Date of Issuance: August 6, 2021

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-5125**
August 5, 2021

R E S O L U T I O N

Resolution E-5125: Approves with Modification Pacific Gas and Electric Company's and Southern California Edison Company's Requests to Adjust Administrative & Marketing Budget Caps for the Disadvantaged Communities Green Tariff and/or Community Solar Green Tariff programs.

PROPOSED OUTCOME:

- Approves, with modifications, Pacific Gas and Electric Company's (PG&E's) Advice Letters (AL) 5750-E and 6117-E and Southern California Edison Company's (SCE's) ALs 4164-E/E-A and 4413-E to exceed program administration and marketing, education, and outreach budget caps for the Disadvantaged Communities Green Tariff and/or Community Solar Green Tariff Programs.

SAFETY CONSIDERATIONS:

- There are no expected safety implications associated with approval of this Resolution.

ESTIMATED COST:

- The total costs to implement the DAC-GT and CSGT programs have yet to be determined. The impact on rates cannot be estimated at this time because these programs will be funded through greenhouse gas allowance proceeds and only if insufficient revenue is available, through public purpose program funds.

By PG&E AL 5750-E, filed on January 31, 2020, PG&E AL 6117-E filed on March 16, 2021, SCE AL 4164-E filed on February 11, 2020, SCE AL 4164-E-A filed on August 20, 2020, and SCE AL 4413-E filed on February 10, 2021.

SUMMARY

This Resolution approves, with modifications, Pacific Gas and Electric Company's (PG&E's) Advice Letter (AL) 5750-E and AL 6117-E and Southern California Edison Company's (SCE's) AL 4164-E/E-A and AL 4413-E to exceed administrative and marketing budget caps for the Disadvantaged Communities Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) Programs in compliance with Resolution E-4999 Ordering Paragraph (OP) 2.

This Resolution also updates program requirements established in Resolution E-4999 OP 2 that directed the DAC-GT and CSGT Program Administrators to file Tier 3 Advice Letters for any above budget cap spending requests. This Resolution authorizes all DAC-GT and CSGT Program Administrators to file such requests as part of their Annual Budget Advice Letters that are due each February. Additionally, these Annual Budget Advice Letters are elevated from a Tier 1 to a Tier 2 designation to allow for greater opportunity for stakeholder review and additional oversight.

BACKGROUND

Established by D.18-06-027 (the Net Energy Metering Disadvantaged Communities Decision or NEM DAC Decision), the Disadvantaged Communities Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) programs provide 100 percent clean energy to residential customers in Disadvantaged Communities (DACs) at a 20 percent discount on their otherwise applicable tariff. The NEM DAC Decision authorized Investor Owned Utilities (IOUs) and Community Choice Aggregators (CCAs) to serve as Program Administrators (PAs) and develop and implement their own DAC-GT and CSGT programs.

The NEM DAC Decision required the IOUs including PG&E, SCE, and San Diego Gas & Electric Company (SDG&E) to establish two-way DAC-GT and CSGT balancing accounts to track all costs related to the implementation and operation of the programs to be reviewed in each company's future Energy Resource

Recovery Account (ERRA) proceedings.[1] In order to create a consistent and predictable program budget and review process across PAs, Resolution E-4999, issued on June 3, 2019, further established an annual budget process for the DAC-GT and CSGT programs. That Resolution also established program funding allocation caps.[2] The Resolution required that each PA submit an annual program budget estimate via a Tier 1 AL by February 1st of every year starting in 2020 for the following program year. Specifically, each PA's annual program budget filing must include the following line items:

- Above-market generation costs[3]
- 20 percent bill discount for all participating customers
- Program administration costs
- Marketing, Education & Outreach (ME&O) costs

To ensure that each PA's program administration and ME&O budgets represent a reasonable proportion of their total annual program budgets, the California Public Utilities Commission (CPUC) adopted the same budget allocations established for the Disadvantaged Communities Single-family Affordable Solar Homes (DAC-SASH) Program: 10 percent for program administration and 4 percent for ME&O. For the DAC-GT and CSGT programs, no more than 10 percent of each program's total budget in a given year may be allocated to program administration and no more than 4 percent of each program's budget in a given year may be allocated to ME&O.[4] Acknowledging that start-up costs may be higher within the first years of the program, the CPUC allowed the IOUs to propose administrative and ME&O costs that were above the caps for their 2019 and 2020 program budgets only.[5] Resolution E-5124, issued April 16, 2021, further clarified this, determining that all PAs, including CCAs, have a reprieve from the program administration and ME&O cost caps for their first two

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[1] D.18-06-027 OP 15.

[2] Resolution E-4999 at 26-30.

[3] After further discussion with the utilities, above market generation costs are now referred to as the delta from the otherwise applicable generation rate. They should include net renewable resource costs or savings in comparison with the otherwise applicable class average generation rate that will be used to calculate DAC-GT and CSGT customers' bills.

[4] Resolution E-4999 at 26-27.

[5] *Id.* at 29.

program years.[6] Starting with the IOUs' third program year budget estimates in 2021, OP 2 of Resolution E-4999 authorized PAs to submit a Tier 3 AL should their program administration and/or ME&O budget line items exceed 10 and 4 percent of their total annual DAC-GT and/or CSGT budgets. Additionally, the Resolution required that the PAs include in their Tier 3 filings justification and accompanying rationale for why the adjustment is warranted.

On January 31, 2020, PG&E filed AL 5750-E, its Tier 3 request required by Resolution E-4999 to adjust the 2021 program administration and ME&O budget caps for its CSGT program. PG&E further suggests in AL 5750-E that the Tier 3 AL filing requirement is duplicative, arguing that PG&E is already required by the NEM DAC Decision to track DAC-GT and CSGT costs in its balancing accounts and that the CPUC is already able to review these costs during the annual ERRA proceeding. PG&E's AL also states that CSGT is likely to exceed the program administration and ME&O budget caps in perpetuity due to community sponsorship costs, costly management-intensive program design, relatively small capacity allocation, and extended procurement and enrollment timeframes.

On February 11, 2020, SCE filed AL 4164-E, its Tier 3 request required by Resolution E-4999 to adjust its 2021 program administration and ME&O budget caps for its DAC-GT and CSGT programs. SCE requested that its 2021 budget be exempted from the 10 percent program administration and 4 percent ME&O budget caps, similar to the first two years of the program (2019 and 2020). In AL 4164-E, SCE states that its 2021 proposed budget for DAC-GT and CSGT, included in AL 4164-E, was largely driven by SCE's expectation that newly built DAC-GT projects would not become operational until 2022. This timing led to their 2021 budget being filed without implementation costs such as above-market generation or 20-percent bill discount costs. If neither program is operational, then SCE does not have any implementation costs to track. As a result, SCE's costs for the two programs in 2021 resulted solely from program administration and ME&O spending and automatically required SCE to file a Tier 3 above-cap AL, because their program administration and ME&O budgets are far larger than the caps.

[6] Resolution E-5124 at 11.

On August 20, 2020, SCE submitted supplemental AL 4164-E-A, which updated the 2021 budget tables to align with estimates for its 2021 budget submitted in AL 4155-E-B[7] and reflected a slight decrease to its DAC-GT and CSGT program administration costs and a slight increase to its DAC-GT and CSGT ME&O costs.[8] SCE's AL 4155-E-B provided additional explanation that longer-than-expected procurement timeframes had led to a lack of implementation costs in 2020 and caused its marketing start-up costs to shift from 2020 to 2021.

On February 10, 2021, SCE filed AL 4413-E which requested that its DAC-GT and CSGT 2022 budgets also be exempt from the 10 percent program administration and 4 percent ME&O budget caps, similar to its request from 2020. SCE had anticipated that these programs would be operational starting in 2021, but due to recent procurement and other developments, it now believes the programs will become operational beginning in 2022 at the earliest. Accordingly, SCE did not incur any implementation costs in 2021 and again shifted its billing and marketing start-up costs back by one year from its 2021 budget to its 2022 budget. This resulted in SCE's requested program budgets exceeding the 10 and 4 percent thresholds for a second consecutive year.

On March 16, 2021, PG&E filed AL 6117-E, its Tier 3 request required by Resolution E-4999 to adjust to its 2022 program administration and ME&O budget caps for its CSGT program. PG&E stated that it was able to prioritize DAC-GT information technology (IT) costs[9] for auto-enrolled customers[10] during its first two years of the program, which are exempted from the budget cap requirement as they are start-up costs. For CSGT, however, PG&E expects IT

[7] On August 11, 2020 SCE filed AL 4155-E-B, its second supplemental advice letter to make changes and corrections to its 2021 DAC-GT and CSGT updated budget estimates. SCE AL 4155-E/E-A/E-B was approved on October 20, 2020.
[8] Within AL 4164-E-A, SCE updated its DAC-GT and CSGT 2021 program administration line items to reflect decreases of $17,500 each and its ME&O line items to reflect increases of $33,500 each.
[9] IT costs include tasks such as customer billing integration and web page development.
[10] Automatic enrollment or auto-enrollment means that eligible customers are automatically subscribed to the DAC-GT tariff by a PA based on certain criteria until the program capacity allocation in MWs is reached.

costs to start later in the third and fourth years of the program (2021 and 2022), which are not exempted from the budget caps. PG&E also reiterated its argument from its 2021 above-cap budget advice letter (AL 5750-E), emphasizing that its CSGT program is likely to exceed the program administration and ME&O budget caps in perpetuity due to its smaller economies of scale and management-intensive program design.

NOTICE

Notice of PG&E AL 5750-E, PG&E AL 6117-E, SCE AL 4164-E/E-A, and SCE 4413-E were made by publication in the CPUC's Daily Calendar. PG&E and SCE each state that a copy of these ALs were mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

No protests were filed.

DISCUSSION

We have reviewed both PG&E and SCE's requests to adjust program administration and/or ME&O budget caps in their 2021 and 2022 above-cap budget request ALs and find them to be reasonable.

In their ALs, both PG&E's and SCE state that implementation costs for both programs will be delayed due to the DAC-GT and/or CSGT programs' extended procurement and enrollment timeframes.[11] Because of this, PG&E's CSGT program and SCE's DAC-GT and CSGT programs have not launched and there are no associated implementation costs. However, both PG&E and SCE are still

[11] As of May 2021, PG&E had auto-enrolled all of its 54.82 MW DAC-GT capacity cap using interim resources and enrolled zero customers in its CSGT program. SCE did not elect to use interim DAC-GT resources and had zero customers enrolled in its DAC-GT and CSGT programs. In terms of procurement, the first of PG&E's and SCE's newly procured projects are not expected to come online until 2022 or later, further delaying any program spending.

tracking program administration and ME&O costs as a percentage of their overall DAC-GT and CSGT budgets, which causes these line items to automatically exceed the 10 percent and 4 percent caps.

It is expected that PAs will eventually reach full procurement and enrollment capacity. However, this may take much longer than the two-year start-up period that the original program design and Resolution E-4999 envisioned. PG&E is correct that the ERRA proceeding allows for review of DAC-GT and CSGT program costs tracked in its balancing account. However, the ERRA proceeding acts as an omnibus ratemaking and true-up process and does not have the appropriate focus or record to delve into program-level details. As such, the CPUC still requires programmatic budget oversight for the DAC-GT and CSGT programs.

We are persuaded that the IOUs' limited or non-existent program implementation spending on above-market generation costs or bill discounts for all participating customers renders the budget caps for PG&E and SCE unnecessary in 2021 and 2022. Due to the phased startup of both the DAC-GT and CSGT programs and overall CSGT program design, we agree the Tier 3 AL requirement is not working as intended, and the PAs will likely continue to file Tier 3 ALs each year. Thus, we find it reasonable to remove the Tier 3 designation for above-cap request advice letters going forward. We also find that it is warranted to adjust the above-cap review process to reduce administrative burden and increase efficiency while maintaining sufficient program oversight.

We now require that all the DAC-GT and CSGT Program Administrators (including SDG&E and the CCAs) submit their requests and accompanying rationale for any above-cap spending during the Annual DAC-GT and CSGT Budget Advice Letter process. To ensure that these annual budget ALs receive proper scrutiny and the proposed budgets are reviewed for reasonableness, we require them to be filed with a Tier 2 designation. Through this new streamlined review, any above-cap spending can still be approved or rejected through the AL process.

PG&E's Assertion that CSGT Administrative & Marketing Above-cap Thresholds are Too Low in Perpetuity

PG&E posits that due to the smaller project sizes[12] and additional management requirements of the CSGT program, that program administration and ME&O line items will continue to exceed the established budget allocation caps, even in a post-startup environment. PG&E states that the relatively small size of its CSGT program (14.2 MW total) means that even under a full subscription scenario, a budget cap of 10 percent for program administration and 4 percent for ME&O may not provide sufficient funding to support the overall program in a steady state scenario. PG&E asserts that, even assuming the lowest possible administrative costs in 2023 which will be post-startup, such funding will likely be insufficient.[13]

Additionally, both of PG&E's ALs emphasize that unlike DAC-GT, the CSGT program has no minimum sizing requirements for participating projects,[14] which means that its 14.2 MW capacity allocation may consist of numerous solar projects and will require significant administrative resources from PG&E's Procurement and Contract Management teams. At full enrollment, PG&E's AL 6117-E estimates that a minimum program administration budget of $234,000 is required to fulfill program requirements and responsibilities. PG&E notes that this calculation does not leave room for error, improvements, IT or process changes that will require fixes over time, nor does it account for any turnover in projects or enrollment – all of which it estimates are reasonably likely to occur and will lead to surpassing the budget caps.

[12] Unlike the DAC-GT projects which can be between 500kW and 20MW, CSGT projects have no minimum size and are capped at approximately 4.3MW for PG&E and 4.4MW for SCE.
[13] PG&E AL 5150-E Appendix A and 6117-E Appendix A provide PG&E's assumptions and estimates for CSGT implementation costs based on full program subscription. PG&E argues that under conservative assumptions, its annual implementation costs alone would be more than $2 million. PG&E estimates that it would exceed the 10 percent program administration ($200,000) and 4 percent ME&O ($80,000) budget cap based on a budget of this size, even in a post-startup or steady-state environment.
[14] D.18-06-027 states that the minimum project size for DAC-GT is 500kW and that there is no minimum project size for CSGT.

We find reasonable the estimates included in PG&E's 2021 and 2022 above-cap ALs which show that these administrative and marketing costs will continue to exceed the CSGT caps, even with full program enrollment. We will review the budget cap thresholds at a later date once we have sufficient program spending data that substantiates PG&E's estimates that the CSGT program will continue to have higher program administration and ME&O costs than the current caps allow. Until then, PG&E and other Program Administrators may continue to request that the caps be exceeded and provide an accompanying rationale in their Annual Budget Advice Letters.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review. Please note that comments are due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced.

No comments were received.

FINDINGS AND CONCLUSIONS

1. On June 22, 2018, pursuant to AB 327, the CPUC adopted Decision (D.)18-06-027 (NEM DAC Decision), creating the DAC Green Tariff (DAC-GT) program, and the Community Solar Green Tariff program (CSGT), which provide residential customers in DACs increased access to renewable generation.
2. The NEM DAC Decision authorized community choice aggregators (CCAs) to develop and implement their own DAC-GT and CSGT programs and authorized them to access greenhouse gas (GHG) allowance revenues and public purpose program funds to support these programs.
3. Resolution E-4999, issued June 3, 2019, established both an annual budget process for the DAC-GT and CSGT programs and funding allocation caps.

4. Resolution E-4999 requires that each PA's annual program budget filing must include four cost categories: above-market generation, 20 percent bill discount, program administration, and marketing, education & outreach.
5. Based on the DAC-SASH program, Resolution E-4999 set similar program administration and marketing caps at 10 and 4 percent of the overall DAC-GT and CSGT budgets.
6. Resolution E-4999 OP 2 authorized the IOUs to submit a Tier 3 AL requesting an adjustment to the 10 percent program administration and 4 percent ME&O budget allocations with an accompanying rationale for why the adjustment is warranted.
7. On January 31, 2020, PG&E filed AL 5750-E requesting an adjustment to the 2021 Program Administration and ME&O budget caps for its CSGT program.
8. On February 11, 2020, SCE filed AL 4164-E requesting CPUC approval to be exempt from the 10 percent and four percent budget caps for Program Administration and ME&O, respectively, for its DAC-GT and CSGT programs in 2021.
9. On August 20, 2020, SCE filed AL 4164-E-A updating the budget and budget percentage amounts in SCE's AL 4164-E.
10. On February 10, 2021, SCE filed AL 4413-E which requested an adjustment to the 2022 program administration and ME&O budget caps for its DAC-GT and CSGT programs.
11. On March 16, 2021, PG&E filed AL 6117-E requesting adjustment to the 2022 program administration and ME&O budget caps for its CSGT program.
12. Until a program begins delivering customer benefits and accruing implementation costs, the program administration and ME&O costs will automatically exceed the 10 and 4 percent thresholds.
13. To reduce administrative burden and increase efficiency, it is reasonable to eliminate the Tier 3 requirement and require Program Administrators to instead include their rationale for any above-cap administrative and ME&O spending as part of their Annual Budget Advice Letters due each February.
14. It is reasonable to upgrade each Program Administrator's Annual Budget Advice Letter from Tier 1 to a Tier 2 designation to allow for additional budget oversight and scrutiny.
15. It is reasonable for the Commission to review the budget cap thresholds at a later date once we have sufficient program spending data that substantiates PG&E's estimates that the CSGT program will continue in perpetuity to have

higher program administration and/or ME&O costs than the current caps allow.

THEREFORE IT IS ORDERED THAT:

1. The proposed budget adjustments in Pacific Gas and Electric Advice Letters 5750-E and 6117-E and Southern California Electric Advice Letters 4164-E/4164-E-A and 4413-E are approved.
2. Disadvantaged Communities Green Tariff and Community Solar Green Tariff Program Administrators shall submit any request for above-cap program administration and marketing, education, and outreach spending with an accompanying rationale for why the exceedance is warranted in their Annual Budget Advice Letters (AL) due each February and will no longer be required to submit separate Tier 3 AL requests.
3. To allow for additional review and oversight, the Disadvantaged Communities Green Tariff and Community Solar Green Tariff Annual Budget Advice Letters shall be submitted as Tier 2 rather than Tier 1 advice letters.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 5, 2021; the following Commissioners voting favorably thereon:

/s/ Rachel Peterson
RACHEL PETERSON
Executive Director

MARYBEL BATJER
President
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE HOUCK
Commissioners