, data bootstrap approach to analyze different incentive scenarios. We're serving a unique, niche market, so the best data we can use is from our existing SOMAH projects. The more projects we have, the more data we can use to project. Year 1 models will put us just above our 300 MW goal and keep us within the incentive budget. It seems pretty promising and we are confident in proposing Year 1 rates. We may need to pursue higher cost projects to reach the 300 MW goal. We will need more advanced data modeling to understand the impact of changing incentive levels.
- **AC Member:** Is the removal of the incentive step-down on a case-by-case basis? If a permanent removal passes, will that remove case-by-case review?

- **SOMAH PA:** The step-down is program-wide.
- **AC Member:** How does the PA feel about the odds of the Commission being in favor of the PFM?
- **SOMAH PA:** The Commission must stay neutral throughout the process and cannot say anything to us. There are also two new Commissioners who the SOMAH PA is not familiar with.
- **SOMAH PA:** SOMAH isn't designed to incentivize rooftop remodeling to accommodate solar installations. With the size of solar installations being installed, we've heard from contractors that we're moving away from our 300 MW goal on a per-project basis and tenants are getting smaller amounts of credits.
- **SOMAH PA:** The PA team will work hard to generate support from the Commission. We are trying to do a good job at modeling this to demonstrate goals can be met with our proposed changes. Program applications started off strong at the beginning of the program, but SOMAH hasn't received any new applications in the last six months. The Commission may resonate with the fact that having \$300M sitting there and not moving is a huge loss for tenant benefits. We want to ensure GHG funds are used responsibly, but we can't lose sight of the fact that new projects aren't happening right now. The legislature wanted to achieve something big with this program, so we need to get projects installed.
- **AC Member:** It's good to think about what tools we can leverage to get more participation. It was easy to tackle the low-hanging fruit back then, now what's making it harder? This seems like a good step in the right direction.
- **AC Member:** I support what you're trying to accomplish, we just need to figure out how to move forward. Commissions for other programs may have approved funding to fix something to support energy efficiency in another capacity. The Commission might want to pay for the actual solar, but not the design issues that come up in the process. 2019 incentive levels might not be the shock in the system that you need.
- **AC Member:** I support whatever it takes. At least you tried and it will help you figure out what else you may need to do. If contractors were able to look at incentives and see they could make it work, they would share the program with more property owners. As a property owner, the issues I often run into are costs in general, such as redoing old rooftops. Sometimes we opt for carport solar, but it has become completely infeasible to do this anymore because of the cost of steel and digging trenches. Our project that might switch from carport solar to rooftop solar would more than double the PV system size, but the rooftop repairs could be up to \$20K/building.
- **AC Member:** The Public Advocate's office has proposed to remove coverage of costs for things that don't actually save energy. I propose you put a cap on things that don't actually help produce the solar out right and other miscellaneous costs.

- **SOMAH PA:** Any added costs would need to be very limited to ensure we can still meet our 300 MW goal with remaining funds.
- **SOMAH PA:** We can make space in future Advisory Council meetings to think about other strategies or approaches for increasing participation - for example, how we are streamlining the application process, and expanding technical assistance services. Discussing incentives is the biggest topic for the value proposition, but there are other things we could discuss, too.

Marisa then asked for AC members to vote on whether the SOMAH AC should move forward with the proposal to submit a PFM to remove the incentive step-down and revert to year 1 incentive rates. All members present voted to move forward with the SOMAH PA's proposal.

Next Steps

Jae Berg, SOMAH Program Manager

SOMAH PA will:

- Discuss internally on next steps regarding the advice letter to the CPUC and timeline for sharing with the Advisory Council
- Present on proposed incentive step-down updates in the next SOMAH Public Forum on May 25, 2022
- Gather support from program stakeholders (e.g. Community-based organization partners)
- Submit PFM to CPUC in June or July