Ordinance amending the Environment Code by adding Chapter 18 creating a Solar Energy Incentive Program; establishing limits on the incentive payments; providing eligibility criteria for the incentive payments; establishing limits on the amount of assistance available; allocating program funding among types of buildings; and imposing duties and responsibilities on the program administrator.

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

Section 1. The San Francisco Environment Code is hereby amended by adding Chapter 18, to read as follows:

Section 18.1 FINDINGS

A. Over the past year the San Francisco Solar Task Force (the "Solar Task Force") was convened by Assessor-Recorder Phil Ting to provide analysis and policy proposals on how best to increase the development of solar energy in San Francisco.

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

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

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

E. The SFPUC is currently undertaking the development of additional large scale renewable energy generation assets within the City with the objectives of expanding and diversifying the renewable energy resources available to City departments and other SFPUC customers, boosting the City's clean energy industry and improving overall in-City energy reliability. However, there is a need for further initiatives to stimulate the growth in the City's supply of renewable energy. The SFPUC is currently undertaking the development of additional large-scale renewable energy generation assets within the City, and the development of Community Choice Aggregation, with the objective of expanding and diversifying the renewable energy resources available to City departments and other SFPUC customers, boosting the City's clean energy industry and improving overall in-City energy reliability. However, as the SFPUC's customer base represents just a portion of the City's energy consumption market there is a need for further initiatives to stimulate the growth in the City's supply of renewable energy.

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

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

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

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

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

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

L. The City and the SFPUC intend this program to complement the SFPUC's
renewable energy capital programs, including CCA, by attracting additional investment that
will expand the development of renewable energy within the City and will spread the costs and
risks of that development across a more diverse range of stakeholders.

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

Section 18.2 INCENTIVE PAYMENTS.

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

Section 18.3 TYPES OF SYSTEMS ELIGIBLE FOR ASSISTANCE.

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

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

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

Section 18.4 LIMITS ON AMOUNTS OF ASSISTANCE.

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

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

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

(ii) The limit of assistance shall be $4,000 for systems installed by an individual, firm or organization with whose principal office or offices are located within the City. If in implementing the program the Program Administrator determines that the terms of this clause do not provide the intended stimulus for the in-City installation industry, then the Program Administrator may establish new criteria that it deems more effective in achieving the in-City job creation and installation market objectives of the program.

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

(iv) The limit of assistance shall be $6,000 for systems installed by an individual trained under the City workforce development program. If in implementing the incentive program the Program Administrator determines that the terms of this clause do not provide the intended stimulus for the successful placement of workers trained under the City's workforce development program, then the Program Administrator may establish new criteria that it deems more effective in achieving such objectives of the program.
(c) **Limits for photovoltaic panel systems for commercial, industrial or manufacturing property.** No applicant may receive assistance in excess of $1,500 per kilowatt of electric power a photovoltaic panel system is designed to generate.

(d) **Adjustments in limits.**

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

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

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

**Section 18.5 ALLOCATION OF PROGRAM FUNDING AMONG TYPES OF BUILDINGS.**

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

**Section 18.6 PROGRAM ADMINISTRATION.**
(a) **The program will be administered by the Program Administrator, which shall be the SFPUC, acting by and through its Power Enterprise.** SFPUC shall coordinate administration of the Solar Energy Incentive Program with the implementation and administration of CCA to maximize its efficiency in achieving the renewable energy expansion goals contemplated under CCA.

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

(c) **The Program Administrator shall establish reasonable eligibility criteria for the incentive payments so that the program is available to all applicants within the City regardless of their customer relationship with any particular electric service provider.** For ease of administration these criteria shall be deemed satisfied when an applicant provides appropriate evidence that the applicant is entitled to payments under the California Solar Initiative as authorized by the California Public Utilities Commission and the State of California under SB1 (Chapter 132, Statutes of 2006) (as such program may be amended from time to time, the "California Solar Initiative"); provided, however, that demonstrating eligibility for the California Solar Initiative shall not be the sole means of establishing eligibility. The Program Administrator shall also establish reasonable and clear eligibility criteria for approving incentive payments to applicants who are not beneficiaries of the California Solar Initiative, which criteria shall include (but are not limited to) confirmation that the applicant has installed the system in compliance with all applicable laws, including Department of Building Inspection inspection and approvals. The Program Administrator shall not disburse any funds to an applicant unless the applicant provides appropriate evidence that the applicant is entitled to payments under the California Solar Initiative as authorized by the California Public Utilities Commission and the State of California under SB1 (Chapter 132, Statutes of 2006) (as such program may be amended from time to time, the "California Solar Initiative"). In the event that...
the applicant is not eligible for the California Solar Initiative or such program is otherwise unavailable for the system in question the Program Administrator shall determine other reasonable eligibility criteria for approving incentive payments, including evidence that the applicant has installed the system in compliance with all applicable laws, including Department of Building Inspection inspection and approvals.

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

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

(f) The Program Administrator shall determine and implement payment procedures for incentives under the program. Such payment procedures may include the option to make payments on applicants' behalf directly to installers or other contractors in connection with their work on the system. Such payments shall not be considered contracts or grants of the City for any City procedural contracting ordinances, and no requirements shall be imposed as a condition of receipt of such incentive payments aside from those specifically referenced in this ordinance and as necessary to protect the City from legal liabilities and promote the goals of this ordinance.
(g) The Program Administrator shall monitor the effective costs of renewable energy system installation and other related market information for purposes of making the adjustments described in Section 18.4(d)(ii).

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

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

(j) In the context of funding appropriations for this program in future years, the Board of Supervisors will

(i) Consider the Program Administrator's first-year report, identified in subsection 18.6 (i) above;

(ii) Review and approve the Environmental Justice District boundaries established by the Program Administrator pursuant to subsection 18.6 (h);
(iii) Review and approve any new or modified criteria or incentives established by the Program Administrator.

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

By: [Signature]
Theresa L. Mueller
Deputy City Attorney
Ordinance amending the Environment Code by adding Chapter 18 creating a Solar Energy Incentive Program; establishing limits on the incentive payments; providing eligibility criteria for the incentive payments; establishing limits on the amount of assistance available; allocating program funding among types of buildings; and imposing duties and responsibilities on the program administrator.

February 26, 2008 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE
Ayes: 10 - Alioto-Pier, Ammiano, Chu, Daly, Elsbernd, Maxwell, McGoldrick, Mirkarimi, Peskin, Sandoval
Excused: 1 - Dufty

February 26, 2008 Board of Supervisors — PASSED ON FIRST READING AS AMENDED
Ayes: 7 - Alioto-Pier, Ammiano, Chu, Elsbernd, Maxwell, Peskin, Sandoval
Noes: 3 - Daly, McGoldrick, Mirkarimi
Excused: 1 - Dufty

March 4, 2008 Board of Supervisors — RE-REFERRED: Rules Committee
Ayes: 7 - Ammiano, Daly, Dufty, Maxwell, McGoldrick, Mirkarimi, Peskin
Noes: 4 - Alioto-Pier, Chu, Elsbernd, Sandoval

June 3, 2008 Board of Supervisors — PASSED ON FIRST READING
Ayes: 7 - Alioto-Pier, Ammiano, Chu, Dufty, Elsbernd, Maxwell, Sandoval
Noes: 4 - Daly, McGoldrick, Mirkarimi, Peskin

June 10, 2008 Board of Supervisors — FINALLY PASSED
Ayes: 8 - Alioto-Pier, Ammiano, Chu, Dufty, Elsbernd, Maxwell, Mirkarimi, Sandoval
Noes: 3 - Daly, McGoldrick, Peskin
I hereby certify that the foregoing Ordinance was FINALLY PASSED on June 10, 2008 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

6-18-08
Date Approved

Mayor Gavin Newsom