Decision **PROPOSED DECISION OF COMMISSIONER PEEVEY**
**(Mailed 11/10/2011)**

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

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| Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues. | Rulemaking 10-05-004 (Filed May 6, 2010) |

# DECISION ADOPTING SELF-GENERATION INCENTIVE PROGRAM ANNUAL BUDGET FOR 2012, 2013 AND 2014

## Summary

This decision adopts an annual budget of $83 million for the Commission's Self-Generation Incentive Program (SGIP) for 2012, 2013, and 2014. The Commission also directs the Commission's Energy Division to complete a review of SGIP participation, spending patterns, and carryover funding in early 2013.

## Background

The Commission established the Commission's Self-Generation Incentive Program (SGIP) in 2001 to provide incentives to businesses and individuals who invest in distributed generation (DG), i.e., generation installed on the customer's side of the utility meter that provides electricity for a portion or all of that customer's electric load. (*See* Decision (D.) 01-03-073.) The program is available to customers of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas). The program is administered by these same investor-owned utilities (IOUs), except that the California Center for Sustainable Energy (CCSE) administers the program for SDG&E in its service territory.

The SGIP budget has been set at $83 million per year since 2007. (*See* D.06-12-033 and D.08-01-029.) In 2009, Senate Bill (SB) 412 (Stats. 2009, Ch. 182) amended Pub. Util. Code § 379.6 to allow the Commission to authorize the annual collection for SGIP in 2010 and 2011 of not more than the amount authorized for SGIP in 2008, with no collections after December 31, 2011. The legislation extended administration of the program until January 1, 2016, but directed that on January 1, 2016, the Commission shall provide repayment of all unallocated SGIP funds. In D.09-12-047, the Commission authorized annual SGIP collections of $83 million for 2010 and 2011.

In 2011, the Legislature passed Assembly Bill (AB) 1150 (Stats. 2011, Ch. 310), extending the Commission's authority to authorize annual collections for SGIP through December 31, 2014 at a rate not more than the amount authorized for SGIP in the 2008 calendar year.

## SGIP Budget for 2012, 2013, and 2014

In a ruling of October 19, 2011, the assigned Administrative Law Judge (ALJ) requested comments on the SGIP budget for 2012, 2013, and 2014 in order to implement AB 1150. The ruling proposed that the Commission authorize PG&E, SCE, SDG&E, and SoCalGas to collect $83 million per year in 2012, 2013, and 2014 for SGIP according to the allocation adopted in D.09-12-047, as shown below:

**Table 1: SGIP Budget Allocation**

| Utility | Annual SGIP Budget (in millions) |
|---|---|
| PG&E | $36 |
| SCE | $28 |
| SDG&E | $11 |
| SoCalGas | $8 |
| **Total** | **$83 million per year** |

Comments on the ALJ Ruling were filed by the Commission's Division of Ratepayer Advocates (DRA), PG&E, SCE, The Utility Reform Network (TURN), and jointly by CCSE, SDG&E and SoCalGas (Joint Commenters).

PG&E, SCE, and the Joint Commenters all support the ruling's suggestion to maintain the SGIP budget at $83 million for 2012 through 2014. They contend that this infusion of funds will be necessary to support the recent modifications to the SGIP required by SB 412 and implemented in D.11-09-015, which allows an increased number of distributed generation technologies to qualify for SGIP incentives. SCE notes that SGIP was suspended on February 10, 2011, but this suspension will likely be lifted shortly.[1] According to SCE, the Program Administrators expect to receive many applications at that time and the $83 million annual budget will likely be necessary to accommodate increased interest in the program.

In contrast, DRA and TURN recommend a smaller SGIP budget authorization than proposed in the ALJ Ruling. DRA alleges that there are $165 million in funds already collected from ratepayers that are currently

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[1] The suspension of SGIP was lifted on November 15, 2011, after the mailing of the proposed decision in this matter.

available for SGIP incentive funding.[2] DRA suggests the Commission postpone additional collections until at least 50% of this $165 million is designated to specific projects. Similarly, TURN suggests the Commission adopt a budget of only $30 million for 2012, based on its review of historical SGIP spending patterns for the technologies currently eligible for funding. TURN further proposes that the Commission evaluate the relative benefits of SGIP compared to alternative uses of these funds for distributed energy resource programs, such as utility solar procurement and utility procurement under the Renewable Auction Mechanism, before authorizing any budget for 2013 or 2014.

We agree with the utilities and CCSE that the full $83 million budget should be authorized for 2012, 2013, and 2014 to accommodate the expanded SGIP eligibility granted by SB 412 and D.11-09-015. This $83 million budget should be allocated across PG&E, SCE, SDG&E, and SoCalGas in the same percentages adopted in D.09-12-047. In comments on the proposed decision, the IOUs and CCSE note that incentive funds have been quickly reserved since SGIP reopened to applicants on November 15, 2011. This indicates that demand exists for the full amount of annual funding.

At the same time, we agree with DRA and TURN that the Commission should review SGIP participation rates and the spending of carryover funding. This information will be useful should the Commission wish to consider modifications to the SGIP budget or program over the next few years. Therefore,

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[2] As of December 1, 2011, Energy Division review of SGIP funds indicates carryover funding is only $41.4 million. PG&E and CCSE have no remaining carryover funds, while SoCalGas and SCE have $6.3 million and $35.1 million in carryover funding, respectively.

we will direct our Energy Division to review SGIP participation, spending patterns by eligible technologies, and the use of carryover funding from prior years. Energy Division shall prepare an SGIP budget report with recommendations on any potential adjustments to the SGIP budget for 2013 and 2014 and submit it to the ALJ and assigned Commissioner no later than March 15, 2013. Upon receipt of this report, the ALJ may solicit comments on the report from parties to this proceeding or its successor proceeding.

In addition, TURN asks for clarification about IOU SGIP collections of carryover funding. The Commission currently allows the IOUs to base SGIP collections of carryover funding on the amounts "committed, reserved and/or spent in that calendar year." (D.09-12-047, Ordering Paragraph 3(b).) TURN requests the Commission clarify that the IOUs include only "confirmed reservations" in any advice letters requesting rate changes to fund SGIP from carryover funds. We will clarify that when submitting advice letters pursuant to Ordering Paragraph 3(b) of D.09-12-047 to collect carryover funding, the IOUs should base the request on SGIP confirmed reservations as that term is defined in the SGIP Handbook, or on other funds committed or spent for program administration or evaluation purposes. We also clarify that collection of carryover funding authorized in past SGIP budgets is separate and not part of collection of the $83 million authorized for SGIP in 2012, 2013 and 2014.

Other than this one minor clarification regarding confirmed reservations and the collection of carryover funding, this decision does not alter any other SGIP provisions adopted in D.09-12-047 regarding SGIP accounting, collection of authorized carryover funding, reporting and return of funds collected and unallocated as of January 1, 2016. The SGIP administrators should continue to adhere to the program guidelines set forth in D.09-12-047. Moreover, we note that in September 2011, the Commission issued D.11-09-015 to implement provisions of SB 412 and modify SGIP with regard to, among other things, eligibility criteria, incentive amounts, metering requirements and budget allocation among eligible technologies. Nothing in this decision modifies any elements of D.11-09-015.

**Comments on Proposed Decision**

The proposed decision in this matter was mailed to the parties in accordance with Section 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by Bloom Energy Corporation (Bloom), the California Clean DG Coalition (CCDC), CCSE, Fuel Cell Energy Inc., UTC Power Corporation (UTC), PG&E, SCE, TURN, and jointly by SDG&E and SoCalGas. Reply comments were filed by Bloom, the California Energy Storage Alliance (CESA), ClearEdge Power (ClearEdge), PG&E, and SolarCity Corporation (SolarCity). Where the comments suggested minor modifications to the text, those changes have been incorporated.

The majority of commenters ask the Commission to authorize SGIP at $83 million per year for 2012 through 2014, as originally proposed in the ALJ Ruling, citing the need for regulatory certainty in the distributed generation market. They contend that an interim budget for 2013, as proposed in the initial proposed decision, will lead to market uncertainty and hamper investment in distributed generation. They note this runs counter to recent SGIP revisions in D.11-09-015 to accept new technologies. Only SCE and UTC support the proposed decision as written, which sets a reduced interim budget for SGIP in 2013 until Energy Division completes an assessment of SGIP participation. Given the addition of new technologies to SGIP by D.11-09-015, there is compelling reason to modify the proposed decision and authorize collection of the full amount of $83 million annually for 2012 through 2014. As most parties correctly note, the statutes relating to SGIP protect ratepayers by providing that any unallocated SGIP funds will be returned to ratepayers after January 1, 2016. We will authorize $83 million in annual SGIP funding, subject to refund to ratepayers in 2016 if it is unused.

CCSE requests that the decision be revised to direct Energy Division to review waitlisted projects when it reviews program participation. We will allow Energy Division the discretion to include a review of waitlisted projects, should it deem that information appropriate.

CESA recommends a measured approach and further reporting and analysis on program participation before a budget is set for 2013 and 2014. CESA requests more transparent program reporting because it is concerned that one technology could use up all available incentive funds and exclude newly-eligible technologies. The decision directs Energy Division to monitor program participation and provide recommendations to the Commission if budget changes are warranted. This level of review is adequate and Energy Division can provide recommendations to the ALJ and assigned commissioner at any time. It does not need to wait for the March 15, 2013 deadline should it see the need for program changes. In addition, CESA's concerns are more appropriately handled through a petition for modification of D.11-09-015 to the extent CESA has specific concerns with program operation.

## Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Dorothy J. Duda is the assigned ALJ in this proceeding.

## Findings of Fact

1. AB 1150 allows the Commission to authorize annual collections for SGIP through December 31, 2014 at a rate not more than the amount authorized for SGIP in 2008.

2. The SGIP authorized collections in 2008 were $83 million, allocated among the four IOUs as shown in Table 1 of this decision.

## Conclusions of Law

1. The SGIP budget for 2012, 2013 and 2014 should be set at $83 million annually and allocated across the four IOUs according to the percentages shown in Table 1 of this decision.

2. Energy Division should review SGIP participation, spending patterns by eligible technologies, and the use of carryover funding from prior years.

3. When submitting advice letters pursuant to Ordering Paragraph 3(b) of D.09-12-047 to collect carryover funding, the IOUs should base the request on SGIP confirmed reservations or on other funds committed or spent for program administration or evaluation purposes.

## O R D E R

**IT IS ORDERED** that:

1. The Self-Generation Incentive Program budget for 2012, 2013, and 2014 is $83 million annually, and Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall collect $83 million in each of those years according to the allocation shown in Table 1 of this decision.

2. Energy Division shall review Self-Generation Incentive Program (SGIP) participation, spending patterns by eligible technologies, and the use of

carryover funding from prior years and prepare an SGIP budget report with recommendations on any potential adjustments to the SGIP budget for 2013 and 2014. Energy Division shall submit the report to the Administrative Law Judge (ALJ) and assigned Commissioner no later than March 15, 2013. The ALJ may modify this date as needed.

3. Rulemaking 10-05-004 shall remain open.

This order is effective today.

Dated ____________________________, at San Francisco, California.