

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking Regarding  
Policies, Procedures and Rules for the Self-  
Generation Incentive Program and Related  
Issues.

Rulemaking 20-05-012  
(Filed May 28, 2020)

**OPENING COMMENTS OF  
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES  
ON PROPOSED DECISION REVISING SELF-GENERATION INCENTIVE PROGRAM  
RENEWABLE GENERATION TECHNOLOGY PROGRAM REQUIREMENTS AND  
OTHER MATTERS**

May 19, 2021

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**FOR: Center for Energy Efficiency and  
Renewable Technologies**

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OTHER MATTERS**

Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Opening Comments on the Proposed Decision Revising Self-Generation Incentive Program Renewable Generation Technology Program Requirements and Other Matters (Proposed Decision), mailed in this proceeding on April 29, 2021. These Opening Comments are timely filed and served pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

**I.  
SUMMARY OF CEERT'S POSITION**

CEERT appreciates the large amount of time, stakeholder engagement, and careful consideration invested in creating this Proposed Decision. The Self-Generation Incentive Program (SGIP) is an important tool in California's economy-wide decarbonization, in part because it opens the energy sector to new technologies and encourages their economic development. Thus, while it supports much of the Proposed Decision, CEERT's main concerns relate to the proposed restrictions on the burgeoning hydrogen industry.

## **II. THE PROPOSED DECISION SHOULD SCALE SGIP FUNDING TO INCENTIVIZE THE CLEANEST PROJECTS**

SGIP is an incentive program funded by ratepayer money. As such, CEERT believes this program should aim to maximize funding to the cleanest projects that decrease greenhouse gas emissions and contribute to increased energy reliability, thereby providing maximum benefit to California ratepayers. However, meeting California’s climate and clean energy goals will require a diverse portfolio of clean resources, including resources that are still under development. Thus, CEERT strongly encourages the Commission to ensure that SGIP does not preemptively exclude broad technology groups that may have an important role to play in the transition to a decarbonized electric grid.

CEERT strongly agrees with the Proposed Decision’s analysis that

“[b]roadly defining renewable hydrogen for SGIP purposes supports the development of a variety of distributed generation projects using a variety of feedstocks, electricity sources, and methods, and advances California’s decarbonization goals by encouraging competition and innovation.”<sup>1</sup>

However, CEERT believes the Proposed Decision intrinsically conflicts with this statement in its treatment of hydrogen compared to other renewable fuels. Namely, the Proposed Decision subsequently calls for a prohibition of “...hydrogen produced via steam methane reforming or other combustion processes using either fossil or renewable fuel feed stocks as an eligible SGIP fuel.”<sup>2</sup>

While it believes the state should move expeditiously away from steam methane reforming as a hydrogen production method due to its high emission profile, CEERT also cautions against a blanket prohibition on the technology and other combustion processes. By eliminating a large array of potential hydrogen production pathways, the Commission risks

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<sup>1</sup> Proposed Decision Finding of Fact 22, at p. 86.

<sup>2</sup> Proposed Decision Order 1(h), at p. 100.

stifling innovative technologies that are cleaner than current resources, such as diesel back up generation. Additionally, many of these technologies are cleaner than California’s electric grid today.

The restrictions on hydrogen projects are not equivalent to those placed on other renewable fuel projects. For example, the Proposed Decision requires

“on-site SGIP internal combustion engine projects using biogas to meet the same methane gas quality standard required for natural gas [to ensure] that...the project does not result in greater [greenhouse gas (GHG)] emissions than combustion of pipeline natural gas.”<sup>3</sup>

Additionally, the Proposed Decision recommends that the Commission “...adopt requirements to ensure that internal combustion engine projects reduce criteria pollutants as compared to the electricity and gas usage that the SGIP project replaces.”<sup>4</sup> As internal combustion engines funded under SGIP can use renewable natural gas, CEERT believes hydrogen projects should be held to a similar standard due to the variation in emission profiles of different production processes and feedstocks. As such, CEERT suggests the Commission determine SGIP eligibility on a project-by-project basis rather than taking an overarching, technology-based approach. The energy industry is an innovative field that is rapidly evolving to meet the needs of California’s decarbonization goals. Excluding a broad group of technologies that may be cleaner than current technology and today’s electric grid has the potential to lock out important resources that can either complete a necessary diverse and wide-ranging resource portfolio or help in the transition to clean energy.

As stated above, CEERT believes SGIP funding should be used to incentivize the cleanest projects possible. Thus, the Commission should scale incentive awards with the amount of emission reduction benefits projects bring to the grid compared to the current emission profile

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<sup>3</sup> Proposed Decision Finding of Fact 18, at p. 85.

<sup>4</sup> Proposed Decision Conclusion of Law 4, at p. 92.

of the resource the project will replace. Project applicants should have to prove the emission benefits of the technology, and cleaner technologies should receive a larger share of funding.

Finally, the Proposed Decision states:

“The Commission should define eligible renewable hydrogen fuel for SGIP projects as hydrogen produced at a SGIP project site, or delivered to a SGIP project site by vehicle or dedicated pipeline, that was produced through non-combustion thermal conversion, or electrolysis using 100 percent renewable electricity, as defined by the Renewables Portfolio Standard, with the addition of large hydropower and excluding purpose-grown crops. If the renewable electricity is not generated on-site, the purchase program or load serving entity must provide bundled Renewable Energy Credits to the electricity purchaser.”<sup>5</sup>

CEERT seeks clarification from the Commission on the definition of a “dedicated pipeline” in this context to eliminate concern of various interpretations.

### **III. CONCLUSION**

CEERT appreciates the opportunity to comment on and is overall supportive of this Proposed Decision. However, CEERT encourages the Commission to ensure that this decision does not set an exclusionary precedent in this and other proceedings by invertedly stymieing innovation in the developing hydrogen industry. As such, CEERT recommends the Commission remove the broad exclusion of combustion hydrogen production pathways. Instead, the Commission should subject all SGIP projects to a robust emission analysis on a project-by-project basis and scale incentives proportionately to emission reduction benefits. This will ensure that the SGIP program is contributing to California’s economy-wide decarbonization without blocking technologies that may be useful in the transition to clean energy.

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<sup>5</sup> Proposed Decision Conclusion of Law 8, at p. 93.

Respectfully submitted,

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## APPENDIX A

### **CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES’ PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS FOR THE PROPOSED DECISION REVISING SELF-GENERATION INCENTIVE PROGRAM RENEWABLE GENERATION TECHNOLOGY PROGRAM REQUIREMENTS AND OTHER MATTERS**

Center for Energy Efficiency and Renewable Technologies (CEERT) proposes the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs of the Proposed Decision Revising Self-Generation Incentive Program Renewable Generation Technology Program Requirements and Other Matters (Proposed Decision), mailed in R.20-05-012 (SGIP) on April 29, 2021 (Proposed Decision).

Please note the following:

- A page citation to the Revised Proposed Decision is provided in brackets for each Finding of Fact, Conclusion of Law, or Ordering Paragraphs for which a modification is proposed.
- Added language is indicated by **bold type**; removed language is indicated by **bold strike-through**.
- A new or added Finding of Fact, Conclusion of Law, or Ordering Paragraph is labeled as “**NEW**” in **bold, underscored** capital letters.

#### **PROPOSED CONCLUSIONS OF LAW:**

~~9. [93] The Commission should prohibit hydrogen produced via steam methane reforming or other combustion processes using either fossil or renewable fuel feedstocks as an eligible SGIP fuel.~~

**NEW. The Commission should develop an incentive rating system that will scale funding amount by a project’s emission reduction potential. This should be evaluated on a project-by-project basis, allocating a larger portion of funding to cleaner technologies.**

**PROPOSED ORDERING PARAGRAPHS:**

1. [99-104] Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the Center for Sustainable Energy shall implement the revisions adopted in this decision and shall update the Self-Generation Incentive Program (SGIP) Handbook to:

- a. Terminate the pause adopted in Decision 20-01-021 on accepting incentive applications for renewable generation technology projects using renewable fuel with a capture/use/destroy biofuels baseline for renewable fuels produced in-state.
- b. Limit eligible directed renewable fuels to those produced in-state.
- c. Require Host Customers for renewable technology projects using renewable fuels to provide an attestation with application materials stating that the project will only use 100 percent renewable fuels for the lifetime of the project.
- d. Require 100 percent renewable fuel projects to meet the criteria pollutant emissions standards required for SGIP fossil fuel combustion projects in Section 379.6(c)(1) – (3) and to meet any additional local air quality management district pollutant emission limits.
- e. Prohibit SGIP incentives for internal combustion engine projects located in a county listed as a severe or extreme federal nonattainment area for particulate matter (PM10 or PM2.5) or eight-hour ozone (O3) in the U.S. Environmental Protection Agency Green Book for any of the three years prior to the SGIP application date.
- f. Require biogas fuel used in on-site internal combustion engine projects to meet a 96 percent methane gas quality standard; require projects using this fuel to self-certify to installation of equipment necessary to achieve this requirement; and require evaluators to inspect on-site internal combustion engines using biogas for compliance with these requirements during the initial site evaluation and during subsequent on-site measurement and verification assessments.
- g. Define eligible renewable hydrogen fuel as hydrogen produced at a SGIP project site, or delivered to a SGIP project site by vehicle or dedicated pipeline, that was produced

through non-combustion thermal conversion, or electrolysis using 100 percent renewable electricity, as defined by the Renewables Portfolio Standard, with the addition of large hydropower and excluding purpose-grown crops; require, if the renewable electricity is not generated on-site, the purchase program or load serving entity to provide bundled Renewable Energy Credits to the electricity purchaser.

~~h. Prohibit use of hydrogen produced via steam methane reforming or other combustion processes using either fossil or renewable fuel feedstocks in SGIP projects.~~

~~i.~~ **h.** Classify hydrogen produced using electricity derived from hydropower as eligible for use in SGIP projects if the project is located on-site or if the electricity is directly connected via a dedicated line.

~~j.~~ **i.** Define eligible renewable fuels as follows: A renewable fuel is a non-fossil fuel categorized as the following:

- i. Biodiesel or gas derived from feedstocks as defined in Assembly Bill 3163, or biomass as defined by the Renewables Portfolio Standard, with the exclusion of purpose-grown energy crops;
- ii. Biogas fuel used in on-site internal combustion engine projects that contains a minimum of 96 percent methane;
- iii. Hydrogen produced at a SGIP project site, or delivered to a SGIP project site by vehicle or dedicated pipeline, that was produced through non-combustion thermal conversion or electrolysis using 100 percent renewable electricity, as defined by the Renewables Portfolio Standard, with the addition of large hydropower and excluding purpose-grown crops. If the renewable electricity is not generated on-site, the purchase program or load serving entity must provide bundled Renewable Energy Credits to the electricity purchaser; and,
- iv. Fossil fuel “waste fuel” as defined in Section 379.6(c)(4) is not an eligible fuel for SGIP projects.

~~k.~~ **j.** Require that renewable fuel projects:

- i. Meet or exceed criteria pollutant emission levels as required in Section 379.6(c)(1) – (3);

- ii, Meet any additional local air quality management district criteria pollutant emission limits; and,
  - iii. Must not be located in a county listed as a severe or extreme federal nonattainment area for particulate matter (PM10 or PM2.5) or eight-hour ozone (O3) in the U.S. Environmental Protection Agency Green Book for any of the three years prior to the SGIP application date.
- ~~l~~ **k.** Remove all references to and/or requirements pertaining to fossil-fuel projects that are no longer relevant.
- ~~m~~ **l.** Propose SGIP renewable fuel documentation requirements so that customers and/or gas marketers are required to submit evidence regarding their renewable fuels use similar to that required for SGIP performance-based incentives or the Renewables Portfolio Standard.
- ~~n~~ **m.** Require, at minimum, monthly reporting of directed and on-site biogas fuel reports, attestations, supporting documentation, nomination records, procurement invoices, and meter data, and to propose additional enhancements to audit protocols beyond these requirements.
- ~~o~~ **n.** Indicate that SGIP Program Administrators or the SGIP evaluator will conduct periodic and random no-warning verification spot-checks of directed biofuel sources.
- ~~p~~ **o.** Indicate that SGIP Program Administrators will issue a single 30-day warning when renewable fuel use documentation is not provided as required or if a verification spot-check reveals a lack of compliance with SGIP requirements, followed by issuance of an infraction and initiation of SGIP Handbook section 9 procedures if the project is not in compliance within 30 days of issuance of the warning.
- ~~q~~ **p.** Allow SGIP projects to switch to a new fuel provider during the 10-year fuel contract length period if the requested change is approved by the SGIP Program Administrator, who must respond to a request within 30 days.
- ~~r~~ **q.** Regarding environmental attributes of eligible renewable fuels:
- i. Modify fuel source and other SGIP contracting requirements to require that the Host Customer maintains exclusive ownership of all environmental attributes

from contracted renewable fuel sources and may not sell, trade or transfer any of these attributes;

- ii. Require the submittal of attestations committing to this by both the fuel seller and the Host Customer;
- iii. Propose methods to include review of the disposition of environmental attributes during the fuel source verification spot checks adopted in this decision;
- iv. Propose additional revisions to program documentation and auditing requirements to ensure full Host Customer ownership of all environmental attributes of SGIP renewable fuels sources as necessary, after discussing this issue with interested SGIP Technical Working Group members.

s-r. Add the following language to section 6.10.1(2)) of the SGIP handbook (underlined):

“The application fee will be refunded upon completion and verification of the installed SGIP project. Prior to project completion, application fees are non-refundable once a Confirmed Reservation has been issued, unless the Host Customer subsequently cancels the project, requests a refund and certifies to the Program Administrator Working Group that it was unable to obtain a permit required for the installation and operation of the project or that the utility required installation of distribution upgrades that rendered the project financially unfeasible, in which case the Program Administrator Working Group shall approve such request unless it determines that the original Confirmed Reservation was obtained in bad faith or without the Host Customer having a reasonable expectation of obtaining the required permit or a financially feasible interconnection of the project.”

t. s. Add the following language at the end of section 2.5 of the SGIP handbook: “The reservation expiration date for any project using wind turbines shall be automatically extended for the period of time the Applicant is awaiting a final non-appealable decision on a permit required for the installation and operation of such project or the utility’s completion of any interconnection upgrades (i.e., interconnection facilities, distribution upgrades and network upgrades). In order to administer this provision, upon the Program Administrator’s request, the Applicant shall provide the Program Administrator with evidence satisfactory to the Program Administrator of (a) the date on which the Applicant filed its application for such permit, (b) the date on which it submitted its interconnection

application, (c) the date on which a final non-appealable decision on such permit has been issued, and (d) the date on which the utility has completed construction of required any required upgrades.”

- ~~u.~~ **t.** Allow SGIP wind projects to have an installed hub height of less than 80 feet.
- ~~v.~~ **u.** Revise the eligibility requirements for the Equity Resiliency Budget and the General Market Resiliency Adder Incentive to extend eligibility to customers who have experienced one Public Safety Power Shutoff (PSPS) event and one de-energization or power outage from an actual wildfire, in addition to customers that have experienced two or more discrete PSPS events and apply the eligibility requirements to the meter not to individual customers.
- ~~w.~~ **v.** Require customers using the Equity Resiliency Budget medical baseline pathway to self-certify that the customer has a serious illness or condition that could become life threatening if service is disconnected.
- ~~x.~~ **w.** Require customers using the medical baseline pathway to verify that the incentive will be used for energy storage equipment installed at the customer’s primary residence.
- ~~y.~~ **x.** Prohibit multi-tenant commercial buildings from eligibility for the Equity and Equity Resiliency Budgets.
- ~~z.~~ **y.** Allow multi-tenant commercial buildings to participate in the General Market Budget if they comply with all SGIP eligibility and operational requirements.