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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

**ASSIGNED COMMISSIONER'S RULING
SEEKING ADDITIONAL COMMENTS ON SELF-GENERATION
INCENTIVE PROGRAM AND HEAT PUMP WATER
HEATER PROGRAM IMPROVEMENTS**

This ruling seeks comments from parties to supplement the proceeding record regarding: (1) improving outcomes for low-income customers under the Self-Generation Incentive Program (SGIP); and (2) expanding the Self-Generation Incentive Program Heat Pump Water Heater (SGIP HPWH) Program to make a larger number of customers eligible.

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

1. Background

1.1. Self-Generation Incentive Program

The California Public Utilities Commission (CPUC or Commission) established SGIP in 2001 in Decision (D.) 01-03-073 in response to Assembly Bill (AB) 970 (Ducheny, Stats. 2000, Ch. 329). AB 970 directed the Commission to provide incentives for distributed generation resources to reduce peak energy

demand. Since 2001, the Legislature has refined and extended SGIP numerous times.¹

In September 2022, Governor Newsom signed AB 209 (Stats. 2022, Ch. 251), which amends Public Utilities (Pub. Util.) Code Section 379.6 to remove the requirement that the Commission administer solar technologies separately from SGIP. AB 209 also adds Pub. Util. Code Section 379.10 to guide funding appropriated by the legislature into solar and 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. The questions in the ruling focused on allocating the new AB 209 funds and understanding the primary obstacles to low-income household participation as well as inquiring about potential 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 purpose of this Assigned Commissioner's Ruling as it relates to SGIP is to seek party comment regarding the need and methods for coordinating and leveraging other GHG emissions reduction programs, specifically the Energy Savings Assistance (ESA) program, the Technology and Equipment for Clean

¹ AB 1685 (Leno, 2003), AB 2778 (Lieber, 2006) and Senate Bill (SB) 412 (Kehoe, 2009) collectively shifted SGIP's focus from peak demand reduction towards reducing criteria pollutants and greenhouse gas (GHG) emissions. SB 861 and AB 1478 authorized SGIP collections through 2019 and administration through 2020 and required several other changes. AB 1637 (Low, 2016) authorized the Commission to double annual collections through 2019 as compared to calendar year 2008.

Heating Initiative (TECH Initiative), the SGIP HPWH Program, and the upcoming California Energy Commission (CEC)-administered Equitable Building Decarbonization (EBD) program, in the implementation of SGIP, going forward.

The ESA program is a no-cost building retrofit program for low-income customers to help them reduce their energy usage, lower their utility bills, and improve the energy efficiency and comfort of their homes. The program provides insulation, weatherization and energy-efficient appliances to low-income participants. It was approved in consolidated Application (A.) 19-11-003, A.19-11-004, A.19-11-005, A.19-11-006, and A.19-11-007. For program years 2021-2026, the total approved budget for the ESA program is \$2.198 billion.

The TECH Initiative is an incentive program to help California homes replace gas appliances with low emission space and water heating appliances, primarily electric heat pumps. It was authorized under SB 1477 (Stern, 2018) and approved in D.20-03-027 for an initial \$120 million in pilot funds. An additional \$50 million of funding was authorized under AB 179 (Ting, 2022) and approved in D.23-02-005. D.23-02-005 requires that 40 percent of new program costs (*i.e.*, \$20 million) be allocated for activities that serve equity customers.

The SGIP HPWH Program is an \$84.7 million incentive program approved in D.22-04-036 in the SGIP Rulemaking for incentivizing high efficiency, low-emission heat pump water heaters with the potential to shift energy loads during peak hours.²

² SGIP HPWH Program decision: D.22-04-036 (April 2022).

The EBD program is expected to be a \$922 million program from 2022-2026 (final budgets may change)³ for low carbon building technologies, which was also authorized in AB 209. Public Resources (Pub. Res.) Code Section 25665 authorizes the CEC to establish and administer the program and requires the CEC to coordinate with other program administrators (PA), including the Commission. Pub. Res. Code Section 25665.5(a) states that the CEC may integrate or enhance other incentive programs.

Multiple state plans, including Governor Newsom's 2045 Climate Plan, as adopted in the 2022 California Air Resources Board Scoping Plan, and the CEC's AB 3232 (Friedman, 2018) assessment report identify building electrification as a key strategy to decarbonize California households. The Commission's building decarbonization proceeding (Rulemaking (R.) 19-01-011) and its Long-term Gas Planning proceeding (R.20-01-007) also reference these goals. These plans and proceedings emphasize the need to ensure that low-income households are not left behind in the state's pursuit of decarbonization. The Net Energy Metering proceeding (R.20-08-020) and the decision within it that adopted the Net Billing Tariff (D.22-12-056) also emphasized California's goal to promote electrification.

Finally, the Commission recently took urgent action due to the ongoing unprecedented hikes in natural gas prices across the nation, so as to provide immediate relief to Californians.⁴

In light of these developments outside of this proceeding, we are interested in enabling customers to take advantage of gas bill savings and

³ <https://efiling.energy.ca.gov/GetDocument.aspx?tn=249992&DocumentContentId=84725>.

⁴ D.23-02-014 Decision Modifying Schedule of Climate Credit Disbursements for Residential Electric and Gas Customers (<https://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=501925501>).

improving coordination between SGIP program developers and applicants, and program implementers of other efficiency and electrification programs. If offered at the right juncture, these technologies can help reduce or eliminate customers' gas bills at the same time that they acquire a new rooftop solar system. Absent increased coordination, the solar developer and/or applicant may miss the opportunity to right-size a customer's photovoltaic (PV) system by not taking into account the additional electric loads expected from new electric appliances.

1.2. Self-Generation Incentive Program Heat Pump Water Heater Program

The SGIP HPWH Program was approved via D.22-04-036 within the SGIP proceeding. This decision requires participating customers to enroll in a qualified "CAISO market-integrated supply-side demand response (DR) program that counts for resource adequacy." Some electric publicly-owned utilities (POU) do not participate in the CAISO markets. However, as currently structured, the HPWH program allows POU customers to participate if they receive gas service from an investor-owned utility (IOU). Secondly, certain current Community Choice Aggregator and IOU DR programs specifically intended for enabling load-shifting in HPWHs do not qualify as market-integrated supply-side programs counting for resource adequacy. For example, PG&E's WatterSaver program and the upcoming SCE Smart HPWH program are designed to help customers optimize HPWH – and, in some cases, electric resistance water heater – operation. That is, they install a component in the customer's water heater that enables load-shifting. However, these programs currently do not qualify under the SGIP HPWH Program rules.

Finally, the 2022 SGIP HPWH Program decision required the program implementer to use the California Building Energy Code Compliance (CBECC)

Residential software (CBECC-Res),⁵ because at the time of the adoption of the decision CBECC-Res was the approved building compliance software for single-family homes as well as low-rise multi-family buildings. In the 2022 Building Energy Code (which took effect January 1, 2023), CBECC-Res can now only be used for single-family homes. It does not have multifamily central HPWH as a modeling option. Certain multi-family (and all non-residential) buildings are now modeled in the distinct CEC-approved software known as CBECC. Thus, the current SGIP HPWH Program can no longer incentivize central HPWHs for multi-family buildings, a predominant participant class for the SGIP HPWH Program prior to the compliance software change which also includes a large portion of low-income customers.

Parties to this proceeding are invited to file responses to the questions listed in Section 2 of this ruling to supplement the proceeding record.

2. Discussion and Questions for Parties

Questions listed in this section focus on the following topics: (1) SGIP alignment with existing low-income energy efficiency and building decarbonization programs; and (2) DR and modeling software requirements in the SGIP HPWH Program.

2.1. Self-Generation Incentive Program Alignment with Low-Income Energy Efficiency and Building Decarbonization Programs

Currently, solar and storage developers and applicants who offer ratepayer-funded incentives to customers for solar and storage systems, are not required to educate or enable customers to electrify their homes and right-size

⁵ D.22-04-036 at Ordering Paragraph 14(b).

the PV system for full electrification while they enroll the customer for acquiring solar installations.

Question #1: Should the Commission require SGIP implementers to simultaneously educate and connect customers to available home efficiency and electrification programs so as to streamline customer targeting, eligibility, outreach, installations and data sharing?

Question #2: If your answer to Question 1 was yes, should SGIP PAs, developers and/or applicants be required to: (a) partner with approved installation contractors of other programs to coordinate simultaneous offerings and installations? and (b) establish non-disclosure agreements and share pre- and post-enrollment customer data with other program implementers to enable close coordination with SGIP?

Question #3: What should be required from the PAs, applicants, or developers to ensure that low-income customers participating in the SGIP program are simultaneously able to take advantage of home efficiency and electrification measures offered by other programs? How should the customer experience be made seamless? How will sharing resources for customer verification, outreach and education with other programs reduce administrative costs for SGIP in the long-term?

2.2. Self-Generation Incentive Program Heat Pump Water Heater Program

2.2.1. Expanding Program Eligibility for Electric Publicly-Owned Utility Customers

Some electric POUs do not participate in CAISO markets, but the customers of these POUs may receive gas service from an IOU and thus be eligible for SGIP HPWH Program incentives.

Question #4: Should the Commission update the definition of a qualifying DR program to allow customers in electric POU territories that do not have a CAISO-integrated DR program

to be eligible to participate in the SGIP HPWH Program? If it should be changed, then how should the CPUC expand program eligibility so as to allow electric POU customers to participate in the program?

2.2.2. Approving Additional Demand Response Programs for Eligibility

Certain DR programs, such as the PG&E WatterSaver program and SCE's upcoming Smart HPWH program, are not market-integrated supply-side programs and do not count towards resource adequacy.

Question #5: Should certain existing DR programs be considered as qualified programs so that customers enrolling in these programs are eligible for the SGIP HPWH Program? What should be the criteria to consider a DR program as a qualifying program under SGIP HPWH Program rules?

2.2.3. Approving Use of California Building Energy Code Compliance Software for Determining Eligible Product Qualification Pathways

Current program rules limit the program implementer to only qualify those products that can be modeled in the CBECC-Res software. Due to recent building energy code updates, the current program is only able to qualify residential unitary systems, as there is no pathway for central HPWH systems in multi-family buildings.

Question #6: Should the Commission allow the SGIP HPWH Program implementer to use CBECC software, in addition to CBECC-Res, so that multi-family buildings with large central systems can qualify for SGIP HPWH Program incentives?

IT IS RULED that:

1. Parties shall file opening comments on the six questions listed in this Ruling within 20 days of the issuance date of this ruling and reply comments

within ten days of the deadline to file opening comments. Opening comments are limited to 20 pages and replies are limited to ten pages.

2. This ruling shall be served on the service list for the following proceedings: Rulemaking (R.) 20-05-012, R.13-11-005, R.15-03-010, R.18-07-006, R.19-01-011, R.20-08-020, R.22-07-005, Application (A.) 19-11-003, *et al.*, and A.20-03-002, *et al.*

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

/s/ KAREN DOUGLAS

Karen Douglas
Assigned Commissioner