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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 ON ENHANCING VERIFICATION OF SELF-GENERATION INCENTIVE PROGRAM TOTAL ELIGIBLE PROJECT COST BEFORE DISTRIBUTING INCENTIVE PAYMENTS

This ruling directs all Program Administrators (PAs) in the Self-Generation Incentive Program (SGIP) to enhance existing verification of Total Eligible Project Costs before distributing incentive payments for all Residential Solar and Storage Equity (RSSE) projects, effective immediately. This ruling also invites party comments on specific questions below by March 18, 2026.

1. Background

The Residential Solar and Storage Equity (RSSE) budget offers an incentive for low-income customers to install solar and storage or stand-alone storage designed to offset the upfront cost of the system. The program opened in June 2025 with $252M in incentives available. The program has been 99 percent reserved since November 2025 with $3.4M still available to Tribal customers. There are 5,405 single-family projects and 277 multi-family projects with reservations, collectively totaling 139MWh of storage and 38 MW of solar. Projects are only paid the incentive after the system is installed and interconnected. There are over 3,199 projects on a waitlist.

The customer must provide federal income tax documents (Form 1040) demonstrating they are at or below 80 percent of the Area Median Income. Alternatively, customers who have recently completed income verification in the California Alternate Rates for Energy, Family Electric Rate Assistance, Energy Savings Assistance, Single-family Affordable Solar Home, or Disadvantaged Communities (Single-family Affordable Solar Home) programs are categorically eligible. Or they must live in a deed restricted low-income multifamily property.

SGIP RSSE pays up to $1,100 per kWh for storage and $3,100 per kW of solar. For the average size system of 13.2 kWh of battery storage and 5 kW of solar, this is an incentive of up to $30,020. In Decision (D.) 24-03-071, the California Public Utilities Commission (Commission) set the incentives at these levels based on a 2021 SGIP market assessment and extensive party comments, with the intention to cover the full project costs for most qualified low-income customers.[1] Energy Sage reports that in 2026, California storage prices are on average $1,030 per kWh and solar prices are $2,370 per kW.[2] This corresponds to a total cost of $25,446 for the same average residential system size, which is less than the SGIP maximum incentive. This demonstrates that the maximum SGIP RSSE incentives adopted in D.24-03-071 are well aligned with market prices for residential storage and solar in California. Therefore, the SGIP maximum incentive should cover the typical full system project cost for most low-income customers.

SGIP allocates the incentives paid to project developers (also referred to as applicants) based on several factors: the maximum incentive amount established

[1] D.24-03-071 at 37 and 40.

[2] Energy Sage is an online marketplace for current solar and storage cost data nationwide. 2026 Cost of Energy Storage in California | EnergySage

by the Commission, the Total Eligible Project Costs (TEPC), sizing limitations per the project location, and incentives from other sources (such as the federal tax credit)[3]. TEPC includes cost categories such as equipment and construction and installation.[4] Reporting of the complete and accurate TEPC for a system must be provided at the Incentive Claim Form[5] stage of each SGIP project.

Third-Party-owned (TPO) projects are required to take the 30 percent federal tax credit. Host-owned systems must show why they could not be TPO projects to be exempt from taking the tax credit. Per program design, if a project is receiving the 30 percent tax credit, the SGIP incentive is set to cover the other 70 percent of the TEPC. The program structure was designed in this manner so that the SGIP program funding can cover the greatest number of systems possible.

The PAs and Energy Division staff manage the SGIP program and may issue program warnings to program participants for program rule infractions. Infractions include when gross negligence takes place or intentional submission of inaccurate project information. If it is determined that a program infraction has been committed the following sanctions may be applied:

- Suspension or expulsion from future program participation
- Cancellation of existing projects
- Application fee forfeitures
- Fiscal or programmatic audits[6] (with related penalties)

[3] 2025 SGIP Handbook V5 at Section 4.5, Incentive Limitations.

[4] *Id.* at Section 4.5.1, Total Eligible Project Costs.

[5] *Id.* at Section 8.3, Incentive Claim Item 1.

[6] *Id.* at Section 14.2, Infractions.

In November 2025, some SGIP PAs and Energy Division staff noticed that the new RSSE projects reported TEPCs that exceed SGIP RSSE incentive levels significantly.

In December 2025, the Energy Division staff sent a data request to gather and review project cost information for the 20 major SGIP project developers, each with over $1M in reserved funds in the RSSE SGIP, to investigate potential causes for higher than typical SGIP TEPC activity. The applications that were reviewed represent 50 percent of RSSE funds – over 4,600 applications with over 50 percent being TPO. Project costs reported during the interconnection process were used to compare SGIP and non-SGIP system project costs.

Energy Division staff received data responses from the Center for Sustainable Energy, Southern California Edison (SCE), San Diego Gas & Electric Company, Southern California Gas Company, and Pacific Gas and Electric Company (PG&E). SCE and PG&E provided interconnection cost data. The PA data sampled 566 SGIP projects representing approximately $16M incentive dollars out of a total 5,648 projects and $252M incentive dollars.

On January 23, 2026, Energy Division staff conducted a review of all 5,682 RSSE project applications from 120 developers in the SGIP Database to further investigate the reported costs.

On February 4, 2026, Energy Division issued a data request for project cost breakdowns for all paid RSSE projects and received data responses from PG&E and SCE. To date, 33 RSSE projects have been paid for completed projects.

2. Discussion

Energy Division staff conducted an analysis of the SGIP Database (for RSSE applications), to see what pricing conditions were for SGIP single-family projects and found the average reported storage cost to be $1,790 per kWh for

standalone storage and $1,640 per kWh for storage paired with solar. The average reported solar cost was $4,900 per kW. These pricing results are significantly higher than the SGIP incentives adopted in D.24-03-071 and the 2026 Energy Sage average of $1,030 per kWh storage and $2,370 per kW solar.

Energy Division staff analysis of the December data request and SGIP Database found that the average TEPC is significantly higher than anticipated in the RSSE budget. The analysis shows that the average TEPC for the 20 major developers in the data request is $58,000 (193 percent higher than the RSSE maximum incentive), and the average TEPC for the full RSSE is $46,000 (153 percent above RSSE maximum incentive) based on the average system size of 13.2 kWh for storage and 5 kW for solar. The maximum RSSE incentive allowed for a project of that size was set at $30,020 to cover the expected project cost for most qualified low-income customers.

These higher TEPC mean that the RSSE has been fully reserved by a fewer number of projects, limiting the reach of the program to low-income customers. Additionally, the high TEPC means that low-income customers are expected to pay $2,000 - $11,000 out of pocket for these systems. To illustrate this, we show four example projects with TEPC below, at, and above the maximum SGIP

incentive for a typical 13.2 kWh battery and 5 kW solar system for ease of comparison.

Table 1. Comparison of TEPC Based on Data Request and Analysis of SGIP RSSE Database

For 13.2 kWh storage and 5 kW solar	TEPC[7]	SGIP Incentive	30% Tax Credit	Customer Out of Pocket Expense
Energy Sage California Average	$25,446[8]	$17,812	$7,634	$0
What the Commission Expected for RSSE	$30,020[9] (based on max SGIP Incentive)	$21,014	$9,006	$0
Average Reported RSSE Costs Across all 120 Developers	$46,000	$30,020	$13,800	$2,180
Current Reported Average RSSE Costs for Top 20 Developers	$58,000	$30,020	$17,400	$10,580

Further Energy Division staff analysis reveals that from the TEPC breakdown for paid RSSE projects, 88 percent of the TEPC cost is attributed to equipment, construction, and installation costs. Of the projects examined, developers reported a wide range of cost for the same Tesla Powerwall 3 equipment of $8,600 - $21,000. Similarly, the reported costs for solar equipment

[7] TEPC and the 30% Tax Credit are directly reported by the applicant in the SGIP application. The SGIP PAs calculate and inform the applicant of the expected SGIP incentive. The Customer Out of Pocket Expense was reported by the SGIP PAs by either reviewing what is stated on the executed contract or by subtracting the SGIP incentive and tax credit from the TEPC.

[8] Calculated using the 2026 Energy Sage averages of $1,030 per kWh storage and $2,370 per kW solar.

[9] 13.2 kWh x $1.10/Wh = $14,520 allowable storage cost, 5 kW x $3.10?/W = $15,500 allowable solar cost, $30,020 = max SGIP Incentive without load justification.

of 5 kW ranged from $4,000 - $22,700. Construction and installation costs ranged from $6,000 - $21,000.

I find these wide ranges in costs unreasonable for systems of similar configuration and size. Therefore, I determine that all RSSE TEPC above 90 percent of the maximum SGIP incentive for the system's size requires further verification, as allowed under the existing SGIP Handbook.[10] I recognize that projects in the RSSE may have higher TEPC than non-RSSE interconnection data and Energy Sage averages because it targets a harder to reach customer class. TEPC verification strategies allow for higher costs to be validated while further investigating the high price differentials to achieve prudent program administration.

The Legislature created Assembly Bill (AB) 209 (Committee on Budget, Chapter 251, Statutes of 2022) to benefit low-income communities, and the Commission modified the SGIP program to implement their intent. The RSSE SGIP was expected to cover most system project costs for low-income RSSE customers by pairing the SGIP incentive with the federal tax credit.

The Commission must understand better what is happening to drive the significant TEPC increases taking place in the RSSE SGIP marketplace. Therefore, I am requiring all RSSE projects, regardless of application submission date, reporting a TEPC above 90 percent of the maximum SGIP incentive for the system's size to provide further TEPC verification at the Incentive Claim Form stage for PA review before the project is paid an SGIP incentive. Projects reporting a TEPC between 90 to 100 percent of the maximum SGIP incentive are required to submit receipts for the system equipment and labor contracts

[10] 2025 SGIP Handbook V5 at Section 8.3, Incentive Claim Item 1.

covering the installation and construction costs. Projects reporting a TEPC above 100 percent of the maximum SGIP incentive will be required to submit more extensive TEPC verification materials, as well as the receipts for the system equipment and labor contracts covering the installation and construction costs. Projects with TEPC up to 90 percent of the maximum SGIP incentive should continue to be processed in accordance with the already established SGIP procedures.

Table 2. How TEPC Verification will Impact Projects

	TEPC Value for a 13.2 kWh storage and 5 kW solar	**TEPC Verification at Incentive Claim Form**
At or below 90% of max SGIP incentive	$27,018	Processed following existing SGIP procedures
Above 90% and at or below 100% of max SGIP incentive	$27,019 - $30,020	Submit documentation for equipment and construction and installation (i.e. labor) costs
Above 100% of max SGIP incentive	$30,021	Submit documentation for equipment and construction and installation (i.e. labor) costs. Additional TEPC verification guidance to be developed by PAs and Energy Division before payment can be processed.

For example, a project installing a 5kW solar and 13.2 kWh storage system with a TEPC higher than $27,019 would be required to submit the equipment receipts and labor contract. If alternative verification documents are provided, similar to how tax credit exemptions are reviewed, they must be elevated to the SGIP Working Group and receive consensus from the SGIP PAs and Energy Division staff. A project of the same size with a TEPC higher than $32,021 would be required to follow a more stringent cost verification process as developed by

the PAs and Energy Division staff. A project of similar size with TEPC at or below $27,018 would not require additional cost verification. This additional TEPC verification will safeguard program integrity and protect the interests of low-income customers.

The SGIP PAs will work with Energy Division to develop the more extensive TEPC verification process. One component of the more extensive TEPC verification must consist of the PAs collecting information on customer out-of-pocket costs for all projects with a TEPC above 100 percent of the maximum SGIP incentive for the system size.

From the date of this Ruling, I direct SGIP PAs to conduct a TEPC verification on any RSSE project with a TEPC that exceeds 90 percent of the maximum incentive at the Incentive Claim Form stage. PAs must inform all applicants with a TEPC above 90 percent of the maximum SGIP incentive for the system's size of this new requirement and receive acknowledgement of this notice by the applicant before issuing a confirmed Request for Reservation Form (RRF) and receiving any associated advanced payment. This notice must also go to all projects that have already received a confirmed RRF by the date of this Ruling.

This may result in applicants who have already submitted Incentive Claim Forms to provide supplemental documents. If an applicant chooses to reduce the reported TEPC, or if the PA must reduce the TEPC for a project because costs cannot be verified, the applicant must submit an amended contract signed by the host customer showing the lower TEPC. This will help to ensure that the customer is protected from paying additional unexpected out-of-pocket costs.

TEPC verification is not intended to slow the pace of RSSE projects as these receipts and cost verification should be simple for the applicant to provide.

If a PA identifies, through cost verification, that an applicant has consistently overstated the TEPC for their projects, the PAs have existing authority to cancel all the applicant's projects on the waitlist and disqualify the developer from submitting new applications. For any TEPC that cannot be verified, the SGIP PA has the authority to lower both the TEPC, to what can be verified, and the SGIP incentive.

The SGIP PAs are required to keep the Commission updated on the implementation of this cost verification process and provide an update on guidance for projects with a TEPC above 100 percent of the maximum SGIP incentive to the service list.

IT IS RULED that:

1. The SGIP PAs shall require additional TEPC verification at the Incentive Claim Form stage for all projects participating in the RSSE program with a TEPC greater than 90 percent of the maximum SGIP incentive for that size of project effective the date of this Ruling. This additional TEPC verification must be completed before the project is paid an SGIP incentive.
2. The SGIP PAs shall apply the following verification requirements for RSSE projects with TEPC values between 90 – 100 percent and 100 percent above the maximum allowed SGIP incentive for that size of project:

(a) Projects with a TEPC above 90 and up to 100 percent of the maximum allowed SGIP incentive must submit receipts for the system equipment and labor contracts, or a similar document, for the construction and installation costs.

(b) Projects with TEPC above 100 percent of the maximum SGIP incentive must follow requirements that will be

developed by the PAs and Energy Division staff at a later date.

3. The SGIP PAs shall inform all applicants with a TEPC above 90 percent of the maximum SGIP incentive, for the system's size, of this new requirement and receive acknowledgement of this notice by the applicant before issuing a confirmed RRF and any associated advanced payment. This notice must also go to all projects that have already received a confirmed RRF before the date of this Ruling.

4. The SGIP PAs shall work with Energy Division staff to develop guidance for TEPC verification requirements for SGIP projects that are over 100 percent of maximum SGIP incentives.

5. The SGIP PAs must cancel all of applicants' projects on the waitlist, disqualify the developer from submitting any new applications, and reduce all TEPC for active SGIP projects, if the PA determines, in cost verification, that an applicant has consistently overstated the TEPC for their projects.

6. The SGIP PAs must lower both the TEPC and SGIP incentive for any TEPC that cannot be verified. The applicant for these projects must submit an amended contract signed by the host customer showing the lower TEPC, to get the SGIP incentive or the application must be denied.

7. Parties to Rulemaking 20-05-012 may submit comments by March 18, 2026, to address the following questions:

(a) Why might SGIP RSSE projects have a higher TEPC than the SGIP incentive and statewide averages?

(b) How are projects funding the difference between the TEPC and the SGIP incentive and tax credit; is the difference being paid for by the customer?

(c) What TEPC verification and documentation will support safeguarding the SGIP funds and understanding the high TEPC?

Dated February 20, 2026, at San Francisco, California.

/s/ KAREN DOUGLAS
Karen Douglas
Assigned Commissioner