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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 08-03-008
(Filed March 13, 2008)

**ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING COMMENTS
ON THE SELF GENERATION INCENTIVE PROGRAM
BUDGET FOR 2010 AND 2011**

This ruling requests parties' comments on a budget for the Self Generation Incentive Program (SGIP) in years 2010 and 2011.

Background

The SGIP, as established by the Commission in Decision (D.) 01-03-073, provides incentives to customers who install distributed generation facilities.¹ The program budget was initially \$125 million per year, allocated across the four large energy investor-owned utilities (IOUs). Following the creation of the California Solar Initiative (CSI) in 2006, the SGIP budget was reduced to \$83 million per year in years 2007 through 2009. (See D.06-12-033, D.08-01-029 and D.09-01-013). The table below indicates the allocation of the \$83 million for 2009 across the four IOUs, as adopted in D.09-01-013:

¹ Pursuant to Pub. Util. Code § 379.6, eligibility for SGIP incentives is limited to qualifying wind and fuel cell distributed generation technologies, beginning January 1, 2008 through January 1, 2012.

SGIP Budget for 2009

Utility	SGIP Budget (in millions)
PG&E	\$36
SCE	28
SDG&ECE	11
SoCalGas	8
Total	\$83 million

In adopting this budget for 2009, the Commission noted uncertainty regarding prior year unspent SGIP funds, or “carryover funds,” which had accrued over several years of SGIP operations. The decision directed the four IOUs to provide detailed information on all unspent funds and pending SGIP applications so the Commission can determine the dollar amount of collected and unspent funds, and whether to return these funds to ratepayers, use them for future program budgets, or continue to accrue these funds as carryover.

Other relevant SGIP background information includes the following:

- Legislation currently awaiting the Governor’s signature (SB 412, Kehoe) would allow collections from ratepayers for SGIP in 2010 and 2011, extend administration of the program until January 1, 2016, and expand program eligibility to distributed energy resources that achieve reductions in greenhouse gas emissions.
- As set forth in D.01-03-073, half of SGIP incentive funds are earmarked for renewable (Level 2) projects and half of the funds are for non-renewable (Level 3 projects). Funds may be moved from Level 3 to Level 2 (e.g. from non-renewable to renewable projects), but a Program Administrator must seek approval through Advice Letter to shift funds to the non-renewable category. Also, funds may be moved from administrative and program evaluation budgets to either Level 2 or Level 3 incentives.

- D.08-04-049 allows the SGIP program administrators (PAs)² to use any carryover funds from prior budget years to pay incentives up to 3 MW. Incentives up to 1 MW are paid at existing rates, and incentives over 1 MW and up to 3 MW are paid a lower incentive as set forth in D.08-04-049. Systems may be sized up to 5 MW, but are only paid incentives up to 3 MW.
- D.08-11-044 allows energy storage technologies to receive incentives of \$2 per watt when coupled with SGIP eligible technologies.
- A pending decision in this proceeding would approve a petition by Bloom Energy Corporation to expand eligibility for renewable (Level 2) incentives for SGIP projects that use fuel delivered through directed biogas contracts.³

Status of SGIP Budgets

On June 1, 2009, the four IOUs supplied the SGIP budget information requested by D.09-01-013. The data supplied is current through May 1, 2009, and indicates different accounting methods for each utility regarding SGIP funds, and significant carryover funds, i.e. authorized budget that is unspent. Some IOUs have reserved funds for projects, but not yet collected the money from ratepayers or only collected as incentives need to be paid out. Thus, they are under-collected. Other IOUs have collected their authorized budgets on a consistent basis, but not yet committed them to a project. Thus, they are over-collected.

² The SGIP PAs are PG&E, SCE, SoCalGas and the California Center for Sustainable Energy (CCSE) in the SDG&E territory.

³ See "Proposed Decision Granting Petition to Modify Self Generation Incentive Program Regarding Renewable Fuels," mailed for comment on September 10, 2009.

Before describing the status of each IOU's SGIP budget, it is helpful to define various terms used in this ruling:

- Total Authorized Budget – the amount of funds a utility has been authorized by the Commission to collect for its SGIP budget, including incentives, administration, and program evaluation.
- Total Spent and Reserved - Actual Expenditures (i.e., the amount of funds which have been spent) plus Pending Reservations (i.e., projects that have applied for and are anticipated to collect funds, but have not yet received incentive payments).
- Total Authorized Carryover – Authorized Budget minus Actual Expenditures and Pending Reservations. This is the amount an IOU should theoretically have available for SGIP.
- Ratepayer Collections – the actual dollar amount collected from ratepayers for SGIP.
- Collected Carryover – the actual dollar amount of funds collected from ratepayers minus Actual Expenditures and Pending Reservations.
- Uncollected Carryover – Total Authorized Carryover minus what remains unspent and unreserved from ratepayer collections.

The Energy Division reviewed the information supplied by the four IOUs in their June 2009 filings. Based on the information supplied, the Energy Division summarized the budget and collections information from each utility in a uniform format, as shown in the table below. Energy Division's analysis of the utilities' filings is attached to this Ruling as Appendix A.⁴

⁴ The numbers in this table and in Appendix A may differ slightly from the numbers filed by the IOUs in June 2009. Appendix A includes notes to explain the variations between the filings, Appendix A, and this table.

SGIP Budget Status (\$ in millions) through May 1, 2009

IOU	Total Authorized Budget⁵ (a)	Total Spent and Reserved (b)	Total Authorized Carryover (c) = a - b	Total Ratepayer Collections (d)	Collected Carryover (e)=d-b	Uncollected Carryover (f) = c-e
PG&E	\$463.2	\$373.9	\$89.3	\$427.7	\$54.2	\$35.1
SCE	276.4	162.7	113.7	240.9	78.2	35.5
SDG&E	128.7	82.9	45.8	90.4	7.5	38.3
SoCalGas	153	91.6	61.4	106.3	14.7	46.7
Total	\$1021.3	\$711.0	\$310.2	\$865.3	\$154.6	\$155.6

As seen in the table above, there is a large discrepancy between the Total Authorized Budget and Total Spent and Reserved by each IOU. Though each IOU has collected funds in a unique manner, none has collected the full amount of funds authorized for SGIP. Thus, \$310.2 million in Total Authorized Carryover has accrued. Of this total carryover, \$154.6 million has been collected from ratepayers, and \$155.6 million is uncollected.

Comments Requested

Based on the information supplied by the IOUs, and the provisions of SB 412 which allows the program to be administered until January 1, 2016, this ruling solicits comments on a proposal for simplifying SGIP budget and carryover funding for 2010 and 2011 and rectifying the irregularities among the

⁵ The authorized budget amounts do not include additional Level 1 funds added to each IOU's SGIP budget in 2006 for PV incentives, which were transferred to CSI by D.06-12-033.

four IOUs in their accounting for SGIP funds. The budget and relevant program details for SGIP in 2010 and 2011 are proposed as follows:

- The SGIP authorized budget should continue to be set at \$83 million annually for 2010 and 2011, with allocation across the IOUs in the same percentages as prior years. The IOUs should collect \$83 million from ratepayers in both 2010 and 2011 as follows:

SGIP Budget: 2010 and 2011

Utility	Annual SGIP Budget (in millions)
PG&E	\$36
SCE	\$28
SDG&E	\$11
SoCalGas	\$8
Total	\$83 million

- The SGIP PAs may reserve and spend the \$166 million collected in 2010 and 2011, through December 31, 2015. They may also reserve and spend the \$310.2 million Total Authorized Carryover from prior years authorized SGIP budgets as shown in the table in this ruling. If all funds are expended prior to December 31, 2015, the program will end early.
- Pursuant to SB 412, any SGIP funds that are collected and unallocated on January 1, 2016 shall be returned to ratepayers.
- Projects up to 5 MW in size can qualify for incentives up to 3 MW. The restriction in D. 08-04-049 that incentives over 1 MW can only be paid from carryover funds would no longer apply and incentives over 1 MW may be funded from either carryover funds or the current year's budget. However, the tiered incentive rates adopted in D.08-04-049 would remain in effect.
- SGIP Program Administrators should continue to implement SGIP in accordance with all previous direction from this Commission including but not limited to allocation of funds between renewable and non-renewable projects and a 10% cap on administrative expenses.

- The Commission should direct the SGIP PAs to obtain an independent audit of SGIP expenditures and ratepayer collections, funded from the SGIP administrative budget, to ensure that expenditures do not exceed authorized budgets and the proper management of carryover funds.

In addition to filing comments on the proposal above, the SGIP administrators should include in their filing verification of the accuracy of the tables prepared by Energy Division, which are attached to this ruling, and any proposed corrections. The attached tables represent Energy Division's analysis of the data provided by the IOUs in their June 1, 2009 filings. The PAs should verify, correct as needed, and provide an update of the information, current through September 1, 2009. The PA's should use the PA Budget sample Format sheet in Appendix B of this ruling.

Accordingly, **IT IS RULED** that:

1. Parties may file comments on the proposals in this ruling relating to the Self Generation Incentive Program (SGIP) for 2010 and 2011 no later than September 28, 2009.
2. Parties may file reply comments no later than October 5, 2009.
3. PG&E, SCE, SoCalGas, and SDG&E, in cooperation with CCSE, are directed to verify the accuracy of the data in the attached tables, provide corrections as needed, and update the data through September 1, 2009 using the format in Appendix B.

Dated September 17, 2009, at San Francisco, California.

/s/ DOROTHY J. DUDA
Dorothy J. Duda
Administrative Law Judge

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated September 17, 2009, at San Francisco, California.

/s/ CRISTINE FERNANDEZ
Cristine Fernandez