

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**11-10-11
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November 10, 2011

Agenda ID # 10824
Quasi-legislative

TO PARTIES OF RECORD IN RULEMAKING 10-05-004

This is the proposed decision of Commissioner Peevey. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Duda at dot@cpuc.ca.gov and Commissioner Peevey's advisor Scott Murtishaw at sgm@cpuc.ca.gov. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ MARYAM EBKE for
Karen V. Clopton, Chief
Administrative Law Judge

KVC:acr

Attachment

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

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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 AND 2013**

Summary

This decision adopts an annual budget of \$83 million for the Commission's Self-Generation Incentive Program (SGIP) for 2012, and an interim budget of \$41.5 million for 2013. The Commission will consider whether to augment the 2013 budget and a budget for 2014 after review by the Commission's Energy Division of SGIP participation, spending patterns, and carryover funding.

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. 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 available for SGIP incentive funding. 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 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.

At the same time, we agree with DRA and TURN that the Commission should review SGIP participation rates and the spending of carryover funding before authorizing an SGIP budget for 2013 and 2014. We will authorize an interim budget for 2013 of \$41.5 million to be collected in the first half of 2013. Each utility will collect half of its allocation in Table 1 for 2013. Further, 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 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, so that the Commission may act by June 30, 2013 on any augmentation of the SGIP budget for 2013 (to be collected in the second half of 2013) and a budget for 2014. The ALJ and assigned Commissioner may authorize by ruling continued monthly SGIP collections if the Commission has not acted on SGIP budget matters by June 30, 2013. Any such collections, if authorized,

would be continued at the same monthly rate as in effect for the first half of 2013, but only through December 31, 2013.

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. TURN’s request appears to seek clarification of what is already stated, namely that collections be based upon amounts committed, reserved or spent. Nevertheless, 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.

This decision does not alter any of the SGIP provisions adopted in D.09-12-047 regarding SGIP accounting, 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 _____ and reply comments were filed by _____ on _____.

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 should be set at \$83 million and allocated across the four IOUs according to the percentages shown in Table 1 of this decision.
2. The Commission should adopt an interim SGIP budget for 2013 of \$41.5 million, to be collected in the first half of 2013.
3. Energy Division should review SGIP participation, spending patterns by eligible technologies, and the use of carryover funding from prior years.
4. 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.

O R D E R

IT IS ORDERED that:

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

2. The Self-Generation Incentive Program interim budget for 2013 is \$41.5 million, and Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall each collect half of the allocation amount shown in Table 1 of this decision in the first half of 2013.

3. 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 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.

4. The Administrative Law Judge and assigned Commissioner may authorize by ruling continued monthly Self-Generation Incentive Program (SGIP) collection if the Commission has not acted on SGIP budget matters by June 30, 2013. Any such collections, if authorized by ruling, would be continued at the same monthly rate in effect for the first half of 2013, and would be allowed only through December 31, 2013.

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

This order is effective today.

Dated _____, at San Francisco, California.