COM/CR6/ek4 **Date of Issuance 10/13/2017**

Decision 17-10-004 October 12, 2017

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

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| Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self‑Generation Incentive Program and Other Distributed Generation Issues. | Rulemaking 12‑11‑005 |

DECISION ESTABLISHING EQUITY BUDGET FOR
SELF‑GENERATION INCENTIVE PROGRAM

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**DECISION ESTABLISHING EQUITY BUDGET FOR
SELF GENERATION INCENTIVE PROGRAM**

# Summary

This decision establishes that 25% of the funds collected for energy storage projects through California’s Self‑Generation Incentive Program (SGIP) shall be reserved for the SGIP Equity Budget, which will be awarded only to projects that meet specific criteria. This change will take effect beginning with SGIP energy storage Step 3. No other changes are made to the SGIP in this decision. The proceeding remains open.

The SGIP Equity Budget will be administered by the Program Administrators[[1]](#footnote-2) in the following manner:

* Eligibility:
	+ State and local government agencies, educational institutions, non-profits, or small businesses are eligible for the incentives if they are located in either: census tracts determined by CalEnviroScreen to be in the 25% most affected statewide, plus those census tracts that score within the highest 5% of CalEnviroScreen’s pollution burden but do not receive an overall CalEnviroScreen score, or low-income communities, as defined.
	+ Low-income housing, as defined, throughout the utilities’ service territories, including disadvantaged communities.
* Budget: 25% of the funds collected for SGIP energy storage incentives beginning with Step 3 will be reserved for eligible projects;
* Implementation:
	+ For incentive Step 3 and subsequent incentive Steps, each Program Administrator will take 25% of its total energy storage incentive budget (both small residential and
	large-scale) and create a new SGIP Equity Budget only accessible to eligible customers.
	+ The small residential energy storage incentive budgets and large-scale energy storage incentive budgets for Step 3 and each subsequent Step shall be proportionately lowered to fund the new SGIP Equity Budget.
	+ For incentive Step 3 and subsequent incentive Steps, 10% of the Equity Budget shall be reserved for single family and multi-family low-income housing regardless of the size of the energy storage project (less than or greater than 10 kilowatts).
	+ Each developer accessing the SGIP Equity Budget in a given Step must not reserve incentives in excess of 20% of the total SGIP Equity Budget for that Step.

# Background

## Legislative and Procedural History

California’s Self‑Generation Incentive Program (SGIP) was established in 2001 by the Commission 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 several times. During 2014 and 2015, the Commission acted to extend SGIP funding through 2019 and updated program eligibility criteria related to greenhouse gas emissions, pursuant to Senate Bill (SB) 861 (Committee on Budget and Fiscal Review, 2014).[[2]](#footnote-3) In 2016, the Commission adopted D.16‑06‑055, which made significant programmatic changes for how SGIP incentive dollars are awarded and other program refinements. On April 6, 2017, the Commission adopted D.17-04-017 doubling the budget for SGIP for years 2017-2019, pursuant to AB 1637 (Low, 2016).

## Budget Summary

SGIP is funded through annual collections from customers in the amount of $166 million per year through 2019.[[3]](#footnote-4) SGIP allocates 85% of the funds to energy storage technologies. The total energy storage incentive budget for Steps 3-5 is estimated at $220 million, which results in SGIP Equity Budget of approximately $55 million.[[4]](#footnote-5)

## Assigned Commissioner’s Ruling

On June 2, 2017, the assigned Commissioner issued a ruling seeking party comment on two proposed changes to SGIP.[[5]](#footnote-6) The Assigned Commissioner’s Ruling (ACR) sought feedback from parties on: 1) a proposal to reserve 20% of SGIP funds for projects that are located in disadvantaged communities; and
2) proposed program eligibility criteria for energy storage systems aimed at further aligning the operation of SGIP-funded energy storage systems with conditions on the electric grid.

Numerous parties filed comments[[6]](#footnote-7) to the ACR on June 22, 2017 and reply comments on June 27, 2017. [[7]](#footnote-8) The ACR’s proposal for a disadvantaged community budget included the following design elements:

* Definition: A disadvantaged community is any census tract that ranks in the statewide top 25% most affected census tracts in the most recently adopted version of the environmental health screening tool, CalEnviroScreen.[[8]](#footnote-9)
* Budget: 20% of the budget allocated to Steps 3-5 for energy storage projects and Steps 2-3 for renewable energy projects shall be reserved for projects located in a disadvantaged community.
* Implementation: Each Program Administration (PA’s) disadvantaged community budget will be equal to the proportion of disadvantaged communities in that PA’s service territory out of the total number of disadvantaged communities across all four PA service territories.

We address those comments concerning the budget reserved for disadvantaged communities in detail below. Comments concerning SGIP eligibility criteria for energy storage systems may be addressed in a subsequent decision.

# Discussion

Today’s decision establishes the SGIP Equity Budget to ensure that a significant portion of the SGIP budget will be reserved for projects that are located in disadvantaged and low-income communities and for customers that meet specific eligibility requirements. The Commission makes this programmatic change on our own motion with the objective that these investments will: 1) bring positive economic and workforce development opportunities to the state’s most disadvantaged communities; 2) help reduce or avoid the need to operate conventional gas facilities in these communities, which are exposed to some of the poorest air quality in the state;[[9]](#footnote-10) and 3) to ensure that low-income customers, and non-profit or public sector organizations in disadvantaged or low-income communities have access to energy storage resources incentivized through SGIP. From its inception a goal of SGIP has been to reduce peak electricity demand, which is more costly to consumers and traditionally has a relatively high emissions intensity.

Reserving a portion of the SGIP budget for projects that achieve these objectives is consistent with the statutory intent of the program[[10]](#footnote-11) and is consistent with numerous actions by the Legislature to ensure that disadvantaged communities in California benefit from clean energy programs. For example, in AB 327 (Perea, Stats. 2013), the Legislature directed that the next generation of Net Energy Metering tariffs or contracts include specific alternatives designed for growth among residential customers in disadvantaged communities.[[11]](#footnote-12) AB 693 (Eggman, Stats. 2015) establishes a program to fund solar roofs on multifamily affordable homes in disadvantaged communities.[[12]](#footnote-13) And in SB 350 (De Leon, Stats. 2015) the Legislature established an overarching integrated resource planning process for electric load-serving entities that, in part, must “minimize localized air pollutants and other greenhouse gas emissions, with early priority on disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code,” as well as mandating that the Commission, along with the California Energy Commission and California Air Resources Board, identify barriers faced by disadvantaged communities to participation in clean energy and clean transportation programs.[[13]](#footnote-14)

Today’s decision harmonizes SGIP with this legislative intent and other efforts to deploy clean energy resources in an equitable manner. We note that in the future the way in which we determine how to deploy clean energy resources in an equitable manner may differ from the methods employed in this decision.

Parties offered detailed comments on the proposal set forth in the ACR, which included a definition of “disadvantaged community” and a methodology for allocating the budget across the PAs. Parties made additional program design and administration recommendations which have been carefully considered in the development of the SGIP Equity Budget.

Program Administrators shall implement the Equity Budget as set forth below and make any other changes needed to the SGIP handbook as a result of this decision by submitting a Tier 2 advice letter no later than 45 days following the issuance of this decision. Implementing the Equity Budget also requires changes to the SGIP portal, which shall be completed in a timely manner such that applications may be submitted for the Equity Budget no later than 90 days following the issuance of this decision, assuming that Step 3 opens in that period. Program Administrators should include information in future program reports that will help identify whether any refinements to the program adopted today should be considered.

All existing SGIP rules apply unless expressly changed pursuant to this decision.

## SGIP Equity Budget

The proposal set forth in the June 2, 2017 ACR sought comments on four design elements of the budget reservation: definition of “disadvantaged community,” the size of the budget, the resource categories subject to a budget reservation, and a methodology for allocating the budget across the PAs. We address each element below, as well as other eligibility and implementation details raised by parties.

### Purpose and Scope

The ACR proposed fairly broad eligibility criteria such that projects could gain access to the reserved funds if the customer’s project was located in a disadvantaged community, defined in the ACR as any census tract that ranks in the statewide top 25% most affected census tracts in the most recently adopted version of the environmental health screening tool, CalEnviroScreen.[[14]](#footnote-15)

Numerous parties highlight the importance of aligning the eligibility criteria with the Commission’s objectives for this specially designated budget. CESA, CalSEIA and GRID Alternatives point out that directing investments to CalEnviroScreen designated communities does not ensure participation from low-income customers that might not otherwise access SGIP funds. Customers in disadvantaged communities can include large, well-capitalized companies as well as residents that do not meet any state or federal low-income definition.[[15]](#footnote-16) It is also true that low-income residents live outside of the top 25% most disadvantaged communities as defined by CalEnviroScreen.[[16]](#footnote-17) In light of this, GRID Alternatives and CalSEIA recommend that the SGIP Equity Budget use the eligibility criteria established for other energy equity programs under the Commission’s jurisdiction, most notably the AB 693 program (Eggman, Stats. 2015, ch. 582), the Multifamily Affordable Solar Housing program, and the Single-Family Affordable Solar Housing program.[[17]](#footnote-18) Related to this, several parties recommend that a means test[[18]](#footnote-19) should also be included for projects located in disadvantaged communities.

Consistent eligibility criteria where practicable are reasonable and can simplify program participation. We adopt an eligibility framework for the SGIP Equity Budget based on existing policies that utilize geographic, housing type, and income criteria.

### Eligibility Requirements

#### Disadvantaged and Low Income Community Project Criteria

For the purpose of the SGIP Equity Budget, the host customer of a project must be: 1) located in a disadvantaged community or low-income community; and 2) must meet one of the following customer criteria:

* Local or state government agency
* Educational institution
* Non-profit organization
* Small business

Notwithstanding these criteria, low-income residential customers, as defined below, are eligible for the SGIP Equity Budget regardless of where they reside within their respective utility’s service territory.

#### Definition of Disadvantaged Community

For the purpose of the SGIP Equity Budget, a disadvantaged community is defined as any census tract that ranks in the statewide top 25% most affected census tracts in the most recently released version of the environmental health screening tool, CalEnviroScreen. The ACR proposed this definition and no parties oppose it. Based on comments,[[19]](#footnote-20) we also include census tracts that score within the highest 5% of CalEnviroScreen’s pollution burden, but do not receive an overall CalEnviroScreen score.[[20]](#footnote-21) The Program Administrators recommend incorporating the interactive map made available by the California Air Resources Board (CARB) for the purpose of identifying disadvantaged and low-income communities into the SGIP application process.[[21]](#footnote-22) We generally endorse efforts that improve program administration for program participants and administrators, and thus encourage PAs to use the CARB map and other resources to enhance the SGIP application process.

Our definition of disadvantaged community is consistent with the definition established by the CalEPA pursuant to § 39711 of the Health and Safety Code for investment of proceeds from the California’s cap-and-trade program.

In addition to the benefits of consistency with other programs, it will ensure that communities that experience much higher pollution burdens than other communities in the state are targeted by a ratepayer-funded clean energy program. This goal is consistent with several legislative and Commission program goals, as described previously.

GRID Alternatives recommended that we apply a broader definition where a disadvantaged community is defined as the top 25% of census tracts in each PA service territory or statewide, whichever is broader.[[22]](#footnote-23) In light of our decision to expand eligibility criteria beyond disadvantaged communities, as defined by CalEnviroScreen, we favor the statewide application of CalEnviroScreen.

#### Definition of Low Income Community and Low Income Residential Housing

As noted by CESA in their comments, the distribution of census tracts using the disadvantaged community definition described above is unequal across the four SGIP territories served by the PAs, and not all low-income customers live in those areas.[[23]](#footnote-24) In order to ensure that the distribution of the SGIP Equity Budget funds is more geographically even, and to include
low-income customers not currently captured by the CalEnviroScreen, it is reasonable to expand geographic eligibility for the Equity Budget beyond the statewide top 25% most affected census tracts as defined by CalEnviroScreen. We do so in two ways: by expanding geographic eligibility for the non-residential customer classes noted above to those located in a “low-income community,” and by allowing “low-income residential customers” to access the SGIP Equity Budget regardless of where they happen to reside.

CESA and Tesla advocate for the inclusion of low-income communities in addition to the ACR’s focus on CalEnviroScreen-defined disadvantaged communities.[[24]](#footnote-25) This proposal is reasonable as it would ensure that low-income communities receive the benefits of the SGIP Equity Budget even if they are not disadvantaged communities per the CalEnviroScreen definition.

Only Tesla proposed a definition for “low-income community” per se, one where 80% of the households have incomes below 60% of the area median income.[[25]](#footnote-26) While such a definition may have merit, it does not reflect legislative guidance on the issue as AB 693 uses that test to define whether a building – and not an entire community – is eligible for the AB 693 program.[[26]](#footnote-27) Therefore, we exercise our judgment to select a definition that reflects recent legislative guidance on this matter and allows for simplicity of administration.

For the purpose of the SGIP Equity Budget, a low-income community is defined in the same way as § 39713(d)(2) of the Health and Safety Code. That subsection defines low-income communities as census tracts with median household incomes at or below 80% of the statewide median income[[27]](#footnote-28) or with median household incomes at or below the threshold designated as low-income by the Department of Housing and Community Development’s list of state income limits adopted pursuant to Section 50093. In 2016, the Legislature applied this definition to projects funded by the state’s Greenhouse Gas Reduction Fund.[[28]](#footnote-29) It is, therefore, a recent legislative finding on the way in which to define low-income communities for the purpose of administering a statewide program funding projects with goals similar to SGIP.[[29]](#footnote-30) As it is currently part of the state’s framework for allocating funds from the Greenhouse Gas Reduction Fund, it should be reasonably simple to administer.

We similarly rely on existing programs and statutory definitions to define low-income residential customers that are eligible for the SGIP Equity Budget regardless of where they live. Specifically, we rely on the definition of
low-income residential housing as used in AB 693[[30]](#footnote-31) where it is defined as a multifamily residential building of at least five rental housing units that is operated to provide deed-restricted low-income residential housing, as described in clause (i) of subparagraph (A) of paragraph (3) of subdivision (a) of § 2852 of the Public Utilities Code, and is either: 1) in a disadvantaged community; or
2) a building where at least 80% of the households have incomes at or below 60% of the area median income, as defined in subdivision (f) of § 50052.5 of the Health and Safety Code.[[31]](#footnote-32) Any customer account in such buildings will be eligible for the SGIP Equity Budget.

In comments, CalSEIA argues that the Commission should ensure that customers living in low-income single-family homes, regardless of location, have access to the Equity Budget.[[32]](#footnote-33) This is a reasonable addition to the definition of low-income residential housing as codified by AB 693 that we adopt above, as it would ensure that low-income residential customers that happen to live in single-family homes rather than multi-family dwellings also have access to SGIP Equity Budget funds. Therefore, an individual customer living in a low-income residence, as described in subparagraph (C) of paragraph (3) of subdivision (a) of § 2852 of the Public Utilities Code, also meets the definition of low-income residential customer for the purpose of the SGIP Equity Budget.

#### Definition of Customer Classes Eligible for the Equity Budget

In addition to the definition of low-income residential customer established above, we provide the following definitions of other customer groups eligible for the SGIP Equity Budget to resolve any ambiguity about their eligibility. We rely on existing definitions rather than creating new ones.

Some definitions are well known and not subjective, such as the definition of a state agency. This is not the case with business organizations, which can be measured based on electricity demand, the number of employees and/or gross annual revenues. For example, the Commission defines “small business” for the purpose of distributing greenhouse gas allowance revenues as any “commercial, industrial, or agricultural customers that typically use less than 20 kilowatts (kW) of maximum power in a month.”[[33]](#footnote-34) While attractive as an available definition, setting the eligibility criteria based on a relatively low electricity demand will likely limit participation from businesses well suited for an energy storage system. The California Department of General Services (DGS) defines small business using the following criteria:[[34]](#footnote-35)

* Be independently owned and operated;
* Not dominant in field of operation;
* Principal office located in California;
* Owners (officers, if a corporation) domiciled in California; and,
* Including affiliates, be either,
	+ A business with 100 or fewer employees; an average annual gross receipts of $15 million or less, over the last three tax years;
	+ A manufacturer[[35]](#footnote-36) with 100 or fewer employees; or,
	+ A microbusiness. A small business will automatically be designated as a microbusiness, if gross annual receipts are less than $3,500,000; or the small business is a manufacturer with 25 or fewer employees.

The DGS definition is better suited for SGIP because it is based on the business’s resource capacity and not maximum electric demand; however, some parties raised concern about the subjective nature of the criteria in the DGS definition. As an initial small business definition, we adopt below a financial criterion from the DGS definition because it will be easily understood by program participants and PAs alike.[[36]](#footnote-37)

The non-residential customer class definitions are as follows:

* Local governmental agency means any entity described by Public Contracts Code § 22161(f).
* State governmental agency means any entity described by Government Code §11000.
* Educational institution means any institution that would otherwise be eligible for funding through the California Clean Energy Jobs Act (Proposition 39), or a college or university accredited to operate in California.
* Non-profit organization means an organization registered and in good standing with the California Secretary of State as a domestic non-profit entity.
* Small business means a business or manufacturer, including affiliates, with average annual gross receipts of $15 million or less, over the last three tax years.

### Budget Allocation Among Program Administrators

The ACR proposal allocated the SGIP Equity Budget based on the proportion of disadvantaged communities in that PA’s service territory out of the total number of disadvantaged communities across all four PA service territories. Many parties commented that the proposed methodology was overly complex. Instead, parties such as SoCalGas and Tesla recommend an allocation that reflects existing SGIP allocation rules such that a PA’s SGIP Equity Budget would equal a fixed percentage of the budget for that resource category. Given our decision to broaden the criteria beyond disadvantaged communities and the benefits in having program rules that are easy to understand and administer we agree that a fixed allocation is reasonable.

Therefore, each PA shall allocate 25% of its total energy storage incentive budget beginning with Step 3 to the Equity Budget. For example, if PG&E’s total energy storage incentive budget for Step 3 is $49 million ($43 million for
large-scale and $6 million for small residential), then 25% of that amount
- $12.25 million – shall be allocated to the Step 3 Equity Budget. Each of the
large-scale and residential budgets shall be reduced by 25% to accommodate the new Equity Budget for Step 3. Therefore, in this example, PG&E’s large-scale energy storage budget for Step 3 would be $32.25 million and the small residential budget would be $4.5 million.

### Resource Categories Subject to SGIP Equity Budget

The ACR proposed that 20% of the budgets for the energy storage categories and renewable generation resource category be reserved for disadvantaged communities. We first look at the budget resource category issue before turning to the percentage amount.

GRID Alternatives’ comments on this topic suggest that the SGIP will be better served if the SGIP Equity Budget is limited to the energy storage category.[[37]](#footnote-38) GRID Alternatives reasons that energy storage is the resource most likely to provide benefits to customers in disadvantaged and low-income communities and that these communities may not be suited for renewable energy generation technologies. Energy storage currently makes up the vast majority of SGIP incentives reserved in 2017, and we have previously reserved approximately 80% of ongoing SGIP incentives for energy storage projects.[[38]](#footnote-39)

In setting the SGIP Equity Budget the Commission must balance the objective to reserve a portion of SGIP funds for investments in disadvantaged and low-income communities, without imposing unnecessary limitations on otherwise eligible projects. Reserving budget for resources that are unlikely to be located in disadvantaged and low-income communities regardless of the budget structure do not advance the objectives of the policy addressed herein or SGIP’s broader objectives. Setting the SGIP Equity Budget solely within the energy storage category budgets is reasonable and consistent with our objectives to ensure positive economic and workforce development opportunities to the state’s most disadvantaged communities and to ensure that the cumulative impact of this investment can obviate the need to use conventional, polluting resources in these communities. Therefore, in response to comments by parties, we establish that the SGIP Equity Budget shall solely fund energy storage projects and that the funding for the SGIP Equity Budget shall solely come from budget allocations to energy storage incentives (not generation budget incentives).

Tesla, CSE and ORA question the merits of having a budget reservation for small residential energy storage systems.[[39]](#footnote-40) CSE commented that “energy storage may not currently be the best option for reducing energy costs for disadvantaged or low-income residential customers.” Tesla commented that a budget reserved for residential, low income customers would likely go unutilized unless systems were fully subsidized. Tesla recommends allowing the SGIP Equity Budget to be utilized by SGIP-eligible energy storage project of any size.

In comments on the proposed decision, GRID Alternatives argues that residential customers who qualify for the Equity Budget should receive similar treatment as residential customers in the general program, which includes a budget carve out for residential projects to ensure funds are available for this market segment.[[40]](#footnote-41) GRID Alternatives also asserts that without reserved incentives for the residential sector, projects in the public sector, non-profit and small business sectors could expend SGIP incentives before low-income residential sector has an opportunity to benefit from the Equity Budget.

GRID Alternatives persuades us to reserve a portion of the Equity Budget for low-income residential properties.[[41]](#footnote-42) We do so in two ways. First, we adopt the budget allocation of 10%/90% for residential and non-residential customers, which is proportionately consistent with D.17-04-017.[[42]](#footnote-43) Second, for the purposes of the Equity Budget, the 10% shall be reserved for single family and multi-family low-income housing regardless of the size of the energy storage project (less than or greater than 10 kilowatts). This modest reformation ensures low-income residential housing will have access to SGIP incentives, while preserving the vast majority of budget for the non-residential commercial sector, where demand is strongest from a capacity basis.

### Budget Percentage Amount

The ACR proposed that 20% of the budgets for the energy storage categories and renewable generation category would be reserved for disadvantaged communities. Parties generally supported the 20% proposal. No parties opposed the 20% amount, although PG&E recommended convening a workshop and conducting further analysis before setting percentage amount.

Given our decision to apply the SGIP Equity Budget to a smaller total budget amount (*i.e.,* energy storage categories only), it is reasonable to modestly increase the percentage amount to 25% so that it approximates the absolute level of funding previously proposed by the ACR and generally supported by commenting parties.

To demonstrate, SGIP’s Step 3 budget for energy storage is approximately $115 million. SGIP’s Step 3 budget for generation is approximately $39 million. The ACR’s 20% proposal would have created a total SGIP Equity Budget for
Step 3 of $30.8 million. The revised 25% allocation from the energy storage incentive budget leads to a total SGIP Equity Budget for Step 3 of $28.75 million.

### Developer Cap

In D.16-06-055, the Commission established a “developer cap” to ensure diversity within the program and prevent any single developer from obtaining an inequitable share of SGIP funds.[[43]](#footnote-44) CSE recommends that incentives associated with projects eligible for the SGIP Equity Budget should not be subject to the developer cap in order to avoid setting barriers to projects in disadvantaged communities.[[44]](#footnote-45) While we appreciate CSE raising this concern, the developer cap is an important element of SGIP and it would be premature to eliminate the rule before we have experience with the SGIP Equity Budget.

However, it is reasonable to apply the 20% developer cap separately to the Equity Budget and the general SGIP budget, such that a developer may reach its 20% Step 3 general budget cap and remain eligible for Step 3 Equity Budget incentives up to the 20% cap. A single developer cap applies to the projects awarded incentives from the Equity Budget regardless of whether the project is a small residential system or large system as defined by SGIP Handbook. Therefore, for the purposes of the SGIP Equity Budget a developer shall not reserve incentives in excess of 20% of the total SGIP Equity Budget for that Step.

### Other Program Design and Implementation Issues

#### Interaction and Independence of Equity Budget and General Budget

Within a given incentive step (e.g., Step 3), if the Equity Budget is exhausted, any project eligible for the Equity Budget is eligible for the general SGIP budget (*i.e*., non-Equity Budget) within that same incentive Step, provided there are remaining funds. PAs should update the SGIP portal to implement this in a manner that is reasonably efficient to both program participants and program administrator. This interaction between the Equity Budget and general budget does not apply in the inverse. Once the general budget for a given incentive step is exhausted, non-Equity Budget projects move to the next incentive step.

We also clarify that the incentive levels for a PA’s Equity Budget and general budget will operate independently of one another. As explained above, if within the same incentive step the general budget is exhausted, any project eligible for the general budget but not the Equity Budget will advance to the next incentive step (i.e., Step 4 in this example). Any project eligible for the Equity Budget will receive Step 3 incentives (or higher incentive, if triggered) until the PA’s Step 3 Equity Budget is exhausted.

#### Incentive Level

Several parties raise the issue that projects eligible for the SGIP Equity Budget may require higher incentive levels than other projects.[[45]](#footnote-46) CalSEIA recommends that a higher incentive rate be provided to low-income customers to incent greater adoption of SGIP projects, particularly for the capacity of the system that offsets low-income tenant load. GRID Alternatives concurs, and it recommends Step 1 and 2 levels for projects in Steps 3 and 4.[[46]](#footnote-47)

Tesla recommends an enhanced incentive for residential customers in the SGIP Equity Budget. The Joint Storage Parties recommend that the Step 3 incentive level for the SGIP Equity Budget be set at the Step 1 incentive level. In reply comments, GRID Alternatives supports the proposal to set higher incentive levels for the SGIP Equity Budget. CESA also concurs in their reply comments.

PG&E opposes these proposals. PG&E suggests that the current incentive level for Step 3 is high enough to garner interest from developers, and that the SGIP Equity Budget is sufficient in and of itself to guarantee developments in disadvantaged communities.

Absent information demonstrating that existing incentive levels are insufficient, we decline to adjust incentive levels in this decision. We do, however, recognize projects eligible for the SGIP Equity Budget may face different economics than the general market, so we establish a process for adjusting incentive levels, as described below.

Several parties recommend that the Commission adopt a streamlined process to adjust the rules governing the SGIP Equity Budget. The rationale supporting this position is that SGIP will sunset no later than the end of 2020
and because it is difficult to know whether the program, as adopted today, is most effectively designed to achieve the objectives.[[47]](#footnote-48)

There are numerous examples where the Commission has established processes for making specific programmatic changes to account for changing or unexpected conditions, and we elect to do so here.[[48]](#footnote-49) In general, the Commission may make changes to the rules for the SGIP Equity Budget at any time on its own motion, and we may do so in the future if it is apparent that the SGIP Equity Budget is not meeting the goals we outline in this decision.

Notwithstanding that, given that SGIP funding is authorized only through 2020, a systematic streamlined process for the consideration of changes to the SGIP Equity Budget is warranted. A streamlined process can also reduce the program administrative costs for the PAs and Energy Division staff.

Accordingly, the following process will govern each PA’s management of the program.

* If a PA does not confirm any reservations within the Equity Budget during any rolling three (3) month period, while five (5) or more energy storage projects not eligible for the SGIP Equity Budget secure confirmed reservations in the same time period, this will constitute a triggering event. This process and analysis applies separately to small residential and large-scale energy storage systems.
* If triggered, the PA will increase the incentive amount by $0.05/Wh, but in no event shall the incentive exceed $0.50/Wh. Within the same step, the incentive available to projects eligible for the Equity Budget can increase but shall not decrease.
* Within 30 days of the triggering event the PA shall submit a tier 1 advice letter to inform Energy Division about the triggering event. The advice letter shall be served on the R.12-11-005 service list or successor proceeding. The PA must also use appropriate communication channels to inform customers about the increased incentive level for the Equity Budget.

#### SDG&E “SolarAll” Program

In its comments on the ACR, SDG&E sought clarification from the Commission that its efforts to pair energy storage with renewable energy projects it plans to develop as part of its “SolarAll” program would be eligible for SGIP Equity Budget funding.[[49]](#footnote-50) In reply comments, CESA argues that SDG&E’s request for clarification is out of scope and more appropriately addressed in R.15-03-011 (the Commission’s energy storage rulemaking). CESA also argues that community solar projects themselves may not be eligible for SGIP funding as such projects are not customer-sited.[[50]](#footnote-51) Tesla’s reply comments generally argue for consideration of SDG&E’s proposal.[[51]](#footnote-52)

At this time the Commission takes no position on the clarification sought by SDG&E that storage related to its potential “SolarAll” projects may be eligible for SGIP. We remind SDG&E that it may apply for status as an SGIP developer and may apply for SGIP funds so long as the project it is developing conforms with SGIP rules.

# Grid Services

The June 2, 2017 ACR also proposed program eligibility criteria for energy storage systems aimed at further aligning the operation of SGIP-funded energy storage systems with conditions on the electric grid. Parties’ comments on the proposed eligibility requirements for SGIP energy storage projects highlight the importance and complexity of this issue. We will consider these comments later in this proceeding as we learn more about how SGIP energy storage projects are performing under the existing rules and as new tariffs and wholesale market opportunities are developed for energy storage resources. No changes to the operational requirements for SGIP energy storage systems are made at this time.

However, this decision reiterates the intent of the Commission that SGIP energy storage projects provide benefits to ratepayers – such as reduced demand during system peak hours and contributing to the state’s greenhouse gas reduction goals – even as the program supports market transformation of this technology.

To that end, we adopt the following next steps for a workshop and party discussion concerning the operational performance of SGIP energy storage systems in 2016 and the implications of that performance for future years. The Assigned Commissioner may release a ruling after the workshop and party discussion seeking comment on changes to the operational requirements for SGIP energy storage systems in light of those discussions. We envision Energy Division and parties to conduct additional work on this topic according to the following schedule:

* October, 2017: Final 2016 SGIP Energy Storage Impact Evaluation Report is published and distributed to the
R.12-11-005 service list by Energy Division.[[52]](#footnote-53)
* November, 2017: Energy Division hosts a workshop to discuss the findings of this 2016 report.[[53]](#footnote-54)

# Comments on Proposed Decision

The proposed decision of Commissioner Rechtschaffen in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. Comments were filed on September 14, 2017, by the Joint IOUs, CSE, GRID Alternatives, CESA, AMS and CalSEIA. Reply comments were filed on September 19, 2017 by GRID Alternatives, CESA, ORA, and Custom Power Solar.

Parties provided helpful comments for ways to improve implementation and administration of the SGIP Equity Budget. To the extent required, revisions have been incorporated to reflect the substance of these comments.

# Assignment of Proceeding

Clifford Rechtschaffen is the assigned Commissioner and
Regina DeAngelis is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The SGIP Equity Budget is established to ensure that a significant portion of the SGIP budget is reserved for customer projects that meet specific eligibility requirements.
2. The Commission’s objective in creating the SGIP Equity Budget is that these investments will achieve the following: 1) bring positive economic and workforce development opportunities to the state’s most disadvantaged communities; 2) help reduce or avoid the need to operate conventional gas facilities in these communities, which are exposed to some of the poorest air quality in the state; and 3) ensure that non-profit, public sector and small businesses in low-income communities, as well as, low-income residential customers have access to the clean energy resources incentivized through SGIP.
3. Directing SGIP Equity Budget investments to CalEnviroScreen designated communities does not ensure participation from customers that might not otherwise access SGIP funds.
4. The top 25% most disadvantaged communities as defined by CalEnviroScreen do not include all low-income communities.
5. It is unclear the extent to which low-income residential customers will invest in energy storage.
6. SGIP allocates a portion of its budget for residential properties.
7. The SGIP Equity Budget will consist of 25% of the energy storage budget incentives, which results in an Equity Budget of approximately $55 million through 2020.
8. Establishing separate budgets within the Equity Budget is reasonable and consistent with the general SGIP framework.
9. The developer cap is an important SGIP rule.
10. A streamlined process to make changes to the SGIP Equity Budget incentive levels is reasonable and consistent with past Commission actions.
11. These changes to the SGIP will take effect beginning with SGIP energy storage Step 3.

Conclusions of Law

1. The Commission should create the SGIP Equity Budget to ensure that disadvantaged and low-income communities in California benefit from clean energy programs.
2. For the purpose of the SGIP Equity Budget, a disadvantaged community should be defined in the same way as the California Environmental Protection Agency’s implementation of section 39711 of the Health and Safety Code, such that any census tract that ranks in the statewide top 25% most affected census tracts in the most recently released version of the environmental health screening tool, CalEnviroScreen, plus those census tracts that score within the highest 5% of CalEnviroScreen’s pollution burden, but do not receive an overall CalEnviroScreen score.
3. For the purpose of the SGIP Equity Budget, a low-income community should be defined in the same way as section 39713(d)(2) of the Health and Safety Code.
4. For the purpose of the SGIP Equity Budget, low-income residential housing should be defined in the same way as section as section 2852 of the Public Utilities Code, as refined by this decision.
5. For the purpose of the SGIP Equity Fund, local governmental agency should be defined as any entity described by Public Contracts Code § 22161(f).
6. For the purpose of the SGIP Equity Fund, state governmental agency should be defined as any entity described by Government Code § 11000.
7. The SGIP Equity Budget will consist of 25% of the energy storage budget incentives, which results in an Equity Budget of approximately $55 million through 2020.
8. For the purpose of the SGIP Equity Fund, non-profit organization should be defined as an organization registered and in good standing with the California Secretary of State as a domestic non-profit entity.
9. For the purpose of the SGIP Equity Fund, small business should be defined as a business or manufacturer, including affiliates, with average annual gross receipts of $15 million or less, over the last three tax years.
10. Separate budgets should be established within the Equity Budget for residential energy storage systems and non-residential large-scale systems, proportionally consistent with the Commission’s most recent SGIP decision, D.17-04-017.
11. The portion of the Equity Budget reserved for low-income residential customers should be available for energy storage projects regardless of size to ensure SGIP funds are available to the residential sector.
12. A streamlined process should be established to increase the incentive levels for projects that qualify for the Equity Budget in response to a lack of market demand. This process should be triggered for a PA if during any three (3) month period on a rolling basis the PA has not confirmed any reservations within the Equity Budget, and the PA has confirmed five (5) or more reservations for energy storage projects that are not eligible for the SGIP Equity Budget in the same time period. If triggered, the PA will increase the incentive amount by $0.05/Wh, but in no event will the incentive exceed $0.50/Wh, or decrease within the same incentive step.
13. Any incentive increase should occur separately for small residential systems and large-scale systems.
14. The Energy Division should have the authority to change the SGIP Equity Budget on its own motion via a Resolution.
15. The PAs should have the authority to seek changes to the SGIP Equity Budget via Tier 3 advice letters.

ORDER

**IT IS ORDERED** that:

1. The Self‑Generation Incentive Program (SGIP) Equity Budget will be administered by the Program Administrators, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the Center for Sustainable Energy on behalf of San Diego Gas & Electric Company , in the following manner:
* Eligibility:
	+ State and local government agencies, educational institutions, non-profits and small businesses, as defined in Conclusions of Law 5 through 9, are eligible for the incentives if they are located in either: census tracts determined by CalEnviroScreen to be in the 25% most affected statewide, plus those census tracts that score within the highest 5% of CalEnviroScreen’s pollution burden, but do not receive an overall CalEnviroScreen score, as defined in Conclusion of
	Law 2; or low-income communities, as defined in Conclusion of Law 3.
	+ Low-income residences, as defined in Conclusion of
	Law 4, throughout each utility’s service territory.
* Budget: 25% of the funds collected for SGIP energy storage incentives beginning with Step 3 will be reserved for projects eligible for the SGIP Equity Budget.
* Implementation:
	+ For Step 3 and subsequent incentive Steps, each Program Administrator will take 25% of its total energy storage incentive budget (both small residential and large-scale) and create a new SGIP Equity Budget only accessible to eligible customers.
	+ The small residential energy storage incentive budgets and large-scale energy storage incentive budgets for Step 3, and subsequent incentive Steps, shall be proportionately lowered to fund the new SGIP Equity Budget.
	+ For incentive Step 3 and subsequent incentive Steps, 10% of the Equity Budget shall be reserved for
	low-income housing customers for energy storage projects regardless of size (less than or greater than
	10 kilowatts), and 90% shall be allocated to large-scale energy storage projects with non-residential customers.
	+ The existing developer cap of 20% for each incentive Step will apply to the total Equity Budget independent from the general SGIP budget.
1. A Program Administrator, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the Center for Sustainable Energy on behalf of San Diego Gas & Electric Company, shall file a Tier 1 advice letter within 30 days of a proposed Self‑Generation Incentive Program Equity Budget incentive triggering event, as defined in Conclusion of Law 12.
2. The Program Administrators, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the Center for Sustainable Energy on behalf of San Diego Gas & Electric Company, shall file a Tier 2 Advice Letter within 45 days of the effective date of this decision implementing the changes to the Self‑Generation Incentive Program Handbook in order to implement the revisions to the Self‑Generation Incentive Program adopted herein.
3. Rulemaking 12‑11‑005 remains open.

This order is effective today.

Dated October 12, 2017, at San Francisco, California.

                                                   MICHAEL PICKER

                                                                      President

                                                   CARLA J. PETERMAN

                                                  LIANE M. RANDOLPH

                                                   MARTHA GUZMAN ACEVES

                                                  CLIFFORD RECHTSCHAFFEN

                                                               Commissioners

1. The Program Administrators are Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the Center for Sustainable Energy on behalf of San Diego Gas & Electric Company. [↑](#footnote-ref-2)
2. The decisions implementing these changes are D.14‑11‑001 and D.15‑11‑027. [↑](#footnote-ref-3)
3. *See*, D.17-04-017. [↑](#footnote-ref-4)
4. This is only an estimate. Actual amounts will be higher as awarded incentives in earlier steps to projects that do not get built go back into the program. [↑](#footnote-ref-5)
5. The Assigned Commissioner’s Ruling can be found at the link “Docket Card” on the Commission’s website: <http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=171806907>. [↑](#footnote-ref-6)
6. Parties that filed comments include the following: Pacific Gas and Electric Company, Southern California Edison Company (SCE), San Diego Gas & Electric Company ; Southern California Gas Company (SoCalGas); Center for Sustainable Energy (CSE); Office of Ratepayer Advocates (ORA); GRID Alternatives; California Solar Energy Industries Association (CalSEIA); California Energy Storage Alliance (CESA); Tesla, Inc. (Tesla); Advanced Microgrid Solutions, Green Charge Networks, LLC (Green Charge) and Stem, as Joint Storage Parties; Direct Access Customer Coalition; and Marin Clean Energy. [↑](#footnote-ref-7)
7. Parties that filed reply comments include the following: PG&E; ORA; GRID Alternatives; CSE; CESA; Robert Bosch LLC (Bosch); Tesla; and Direct Access Customer Coalition. [↑](#footnote-ref-8)
8. CalEnviroScreen was developed by the Office of Environmental Health Hazard Assessment (OEHHA) on behalf of the California Environmental Protection Agency (CalEPA) pursuant to Section 39711 of the Health and Safety Code. The current version of the tool,
CalEnviroScreen 3.0, was released on January 30, 2017. Information about CalEnviroScreen is available here. <https://oehha.ca.gov/calenviroscreen>. [↑](#footnote-ref-9)
9. On its website, OEHHA notes that CalEnviroScreen scores are mapped so that different communities can be compared. An area with a high CalEnviroScreen score is one that experiences a much higher pollution burden than areas with low scores. *See*,
*CalEnviroScreren 3.0: Update to the California Communities Environmental Health Screening Tool.* (January 2017) <https://oehha.ca.gov/media/downloads/calenviroscreen/report/ces3report.pdf>. [↑](#footnote-ref-10)
10. SGIP is established in Pub. Util. Code § 379.6. Pursuant to § 379.6 (a)(1):

It is the intent of the Legislature that the self-generation incentive program increase deployment of distributed generation and energy storage systems to facilitate the integration of those resources into the electrical grid, improve efficiency and reliability of the distribution and transmission system, and reduce emissions of greenhouse gases, peak demand, and ratepayer costs. It is the further intent of the Legislature that the commission, in future proceedings, provide for an equitable distribution of the costs and benefits of the program. [↑](#footnote-ref-11)
11. *See*, Pub. Util. Code § 2827.1(a)(1). [↑](#footnote-ref-12)
12. *See*, Pub. Util. Code § 2870. [↑](#footnote-ref-13)
13. *See*, Pub. Util. Code § 454.52 (a)(1)(H). [↑](#footnote-ref-14)
14. Assigned Commissioner’s Ruling on Potential Refinements to the Self-Generation Incentive Program (June 2, 2017) at 4. [↑](#footnote-ref-15)
15. *See, e.g.,* comments of PG&E at 4. [↑](#footnote-ref-16)
16. Comments of GRID Alternatives at 6-7; Comments of CESA at 5 (“only about 20% of the affordable multi-family properties in California [as defined by statutes governing California Solar Initiative program] are located in disadvantaged communities identified by the CalEnviroScreen [citations omitted]”). [↑](#footnote-ref-17)
17. The AB 693 Multifamily Affordable Housing Solar Roofs Program is codified in Pub. Util. Code § 2870 and is being implemented in R.14-07-002. [↑](#footnote-ref-18)
18. A “means test” is used to evaluate a customer’s ability to pay without an incentive. When implemented a means test functions as an eligibility requirement. Parties that recommend a means test are CalSEIA, GRID Alternatives, PG&E, and CESA. [↑](#footnote-ref-19)
19. CSE comments at 2 (September 14, 2017). [↑](#footnote-ref-20)
20. The rationale for this additional designation is explained in CalEPA’s *SB 535 Designation of Disadvantaged Communities* (April 2017). Accessed on September 20, 2017 at: <https://calepa.ca.gov/wp-content/uploads/sites/34/2017/04/SB-535-Designation-Final.pdf>. [↑](#footnote-ref-21)
21. <https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/communityinvestments.htm> Accessed on September 25, 2017. [↑](#footnote-ref-22)
22. GRID Alternatives comments at 8. [↑](#footnote-ref-23)
23. CESA comments at 3-5. *See also* PG&E comments at 3 (“[d]isadvantaged community does not necessarily mean low-income”). [↑](#footnote-ref-24)
24. CESA comments at 5. Tesla reply comments at 2-3. [↑](#footnote-ref-25)
25. Tesla reply comments at 3. [↑](#footnote-ref-26)
26. Nothing in this decision is intended to prejudge the Commission’s implementation of
AB 693, which is occurring in R.14-07-002. [↑](#footnote-ref-27)
27. CESA notes that using some percentage of area median income may be used to expand the definition of disadvantaged communities to include more low-income customers (CESA reply comments at 11). [↑](#footnote-ref-28)
28. AB 1550 (Gomez, Stats. 2016, ch. 369). [↑](#footnote-ref-29)
29. D.16-06-055 found that reducing greenhouse gas emissions was a programmatic goal of SGIP. [↑](#footnote-ref-30)
30. CalSEIA and GRID Alternatives each mentioned AB 693 as providing language that could be used to define low-income customers eligible for the SGIP Equity Budget regardless of their location. Tesla supports using the AB 693 definition to minimize administrative difficulties (Tesla reply comments at 2). [↑](#footnote-ref-31)
31. GRID Alternatives recommended adopting all eligibility requirements from Public Utilities Code § 2852(a)(3) (GRID Alternatives comments at 8). We decline to do so, and rather follow the AB 693’s definition as the more recent legislative guidance on this matter. [↑](#footnote-ref-32)
32. CalSEIA comments at 2. [↑](#footnote-ref-33)
33. *See,* D.12-12-033, pursuant to Pub. Util. Code § 748.5. [↑](#footnote-ref-34)
34. The full definition is available on the DGS website:

<http://www.dgs.ca.gov/pd/Programs/OSDS/SBEligibilityBenefits.aspx> [↑](#footnote-ref-35)
35. According to the DGS definition for Small Business Certification purposes, a manufacturer is a business that is both of the following:

Primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products; and

Classified between Codes 31 to 339999, inclusive, of the North American Industrial Classification System Manual, published by the United States Census Bureau, 2007 edition. [↑](#footnote-ref-36)
36. CSE raised concerns with implementing subjective criteria such as “not dominant in field of operation,” which could unnecessarily slow review of applications and could be interpreted differently among PAs. (September 14, 2017 comments). [↑](#footnote-ref-37)
37. GRID Alternatives reply comments at 5-6. [↑](#footnote-ref-38)
38. *See* D.16-06-055 and D.17-04-017. [↑](#footnote-ref-39)
39. SGIP rules define small residential energy storage systems as systems sized 10 kW
and smaller. [↑](#footnote-ref-40)
40. GRID Alternatives comments at 9-10 (September 14, 2017). [↑](#footnote-ref-41)
41. Custom Power Solar also commented that a reserved portion of the Equity Budget for
“low-income single family and multi-family housing would help serve that portion of the community.” (Reply Comments, September 19, 2017). [↑](#footnote-ref-42)
42. In D.17-04-017, the Commission doubled the annual budget for SGIP pursuant to AB 1637 and allocated 10% of the funds available for energy storage to residential projects. [↑](#footnote-ref-43)
43. The developer cap applies to total incentives awarded to any energy storage project developer. *See*, D.16-06-055, Conclusion of Law 32. [↑](#footnote-ref-44)
44. CSE comments at 1-2. [↑](#footnote-ref-45)
45. CalSEIA, Tesla, Joint Storage Parties, CESA, and GRID Alternatives take this position. ORA in reply comments suggests considering this proposal. [↑](#footnote-ref-46)
46. There is a significant difference between Step 1 and Step 3 incentives, e.g., $0.50/Wh vs. $0.35/Wh for large systems that forgo the federal investment tax credit. More information about SGIP incentive levels is available here (accessed September 25, 2017): <https://energycenter.org/self-generation-incentive-program/business/incentives>. [↑](#footnote-ref-47)
47. *See* reply comments of Bosch at 5 (“if, after the final steps are depleted in the general market and the SGIP program is within one year of the end of its legislative authorization with customers still waiting to apply, the Program Administrators should be permitted to file Advice Letters requesting that such DAC funds be opened up for use at the final step level by general market (i.e. non-DAC) customers”). [↑](#footnote-ref-48)
48. *See,* e.g., Decision Adopting Joint Standard Contract for Section 399.20 Feed-In Tariff Program and Granting, In Part, Petitions for Modification of Decision 12-05-035 (D.13-05-034). [↑](#footnote-ref-49)
49. SDG&E comments at 2. [↑](#footnote-ref-50)
50. CESA reply comments at 10. [↑](#footnote-ref-51)
51. Tesla reply comments at 8-10. [↑](#footnote-ref-52)
52. The report will be available at the following site once finalized: [http://www.cpuc.ca.gov/sgip](http://www.cpuc.ca.gov/sgip/). [↑](#footnote-ref-53)
53. PG&E, SCE and SoCalGas seek authority to file a tier 2 advice letter to implement changes to SGIP based on the findings of the 2016 SGIP Energy Storage Impact Evaluation Report. (September 14, 2017 comments) We decline this request. Consideration of program changes will take place within the proceeding in subsequent rulings and/or orders. [↑](#footnote-ref-54)