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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Rulemaking 20-05-012

**ADMINISTRATIVE LAW JUDGE’S RULING SEEKING ADDITIONAL
COMMENTS ON ASSEMBLY BILL 209 IMPLEMENTATION AND OTHER
SELF-GENERATION INCENTIVE PROGRAM IMPROVEMENTS**

This ruling seeks comments from parties to supplement the proceeding record regarding the funding authorized by Assembly Bill 209 Stats. 2022, Ch. 251 and improving outcomes for low-income customers under the Self-Generation Incentive Program.

Parties to this proceeding are directed to file opening comments on the questions listed in this Ruling within 20 days of the issuance date of this ruling and reply comments within 10 days of the deadline to file opening comments. Opening comments are limited to 20 pages and reply comments are limited to 10 pages.

1. Background

In September 2022, Governor Newsom signed Assembly Bill 209 Stats. 2022, Ch. 251, (AB 209), which amends Public Utilities (Pub. Util.) Code Section 379.6 to remove the requirement that the California Public Utilities Commission (Commission) administer solar technologies separately from the Self-Generation Incentive Program (SGIP). AB 209 also adds Pub. Util. Code Section 379.10 to guide funds appropriated by the legislature into solar and

storage or standalone storage incentives through SGIP for California residential customers.

On October 26, 2022, the assigned Commissioner issued a ruling seeking party comments on issues related to improving outcomes for low-income customers under SGIP and a variety of implementation issues related to the funding authorized by AB 209 (October 2022 Ruling). The questions in the October 2022 Ruling focused on allocating the new AB 209 funds and understanding the primary obstacles to low-income household participation as well as inquiring about programmatic changes that could lead to improved project completion for SGIP low-income customers. Parties to this proceeding filed comments and replies to the ruling on December 2, 2022, and December 16, 2022, respectively.

The Governor's proposed 2023-2024 budget included \$900 million for SGIP with 70% of the funding reserved for eligible low-income customers and 30% for general market customers. In May, the Assembly's Subcommittee Report for the 2023-2024 budget proposed an overall reduction of \$230 million and reduced an additional \$350 million in 2023, which is delayed to \$125 million in 2024 and \$225 million in 2025.¹ Any allocations in future fiscal years are likely dependent on future budget bills being adopted by the Legislature and signed by the Governor.

The Budget Act of 2023² passed by the California Legislature on June 15, 2023 and signed into law by the Governor on June 27, 2023, allocated \$280

¹ California State Assembly Subcommittee Report of the of 2023-24 Budget, <https://abgt.assembly.ca.gov/sites/abgt.assembly.ca.gov/files/Subcommittee%20Report%20of%20the%202023-24%20Budget.pdf>.

² SB 101 Budget Act of 2023, https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB101.

million in Fiscal Year (FY) 23 to the Commission for SGIP incentives Pursuant to Pub. Util. Code 379.10. Of the \$280 million appropriated, up to five percent may be used for administrative costs and the Commission is required to allow reservations for potential future year incentives. Senate Bill 123³, passed by the Legislature on June 27, 2023, and signed by the Governor on July 10, 2023, amended Pub. Util. Code Section 379.10. Code to clarify that the incentives are for eligible low-income residential customers, including those receiving service from a local publicly owned electric utility (POU), who install behind-the-meter energy storage systems or solar photovoltaic systems paired with energy storage systems.

In light of the final budget amount allocated to SGIP, parties of this proceeding are invited to file responses to the questions listed in Section 2 of this ruling to supplement the proceeding record. Parties should not repeat the arguments made in response to the October 2022 Ruling.

2. Discussion and Questions

Questions listed in this section focus on the following topics: Allocation of the final AB 209 budget; marketing, education, and outreach (ME&O) for POUs and other non-investor-owned utility (non-IOU) customers; SGIP solar incentives; SGIP alignment with the existing low-income solar programs; measurement and evaluation of SGIP; and the use of administrative funds.

2.1. Allocation of the Updated AB 209 Budget

When the October 2022 Ruling was issued, it was anticipated that AB 209 would allocate \$630 million to SGIP incentives for low-income residential customers who install battery storage plus solar or battery storage, and

³ SB 123 (2022), https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB123.

\$270 million for general market residential customers who install battery storage. Now that the final budget has been approved, parties are invited to comment on how the final budget should be allocated. The Legislature allocated to the Commission \$280 million in FY 23 for eligible low-income residential customers who install behind-the-meter energy storage systems or solar photovoltaic systems paired with energy storage systems. Any allocations in future fiscal years are dependent on future budget bills being adopted by the Legislature and signed by the Governor. Each fiscal year runs from July 1st to June 30th and the funding currently proposed for SGIP is as follows:

Appropriated:

- 2023-24: \$280 million

Proposed:

- 2024-25: \$125 million
- 2025-26: \$225 million

1. How should the newly appropriated and proposed funding be allocated by the Commission across the SGIP residential budget categories? Explain your reasoning.
2. Should any SGIP application rules be modified due to the proposed allocation of the funds by fiscal year and the requirement that future year proposed incentive funds can be reserved? For example, if FY 23 funds are fully reserved before FY 24 funds are released, should the existing waitlist rules apply? Explain your reasoning.

2.2. Marketing, Education, and Outreach (ME&O) for POU and other Non-IOU Customers

AB 209 directs the Commission to make the new SGIP funds available to eligible residential customers of California, including POU customers. In response to the October 2022 Ruling, parties commented on the pros and cons of maintaining the current Program Administrator (PA) model to administer SGIP

to POU and other non-IOU customers as well as other models such as one or more new entities administering the SGIP program to POU and other non-IOU customers. One other potential structure is to designate a separate entity to conduct ME&O to POU and other non-IOU customers, while the existing PAs execute other administrative functions such as receiving and processing applications.

3. Should a separate entity conduct ME&O to POU and non-IOU customers? If so, what type of entity should perform that role? Explain your reasoning.
4. Should a portion of the AB 209 budget be dedicated to ME&O of POU and other non-IOU customers? If so, what portion would be appropriate? Explain your reasoning.

2.3. SGIP Solar Incentive

Pursuant to AB 209, SGIP incentives will be available for low-income residential customers who install behind-the-meter energy storage systems or solar photovoltaic systems paired with energy storage systems.

The federal tax credit established by the Inflation Reduction Act (IRA) for solar and energy storage installations covers 30 percent of eligible costs and is also transferable.⁴ This would enable a host customer who does not have enough tax liability to fully utilize the credit to monetize it through transference to a third party. When the IRA tax credit is combined with the SGIP incentive, fewer SGIP budget funds would be required per installation, allowing more low-income customers and projects to benefit.

5. How should the SGIP incentive be designed to best leverage the IRA tax credit and ensure that eligible customers can benefit from the tax credit?

⁴ Internal Revenue Code 26 USC 6418: Transfer of certain credits, <https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title26-section6418&num=0&edition=prelim>.

6. Should 30 percent of eligible project costs always be deducted when calculating the SGIP incentive to account for the IRA tax credit being utilized, or should applicants be able to self-proclaim the tax credit value that they expect to receive? Explain your reasoning and the pros or cons of either approach.

Some applicants for SGIP incentives will be installing solar photovoltaics (PV) for the first time and will be required to enroll in the Net Billing Tariff, established in Decision 22-12-056.⁵ However, some customers may have existing solar PV systems and will be applying for energy storage incentives from SGIP. These existing solar customers may have submitted interconnection applications prior to April 15, 2023, and be enrolled in Net Energy Metering 1.0 or 2.0. In response to the October 2022 Ruling, some parties commented or replied that existing NEM 1.0 and 2.0 customers be required to transition to the Net Billing Tariff in order to receive SGIP incentives.

7. If an IOU customer with an existing solar system that currently takes service on either NEM 1.0 or 2.0 receives any SGIP incentive for any budget category, should that customer be required to migrate to the Net Billing Tariff?

Both host customer ownership and third-party ownership of solar systems is common. The existing SGIP rules allow the host customer to be different than the system owner. The SGIP Handbook states that “[t]he Host Customer is the exclusive incentive reservation holder who is party to the SGIP Contract. The Host Customer has the authority to designate the Applicant, System Owner (if

⁵ D.22-12-056.

not Host Customer), and/or Developer and change any of these parties at any time with prior written notice to the [PA].”⁶

8. Should the current SGIP Handbook rules be modified regarding host customer owned or third-party owned incentivized systems? Please suggest any language changes to the SGIP Handbook specifically regarding solar systems, if necessary.
9. Considering solar power purchase agreements (PPAs) and/or leased systems, should the ownership type (host customer owned vs. third-party owned) impact the SGIP solar incentive value as well as storage incentive value? If so, how? Explain your reasoning.
10. Would the utilization or transfer of the IRA tax credit be impacted by whether the system is owned by a host customer or a third-party? If so, how? Explain your reasoning.

In its opening comments to the October 2022 Ruling, Pacific Gas and Electric Company (PG&E) proposes that costs be itemized (battery/inverter, installation, and Balance-of-System) so that the PAs can verify the information in the cost breakdown worksheet in executed contracts, thereby improving Measurement and Evaluation efforts and market cost studies.⁷

11. To what level of detail should the solar system costs (e.g., module price, inverter price, and residual balance of system and soft costs) be broken down in SGIP incentive applications? Explain your reasoning.

The Commission currently provides equity customers with incentives for solar installation under the Solar on Multifamily Affordable Housing (SOMAH) and Disadvantaged Communities Single-Family Solar Homes (DAC-SASH)

⁶ SGIP Handbook at 34, <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/self-generation-incentive-program/2022-sgip-handbook-v5.pdf>.

⁷ PG&E Opening Comments, December 2, 2022, at A-2.

programs. The October 2022 Ruling already asked questions about solar incentive levels. The following questions focus on program structure. Parties should not repeat the arguments made in response to the October 2022 Ruling.

12. In what ways should the SGIP solar incentive program structure be modeled on SOMAH and/or DAC-SASH? In what ways should SGIP and SGIP solar incentives differ? While responding, consider program requirements such as:
 - a. Eligible project costs (including 'professional services' such as shade tree removal or other services that are required to bring a house up to solar-ready standards);
 - b. PV system requirements (including interconnection, performance monitoring and reporting services);
 - c. Warranty requirements;
 - d. Permanency requirements;
 - e. Installation standards;
 - f. Inspection requirements; and
 - g. Incentive structure and payment processes.
13. One specific element that both SOMAH and DAC-SASH rely on is the Expected Performance Based Buydown (EPBB) methodology to determine capacity-based incentives for qualifying solar energy systems. The EPBB incentive is paid based on verified solar energy system characteristics such as system size, shading, and orientation. Should SGIP require applicants to use this existing methodology? Should it be updated in any way or not used in SGIP?

There may be a substantial number of existing solar systems which require new inverters, and these costs are not eligible for incentives under DAC-SASH or SOMAH.

14. Should inverters for existing solar systems be an eligible cost under the new SGIP solar incentive for low-income customers? Explain your reasoning.

a. If so, what rules around inverter replacement should be incorporated into the SGIP Handbook?

2.4. SGIP Alignment with Existing Low-Income Programs

The new SGIP solar incentive and existing energy storage offerings for low-income customers will be available simultaneously with the existing solar incentives from SOMAH and DAC-SASH. It is in the interest of PAs, participating contractors, and customers to have a streamlined and coordinated program delivery for these clean energy opportunities. Similarly, cohesive and leveraged programs reduce outreach, marketing, and other program costs to the benefit of all ratepayers and taxpayers alike.

15. What modifications or changes are necessary for the SGIP Handbook to align SGIP with the DAC-SASH and SOMAH programs to enable cohesive program delivery and reduce redundancies (for contractors and customers alike)?

16. How should SGIP be designed so as not to create inefficient overlap among one or more of these programs, including in marketing, education, and outreach?

2.5. Measurement and Evaluation

Throughout the 2020 SGIP Energy Storage Impact Evaluation, the evaluator found that obtaining data from smaller project developers was challenging, especially for those project developers who are not themselves the battery equipment manufacturer. Some developers can only query a week or two of metered data at a time, and do not have easy access to the scale of data needed for the evaluation. Those challenges have continued into 2023.

17. Should the commission require that as part of the SGIP Equipment Reviews Standard Operating Procedure

(Sections 4.2 and 5.4.1.3 of the SGIP Handbook), manufacturers demonstrate the ability for third parties to collect data directly from an application programming interface (API)⁸ using the SGIP Application Code as a unique identifier?

2.6. Use of Administrative Funds

Administrative budgets for SGIP PAs have in the past been allocated at a fixed amount by Commission decisions. In D.20-01-021, the Commission reaffirmed the principle of capping administrative budgets at a percentage of the total budget but denied Center for Sustainable Energy's (CSE's) request for authority to submit an advice letter to transfer funds from underutilized incentive budgets to administrative budgets.⁹ In D.20-01-021, Southern California Gas Company and CSE were directed to allocate 7 percent and 10 percent, respectively, of their total 2020 to 2024 ratepayer collections to their SGIP administrative budgets. PG&E and Southern California Edison Company were directed to utilize their accumulated unspent administrative budgets to fund SGIP administrative costs, still capped at 7 percent of the total budget, but were not authorized new administrative funds.

On May 18, 2023, PG&E filed a motion requesting an order authorizing PG&E to establish a memorandum account to record administrative costs incurred for SGIP that exceed authorized administrative budgets approved in D.20-01-021, and to permit PG&E to request cost recovery of these costs in a future application subject to reasonableness review. PG&E anticipates that its allocated administrative budget will be insufficient to effectively administer the

⁸ An API can be described as a software that intermediates information flow between two applications, e.g., a website and a user.

⁹ D.20-01-021 at 59.

program through 2034.¹⁰ On May 23, 2023, SDG&E filed a response expressing concern with PG&E's request to exceed budgets without a cap. SDG&E prefers that PG&E be allowed to shift funds from the incentive budget to administrative budget, still under the current total budget cap.¹¹

18. Should PAs be permitted to shift funds from incentive budgets to administrative budgets, while remaining under administrative budget caps? Provide your reasoning.
19. What should be the appropriate process for PAs to seek Commission approval for shifting funds, e.g., submitting an advice letter?

2.7 Other SGIP Program Changes

SGIP is a long-standing program with a detailed set of rules outlined in a CPUC-approved program handbook. Changes to the program are made on the Commission's own motion and through the parties' use of Petitions for Modification of a Commission decision. With the addition of money from the Greenhouse Gas Reduction Fund, there is an opportunity to further reform the program and improve outcomes for incentive recipients.

20. Are there other program improvements suggested or other issues that the Commission should consider?

IT IS RULED that:

1. Parties shall file opening comments within 20 days of the issuance date of this ruling and reply comments within 10 days of the deadline to file opening comments.

¹⁰ PG&E Motion, May 18, 2023, at 2.

¹¹ SDG&E Response, May 23, 2023, at 4.

2. Opening comments are limited to 20 pages and reply comments are limited to 10 pages.

Dated July 12, 2023, at San Francisco, California.

/s/ NILGUN ATAMTURK

Nilgun Atamturk
Administrative Law Judge