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Decision 21-12-031 December 16, 2021

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

DECISION ALLOCATING ACCUMULATED FUNDS TO ENERGY STORAGE BUDGETS

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DECISION ALLOCATING ACCUMULATED FUNDS TO ENERGY STORAGE BUDGETS

Summary

This decision allocates all Self-Generation Incentive Program (SGIP) accumulated unallocated funds, approximately $67 million, to SGIP energy storage budgets. The accumulated funds derive primarily from previously unreported accrued interest earned on SGIP ratepayer revenue collections since the program's inception in 2001. This decision allocates the funds first to energy storage budgets with waitlisted applications as of the date of adoption of this decision, with priority given to waitlisted Equity Resiliency budget, Equity and then General Market applications. It then allocates funds that remain after all waitlisted applications have been served, if any, to Equity Resiliency budgets.

This decision requires the SGIP Program Administrators to file a Tier 1 advice letter no later than 30 days from the date of adoption of this decision reporting on the resulting funding allocations. It requires an annual Tier 1 budget advice letter and updates fiscal audit requirements for the SGIP Program Administrators for the next five years.

This proceeding remains open.

1. Background

1.1. Accumulated Unallocated SGIP Funds

On January 12, 2021, Pacific Gas and Electric Company (PG&E) submitted PG&E Advice Letter 4360-G/6052-E (Advice Letter) proposing an energy storage pilot for K-12 schools. In its Advice Letter, PG&E indicated that it had up to $36.7 million in unallocated, "unspent and unencumbered" funds resulting from "revenue collections, forfeited application fees and accrued interest on unspent funds" not allocated to a specific Self-Generation Incentive Program (SGIP) budget category.[1] Prior to submittal of the Advice Letter, the Commission was unaware that PG&E had this level of accumulated unallocated funds.

On April 16, 2021, the assigned Administrative Law Judge (ALJ) issued a *Ruling Providing Proposal, Requesting Comment, and Updating Procedural Schedule* (ALJ Ruling). The ALJ Ruling directed the four SGIP Program Administrators (PAs) to each serve and file updated information on accumulated unallocated funds by May 19, 2021. The ALJ Ruling requested party comments on the allocation of these funds once the information had been filed.

Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas) served and filed the requested budget information on May 19, 2021. PG&E and the Center for Sustainable Energy (CSE) submitted the requested budget information in Tier 1 advice letters on May 19, 2021.[2] Parties filed opening and reply comments on questions in the ALJ Ruling on the requested budget information on June 3, 2021, and June 8, 2021.[3]

On September 7, 2021, the assigned ALJ directed PG&E and CSE to serve and file their updated SGIP budget information in the formal record of this proceeding as required in the April 2021 ALJ Ruling. CSE and PG&E served and filed the requested information on September 8, 2021 and September 13, 2021, respectively.

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[1] ALJ Ruling at 3; *See also* PG&E AL 4360_G/6052-E, available as of October 22, 2021 at: https://www.pge.com/tariffs/assets/pdf/adviceletter/GAS_4360-G.pdf.

[2] PG&E Advice Letter 4435-G/6197-E and Advice Letter CSE 126-E. PG&E Advice Letter available as of October 22, 2021 at: https://www.pge.com/tariffs/assets/pdf/adviceletter/GAS_4435-G.pdf;

[3] Parties commenting on the budget questions in these filings include SCE, the California Solar and Storage Association (CALSSA), the California Energy Storage Alliance (CESA), Tesla, Inc., San Diego Gas & Electric Company (SDG&E), PG&E, CSE, and SoCalGas.

1.2. SGIP Contributions to Summer 2022 Reliability

From August 14 to 19, 2020, temperatures in California were 10-20 degrees above average, causing a sharp, sustained increase in energy demand and triggering energy supply constraints.[4] In response, Governor Newsom declared a State of Emergency and issued Executive Order N-74-20 on August 16 and 17, 2020, respectively, to address the extreme temperatures. On November 19, 2020, the Commission opened Rulemaking (R.) 20-11-003 to address Emergency Reliability to undertake near-term (2021), mid-term (2022-25) and longer-term (beyond 2025) reliability planning to address the root causes of rotating outages occurring in mid-August 2020. On February 11, 2021, March 25, 2021, and June 24, 2021, the Commission adopted Decision (D.) 21-02-028, D.21-03-056, and D.21-06-027 to address Summer reliability concerns in 2021.

On July 30, 2021, Governor Newsom signed a Proclamation of a State of Emergency to "free up energy supply to meet demand during extreme heat events and wildfires that are becoming more intense and to expedite deployment of clean energy resources this year and next year."[5] The proclamation directed the Commission to accelerate deployment of clean energy and storage projects to mitigate the risk of capacity shortages. Specially, the directive states:

> The California Public Utilities Commission is requested to exercise its powers to expedite Commission actions, to the maximum extent necessary to meet the purposes and directives of this proclamation, including by expanding and expediting approval of demand response programs and

[4] *Order Instituting Rulemaking Emergency Reliability* (R.20-11-003) at 3.

[5] *See* https://www.gov.ca.gov/2021/07/30/governor-newsom-signs-emergency-proclamation-to-expedite-clean-energy-projects-and-relieve-demand-on-the-electrical-grid-during-extreme-weather-events-this-summer-as-climate-crisis-threatens-western-s/ Proclamation of a State of Emergency, available as of October 19, 2021.

> storage and clean energy projects, to ensure that California has a safe and reliable electricity supply through October 31, 2021, to reduce strain on the energy infrastructure, and to ensure increased clean energy capacity by October 31, 2022.[6]

On August 10, 2021, the Assigned Commissioner in R.20-11-003 issued an *Amended Scoping Memo and Ruling for Phase 2* (Reliability Scoping Memo) to examine supply and demand side resources and changes to current requirements to meet Governor Newsom's Emergency Proclamation. Regarding SGIP renewable energy and energy storage technologies, the Reliability Scoping Memo indicates that the record regarding changes to current requirements to meet the proclamation would be developed within R.20-05-012.[7] Correspondingly, the August 3, 2021 Assigned Commissioner's Ruling (ACR) in R.20-05-012 includes questions about how SGIP technologies could contribute to improved grid reliability by Summer 2022.[8]

2. Jurisdiction

Public Utilities Code Section 379.6 established the SGIP program in 2001 to 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.[9]

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[6] Proclamation of a State of Emergency at #13, available as of October 19, 2021 at: https://www.gov.ca.gov/wp-content/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf.

[7] Reliability Scoping Memo at 5.

[8] *Assigned Commissioner's Ruling Requesting Comment on Heat Pump Water Heater Contractor Training and Workforce Issues and Methods to Increase Self-Generation Incentive Program Technologies' Contributions to Summer Reliability,* August 3, 2021, at 17-18.

[9] Unless otherwise indicated, all references to code in this decision are to the Public Utilities Code.

Section 379.6(a)(1) requires the Commission to ensure an equitable distribution of the costs and benefits of the program. Section 379.6(b)(3) requires the Commission to adopt requirements for energy storage systems to ensure that eligible systems reduce greenhouse gas (GHG) emissions.

3. Issues Before the Commission

The August 17, 2020, *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo) identifies "other SGIP program issues as they arise" as within scope.[10] This decision addresses the following issues set forth in the ALJ Ruling and the ACR:

Disposition of Accumulated Unallocated Funds:[11]

- Should the Commission allocate all accumulated unused funds to the Equity Resiliency budget or some other combination of budgets?
- Should the Commission update the categories of budget reporting used by the SGIP PAs to report their "Program Level Budget Summary" on the SGIP program website (selfgenca.com)?
- Should the Commission take additional steps to ensure that the SGIP PAs are providing full and complete transparency regarding the amount and disposition of accumulated unused SGIP funds?

SGIP Contribution to 2022 Summer Reliability

- Should the Commission revise existing[12] SGIP energy storage technology rules or program requirements to

[10] Scoping Memo at 8.

[11] ALJ Ruling at 7.

[12] "Existing" energy storage budgets exclude the Heat Pump Water Heater [HPWH] budget established in D.19-09-027, as this budget has not yet been launched as of the date of this decision.

> ensure that SGIP technologies better contribute to 2022 Summer reliability?[13]

4. Disposition of Accumulated Unallocated Funds

This section allocates all SGIP accumulated unallocated funds, approximately $67 million, first to SGIP energy storage budgets with waitlisted applications as of the date of Commission adoption of this decision and then, once each SGIP PA's waitlisted applications have been served, to that PA's Equity Resiliency budget.

4.1. Recent Procedural History

The Commission in D.09-12-047 and several previous decisions authorized the SGIP PAs to carryover previously-authorized and accumulated unspent or unallocated SGIP funds from year to year.[14] D.09-12-047 directs the SGIP PAs to report this carryover annually to the Commission. D.09-12-047 further directs the SGIP PAs to:

> On January 31, 2010, each submit a Tier 2 advice letter containing final accounting data as of December 31, 2009 indicating all prior years' SGIP Total Authorized Carryover, using the format contained in Appendix A. Once approved, this information shall be posted on each program administrator's SGIP website and updated monthly.[15]

In D.19-09-027, we authorized the allocation of accumulated unspent or unallocated SGIP funds reported as of that year to the Equity budget, the Equity

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[13] ACR at 18.

[14] D.09-12-047 at 11. (*See* also D.08-01-029, D.08-04-049, and D.09-01-013.)

[15] D.09-12-047, Ordering Paragraph 3(a). Appendix A of D.09-12-047 provides the following categories for reporting: 1. Authorized budget 2; Total spent and reserved; 2a. Administration and Measurement and Evaluation; 2b. California Solar Incentive rollover; 2c. Any other rollovers; 3. Pending reservations; 4. Authorized carryover; 5. Actual cash flows; 5a. Total ratepayer collections; 5b. Actual expenditures; 5c. Pending reservations; 5d. Collected carryover; 5. Total interest; 5f. Forfeited application fees; and, 5g. Budget years in account.

Resiliency budget and other SGIP incentive and administrative budgets.[16] In so doing, we directed the SGIP PAs to "each submit a Tier 1 advice letter on January 31, 2020 that contains their final SGIP accounting data as of December 31, 2019 using the format directed in D.09-12-047, Appendix A."[17]

The SGIP PAs submitted the required advice letters on January 31, 2020, and Commission staff approved them on March 11, 2020.[18] However, as discussed in the April 16, 2021 ALJ Ruling, none of these advice letters included the full range of budget information required in Appendix A of D.09-12-047. Specifically, the ALJ Ruling noted that none of the 2020 advice letters included budget information on forfeited application fees or on total accrued interest, both of which are included in Appendix A of D.09-12-047.

Further, although the monthly updating of budget information submitted to the SGIP website required in D.09-12-047 has not been suspended, none of the Program Level Budget Summaries available for each SGIP Program Administrator on the selfgenca.com website contain budget information on forfeited application fees or accrued interest.[19]

As reported by the SGIP PAs in response to the ALJ Ruling, as of September 17, 2021, some $67 million in available accumulated unallocated funds

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[16] D.09-12-047 at 11. (*See* also D.08-01-029, D.08-04-049, and D.09-01-013.)

[17] D.19-09-027 at Ordering Paragraph 7(c).

[18] PG&E submitted Advice Letter 4211-G/5747-E, SCE submitted Advice Letter 4154-E, CSE submitted Advice Letter 107-E, and SoCalGas submitted Advice Letter 5581 (collectively 2020 Advice Letters. PG&E, SoCalGas, and SCE 2020 Advice letters available as of September 17, 2021 at: https://www.pge.com/tariffs/assets/pdf/adviceletter/GAS_4211-G.pdf; https://library.sce.com/content/dam/sce-doclib/public/regulatory/filings/pending/electric/ELECTRIC_4154-E.pdf; https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/5581.pdf.

[19] ALJ Ruling at 5; *See also* https://www.selfgenca.com/budget_public/program_level_summary/pge.

is available for SGIP budgets and incentives. All of the clearly identified accumulated unallocated funds reported stem from interest accrued on SGIP monies since the program's inception in 2001.

Table 1: Accumulated Unallocated Funds Reported as of September 2021[20]

SGIP Program Administrator	Total Accrued Interest Reported (Unallocated Funds)
SCE	$40,384,000
PG&E	$17,900,163
SoCalGas	$4,610,504
CSE	$3,729,065
Total	**$66,623,732**

The SGIP PAs identify an additional category of potentially unallocated funds in their filings but provide little information about them. The PAs call these funds "Pre-2017 Reserved and PBI in Process" funds or "Unused Pre-2017 Reserved and PBI in Process" funds. SCE identifies $27 million in such funds, PG&E approximately $14 million, SoCalGas $8 million and CSE $10 million. For reasons not clear to us, however, no PA associates these funds with a specific energy storage budget category.

By "unallocated" funds, we mean here all funds not associated with a specific incentive budget, or an administrative or measurement and evaluation budget. This usage appears to differ somewhat from the SGIP PAs' use of the term "allocated" in their filings in response to the ALJ Ruling. The SGIP PAs use the term "allocated" to encompass previously authorized (or carried over) funds that have been spent (paid incentives), reserved, have pending reservations (with

[20] *See* SoCalGas and SDG&E's Responses to ALJ Ruling, May 19, 2021, CSE Response to ALJ Ruling, September 8, 2021, and PG&E Response to ALJ Ruling, September 13, 2021.

various review processes ongoing) and/or have been approved but the performance-based incentive (PBI) payment for the approved project remains in process.

Regarding forfeited application fees, the 2021 SGIP Handbook states that "[a]ny project attrition and forfeited application fees will be allocated to the current incentive step in the Program Administrator's SGIP incentive budget. If the Program Administrator is in a pause period when attrition occurs, the funds will be placed in the next incentive step."[21] The SGIP Handbook does not provide guidance on allocation of accrued interest.

4.2. Party Comment

Parties generally support allocating the reported accrued interest earnings to SGIP's energy storage budgets, although they differ somewhat on the specifics. CALSSA and CESA suggest we distribute the unallocated funds equally (CALSSA) or relatively equally (CESA) amongst all budget categories, GRID Alternatives (GRID), Tesla Inc., and PG&E propose we allocate the funds to the Equity Resiliency budget, with the latter qualifying this pending Commission denial of its January 12, 2021 Advice Letter, which proposed different uses for PG&E's accumulated unallocated funds. SCE recommends that the Commission allocate the accumulated funds to any budget category currently with waitlisted applications or to a pilot targeting customers with a high potential for reliability disruption.

The ALJ Ruling also asks whether the Commission should update the categories of budget reporting used by the SGIP PAs to report program budgets to selfgenca.com or take additional steps to ensure that the SGIP PAs are

[21] 2021 SGIP Handbook at 19, available here: https://www.selfgenca.com/home/resources/.

providing full and complete transparency on the amount and disposition of accumulated unallocated SGIP funds. On these questions, CESA suggests the Commission better enforce existing requirements rather than alter them. SCE suggests the Commission either remove the requirement to report accrued interest on SGIP ratepayer collections to selfgenca.com or require a better tracking and allocation methodology that addresses which budget(s) the accrued interest should be allocated to.

CESA observes that SGIP Handbook rules already require return of forfeited fees to the original budget and urges better enforcement of this rule. CESA also recommends that pre-2017 funds that are determined to be forfeited funds from a particular budget category be returned to that category, per the SGIP Handbook. SoCalGas explains that it transfers pre-2017 funds as explained by CESA. CSE states that if the original pre-2017 budget no longer exists, the SGIP PAs "presently allocate any remaining funds to the current budget category that best aligns with the original project type."[22]

4.3. Allocation of Accumulated Funds

The principle of fairness to existing SGIP incentive applicants guides our decision that SGIP PAs shall immediately allocate and release all accumulated unallocated funds, estimated at approximately $67 million (*see* Table 1) to applications waitlisted as of the date of Commission adoption of this decision, starting with waitlisted Equity Resiliency budget applications, if any, followed by Equity budget applications (both residential and non-residential, prioritized by the date the application was waitlisted), if any, General Market Residential waitlisted applications, if any, and finally General Market Large-Scale waitlisted

[22] CSE, Opening Comments on Proposed Decision at 4.

applications, if any. For each PA, if waitlisted applications as of the date of adoption of this decision do not exhaust all of that PA's available accumulated unallocated funds, the PA shall allocate all remaining unallocated funds to its Equity Resiliency budget category.[23] If insufficient funds remain for the incentive amount for the next eligible project, the PA should offer the applicant a first right of refusal for the partial funds before reserving funds for the next eligible project for which sufficient funds are available, applying this approach only to the funds allocated in this decision.

We find it reasonable to first award incentives to waitlisted project applications to recognize the effort and interest these applications represent, starting with Equity Resiliency budget applications. Projects already on the waiting list have completed some steps in the planning process and have obtained the required information and consent from customers, and therefore have more potential than future new applications for the storage system to be installed in time to contribute to grid reliability in Summer 2022. Similarly, these projects have the greatest potential to provide resiliency benefits to customers as early as possible in the 2022 wildfire season. This allocation approach reflects direction in the Governor's Emergency Proclamation and the Reliability Scoping Memo issued in R.20-11-003 on August 10, 2021.

Additionally, in D.20-01-021, we indicated that Equity Resiliency budget projects that serve to improve customer resilience to public safety power shutoff (PSPS) events and wildfires are prioritized at this time, and we effectuate this

[23] As of October 20, we estimate the following energy storage budget waitlists by PA: PG&E- Residential Equity ($8M), Non-Residential Equity ($30M); SCE- Equity Resiliency ($9.4M), Non-Residential Equity ($22.4M); SoCalGas- Equity Resiliency ($1M), Non-Residential Equity ($17M); and, CSE- Equity Resiliency ($10M), Non-Residential Equity ($12.8M).

prioritization again here.[24] We do not adopt SCE's suggested allocation to a new pilot targeting customers with a high potential for reliability disruption to avoid delays in bringing projects online using the funds allocated here.

We direct the SGIP PAs to immediately allocate and release the funds as described here:

(a) Immediately after the adoption of this decision, the PAs shall begin reserving the new funds for projects that are on their waiting list as of the date of this decision and shall notify the applicants of such reservations. The funds shall be allocated to projects on the waiting list(s) in the following order of budget categories: Equity Resiliency, Equity (residential and non-residential, prioritized by the date placed on a waitlist), General Market Residential, and General Market Large-Scale;

(b) For waitlisted projects eligible for the new funds, if there are not enough funds for the incentive amount for the next eligible project, PAs should offer the applicant the first right of refusal for the partial funds before then reserving funds for the next eligible project for which sufficient funds are available, applying this approach only to the funds allocated in this decision;

(c) After all the new funds are allocated to the waiting list(s) pursuant to these directions, any remaining funds shall be added to the Equity Resiliency budget category;

(d) The PAs are authorized and directed to follow the directions in this decision without modifying the SGIP Handbook; and, to the extent a situation is not addressed by this decision, the PAs shall exercise discretion to determine how to award reservations using the new funds for projects on their waiting lists and/or new applicants in the Equity Resiliency budget category, with the goal of reserving all of the funds as soon as possible.

[24] D.20-01-021 at Finding of Facts 23 – 25.

We direct PG&E, SCE and SDG&E to undertake every reasonable effort to expedite interconnection of the released waitlisted applications and any approved SGIP storage applications that are still awaiting authorization to interconnect, to facilitate their installation and online status by Summer 2022. This shall include, as a priority, Solar on Multifamily Affordable Housing (SOMAH) projects that are awaiting interconnection, including taking all necessary steps to identify utility-approved pathways to interconnect these projects, as needed.[25] Efforts to improve SOMAH participation may include adjusting SOMAH virtual net metering tariffs to enable seamless SGIP participation for these multifamily projects. We direct all SGIP PAs to expedite application processing of the waitlisted and any new applications to facilitate the same. This is reasonable guidance given the Governor's State of Emergency Declaration and Emergency Proclamation.

We direct the SGIP PAs to report on their final allocation of these accumulated funds in a Tier 1 advice letter submitted no later than 30 days from issuance of this decision.

We clarify that the SGIP PAs shall continue to expeditiously transfer forfeited or remaining pre-2017 funds to the budget the funds originated from, or the category as close as possible to the original budget if the original budget no longer exists, as has been done since adoption of D.16-06-055. As noted by SoCalGas, the SGIP PAs may then, as authorized in D.20-10-017, later request budget transfers between budget categories should the need arise.

Regarding changes to reporting requirements contained in Appendix A of D.09-12-047, we do not alter these. However, we clarify that, starting in 2022, the

[25] See D.21-06-005, Ordering Paragraph 1(aa) and discussion at 76-80.

SGIP PAs shall file annual Tier 1 budget update advice letters no later than January 30th of each year that include all budget categories indicated in Appendix A of D.09-12-047, including forfeited funds and accrued interest on SGIP funds. To support CSE in this requirement, we direct SDG&E, as the collector of SGIP ratepayer funds for CSE's program territory, to coordinate closely with CSE to provide to CSE the total unallocated accrued interest in advance of the advice letter due date of January 30th of each year.

We further clarify, as requested by SCE, that at the end of each calendar year, unless the Commission has ordered otherwise, all accrued interest on SGIP funds from all budgets shall be allocated to the Equity Resiliency budget, starting December 31, 2022. The SGIP PAs shall clearly indicate the funds so transferred in the annual Tier 1 advice letter required here.

We take note that all four SGIP PAs failed to report or clearly identify substantial amounts of accrued interest in the January 31, 2020 Tier 1 advice letters required in D.19-09-027 ($40 million for SCE and $17.9 million for PG&E). These advice letters were approved by Commission staff, however. Further, although D.09-12-047 requires the SGIP PAs to report "accrued interest" funds, and specifically directs review of accrued interest on SGIP funds in a 2010 audit it establishes,[26] it is not clear whether SGIP PA reporting to the SGIP website ever included such funds or whether Commission staff approved the posting of SGIP budget information without mention of these funds. In either case, it appears that SGIP accrued interest funds have gone unreported for some time.

[26] D.09-12-047 at Ordering Paragraph 3(d).

We also note that PG&E reported up to $36.7 million in unallocated, unspent, and unencumbered funds in January 2021 but just $31.7 million in such funds in September 2021, which PG&E states it is "still evaluating."[27]

We clarify here that the SGIP PAs should have reported and clearly identified forfeited fees and accrued interest in the Tier 1 advice letters required in D.19-09-027 and submitted in January 2020. If it was unclear that reporting this information was required, we here direct the SGIP PAs to report and clearly identify all budget categories identified in Appendix A to D.09-12-047, including accrued interest and forfeited fees, in the future. Further, future biennial (every other year) Commission audits of PA budgets must contain this information.[28]

We direct staff to include biennial SGIP PA fiscal audits in the 2021 – 2025 Measurement and Evaluation Plan. Staff shall require auditors to include the budget categories identified in Appendix A to D.09-12-047 in the audits, including accrued interest and forfeited fees, and any other relevant budget categories as identified by staff or the selected auditor. To form a more permanent part of the record of this proceeding, the assigned ALJ will enter the completed audits into the proceeding record by issuing them via ALJ Ruling when completed, with pertinent findings highlighted as appropriate.

[27] ALJ Ruling at 3. PG&E Response to ALJ Ruling, September 13, 2021.

[28] The Commission most recently authorized SGIP PA budget audits in D.16-06-055 at 47.

5. Contribution from SGIP Technologies to 2022 Summer Reliability

5.1. Party Comment

Thirteen parties commented on ACR questions regarding ways to increase SGIP's contribution to Summer 2022 reliability.[29] Several parties recommend no change to the SGIP program, which they observe already contributes substantially to grid reliability (CALSSA, CESA, PAO, Tesla, Inc.) as required by statute. These parties also point to the complexity of the SGIP program and warn that adding additional complexity at this stage could create obstacles to the installation of energy storage systems. Marin Clean Energy, CESA, and Tesla Inc. recommend the Commission seeks ways to ensure faster application processing by the SGIP PAs. In particular, CESA notes lengthy processing times that average 232 days from application submission to interconnection dates for all projects, and 374 days for non-residential projects in the General Market Large-Scale and Equity Non-Residential budgets.[30]

A number of parties support requiring new SGIP applicants to enroll in demand response programs (JCEEP, IBEW-NECA, Marin Clean Energy, and CESA). CSE sees value in encouraging large-scale storage projects to enroll in an Emergency Load Reduction Program, participate in a Virtual Power Plant program or in enroll in a dynamic rate option. SoCalGas and PAO oppose requiring SGIP projects to enroll in demand response programs due to concerns about double-counting (*i.e.,* that there would not be any incremental load

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[29] Joint Committee on Energy and Environmental Policy (JCEEP), CALSSA, CESA, CSE, Energy Solutions, the International Brotherhood of Electrical Workers/National Electrical Contractors Association (IBEW-NECA), Marin Clean Energy, the Public Advocates' Office (PAO), PG&E, SCE, SoCalGas, SDG&E, and Tesla, Inc.

[30] CESA, Comments on ALJ Ruling at 7, fn.10.

-shifting beyond what is already expected). SCE notes that it currently prohibits battery storage load shifting projects from enrolling in its Automated Demand Response program due to double counting concerns.

SCE recommends the Commission offer $300 contractor stipends to accelerate project completions and require projects receiving the stipend to enroll in demand response programs. SCE also suggests the Commission require any new SGIP energy storage projects to be "future proofed," meaning that the systems must be connected to the grid and capable of communicating with the utility and participating in demand response aggregation programs.

Two parties recommend the Commission facilitate more rapid deployment of SGIP generation projects to enhance Summer reliability in 2022. SoCalGas proposes the Commission allow generation projects and large-scale storage projects that can be deployed by Summer 2022 or 2023 to qualify for the Resiliency Adder incentive adopted in D.20-01-021. SCE proposes the Commission consider allowing PAs to transfer funds between energy storage and generation incentive budgets prior to the date previously authorized.

5.2. Discussion

We do not adopt any changes to SGIP program requirements to increase project installations and SGIP's contributions to reliability by Summer 2022. We agree with parties that the most important step this Commission can take to accelerate SGIP technologies' contributions to Summer reliability in the short term is to make available existing accumulated unallocated funds, as we do in section 4.3.

In D.19-08-001, we considered requiring SGIP projects to enroll in demand response programs but declined to take this step.[31] We do not require this now either. Due to the size of the collective waiting lists, we expect that all or most of the approximately $67 million in accumulated funds allocated in this decision will fund existing waitlisted energy storage projects, which did not face a mandatory demand response enrollment requirement when they applied. Further, as noted by several parties, double counting issues must be considered, and this cannot occur in the rapid timeframe required to meet a Summer 2022 installation.

Although, as CSE notes, there is value in SGIP projects enrolling in an Emergency Load Reduction Program or participating in a Virtual Power Plant program, we prefer to keep such participation optional for now. We also note that expansion of the Emergency Load Reduction Program to additional customers is under consideration in R.20-11-003 and has the potential to tap resiliency benefits from many thousands of existing batteries, including batteries installed through SGIP.

It is also highly uncertain whether any of the suggestions that involve enhanced incentives or new program requirements could be implemented quickly enough to produce results in the desired timeframe. Higher incentives or stipends would also reduce the total number of projects (and megawatts of storage) that SGIP could fund. For these reasons, we decline to adopt any revisions, new incentives, or other requirements that would necessitate modifications to the program handbook and add more complexity to the SGIP

[31] D.19-08-001 at 65.

program, including SoCalGas's proposals regarding renewable generation technologies.

We agree with parties that the SGIP PAs should continue to work to accelerate application processing and, to the maximum extent feasible, accelerate interconnection timelines. CESA observes in comments that processing times average 232 days from application submission to interconnection for all projects, and 374 days for non-residential projects in the General Market Large-Scale and Equity Non-Residential budgets.[32] We are concerned that some large portion of the time expended between submittal of a reservation request form and the interconnection date for large-scale or non-residential projects is caused by slow utility interconnection processes. As we note in a recent Rule 21 decision in R.17-07-007, D.21-06-002, current circumstances provide ample justification to direct investor-owned utilities to expedite interconnection processes.[33] We also addressed interconnection issues regarding SOMAH projects in D.21-06-005 but update that guidance here to direct the IOUs to undertake all reasonable efforts to expedite interconnections of SOMAH projects by summer 2022, if feasible. These efforts may include adjusting SOMAH virtual net metering tariffs to enable seamless SGIP participation for SOMAH projects.

Therefore, we reiterate direction provided in section 4.3 regarding SGIP timelines. We direct PG&E, SCE and SDG&E to undertake every reasonable effort to expedite interconnection of the released waitlisted applications, and earlier applications that are awaiting approval to interconnect, to facilitate their installation and online status by Summer 2022. We direct the SGIP PAs to

[32] CESA, Comments on ALJ Ruling at 7, fn.10.

[33] D.21-06-002, Decision Addressing Remaining Phase I Issues at 11.

expedite application processing of the waitlisted applications to facilitate the same.

6. 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. CSE, Tesla Inc., CESA, SoCalGas, and CALSSA filed comments were filed on November 30, 2021. GRID, CESA, PG&E, SoCalGas, SCE and PAO filed reply comments on December 6, 2021.

The following changes appear in the final decision in response to parties comments:

- We added text and modified Ordering Paragraph 1(c) in response to comments from Tesla, CSE, CESA, CALSSA, SCE, and PG&E clarifying that waitlisted applicants for which insufficient funds become available as a result of this decision to fund the applicant's full requested incentive amount have the first right of refusal to accept partial incentives. This approach only applies through the depletion of the additional funds allocated in this decision.
- We added text and Ordering Paragraph 4 in response to comments from CALSSA and PG&E requiring PG&E to report on the discrepancy between the $36.7 million (in January 2021) and the $31.7 million (in September 2021) in reported unallocated, unspent, unencumbered funds in its upcoming 2022 Tier 1 budget advice letter due on January 30, 2022. We also clarified throughout the decision that this advice letter is due January 30th annually, not January 31st.
- We modified the final decision in response to comments from CESA, SoCalGas, SCE, CSE to clarify that the SGIP PAs shall not transfer pre-2017 funds that are not reserved or pending PBI payments to the equity resiliency budget, as stated in the proposed decision. Instead, we clarify here

and in Section 4.3 that the SGIP PAs shall continue to expeditiously transfer forfeited or remaining pre-2017 funds to the budget the funds originated from, or the category as close as possible to the original budget if the original budget no longer exists, as has been the SGIP PA's practice since adoption of D.16-06-055. As noted by SoCalGas, the SGIP PAs may then, as authorized in D.20-10-017, later request budget transfers between budget categories should the need arise.

- We added text and Ordering Paragraph 5 in response to comments from CSE directing SDG&E, as the collector of SGIP ratepayer funds for CSE's program territory, to coordinate closely with CSE to provide the total unallocated accrued interest in advance of the Tier 1 advice letter due annually on January 30 in this decision.
- We added text and modified Ordering Paragraph 2 in response to comments from CALSSA regarding SOMAH projects awaiting interconnection.

Additionally, we have taken note of CSE's reasonable comments regarding Host Customer members of tribes located within California Indian Country and can consider this issue in the future, should an opportunity arise. Similarly, we do not modify SoCalGas's administrative budget allocation in this decision but could consider this request in the future.

7. Assignment of Proceeding

Commissioner Clifford Rechtschaffen is the assigned Commissioner and Cathleen A. Fogel is the assigned ALJ in this proceeding.

Findings of Fact

1. Ordering Paragraph 7(c) of D.19-09-027 requires the SGIP PAs to submit a Tier 1 advice letter by January 31, 2020, on the status of all budget categories included in Appendix A of D.09-12-047, including any forfeited funds and any accrued interest on SGIP funds.

2. The SGIP PAs did not report or clearly indicate accrued interest in the January 2020 Tier 1 budget advice letters required in D.19-09-027 and approved by Commission staff in March 2020.

3. The SGIP PAs do not report or clearly indicate accrued interest on SGIP funds in monthly budget updates to selfgenca.com as required in D.09-12-047 but the reasons for this are not clear.

4. In response to an April 2021 ALJ ruling, the SGIP PAs reported approximately $67 million in accrued interest earnings on SGIP ratepayer collections as of September 2021, with SCE reporting $40.4 million, PG&E reporting $17.9 million, SoCalGas reporting $4.6 million and CSE reporting $3.7 million.

5. The SGIP Handbook does not indicate how SGIP PAs should allocate accumulated interest earnings.

6. The term "unallocated funds" as used in this decision includes all funds not associated with a specific budget category, including all accrued interest.

7. It is reasonable to first allocate accumulated unallocated funds to waitlisted energy storage applications to recognize the effort and interest these applications represent and to allocate the funds in the following order: Equity Resiliency, Equity (both Residential and Non-Residential, prioritized by date waitlisted), General Market Residential and General Market Large-Scale.

8. Because they have already completed some steps in the planning process and have obtained the required information and consent from customers, energy storage projects on the waiting list(s) have more potential than future new applications to be installed in time to contribute to grid reliability in Summer 2022.

9. It is reasonable to allocate any remaining accumulated unallocated funds to Equity Resiliency budget projects that serve to improve customer resilience to PSPS and wildfires because, as indicated in D.20-01-021, these customers are our priority at this time.

10. SGIP Handbook rules require return of forfeited fees to the original budget.

11. SGIP PA practice regarding pre-2017 forfeited or remaining funds since the adoption of D.16-06-055 has been to allocate any forfeited or remaining funds to the original budget or to the current budget category that best aligns with the original project type if the original budget category no longer exists.

12. It is reasonable given the prioritization of Equity Resiliency budget customers expressed in D.20-01-021, that annually at the end of each calendar year, all unallocated SGIP funds from all budgets shall be allocated to the Equity Resiliency budget, starting December 31, 2022.

13. In January 2021, PG&E reported the availability of up to $36.7 million in unallocated, unspent, and unencumbered funds; however, in September 2021, PG&E reported just $31.7 million in such funds.

14. The SGIP PAs all include a category of "Pre-2017 Reserved and PBI in Process" funds in their budget filings.

15. On July 30, 2021, Governor Newsom signed a Proclamation of a State of Emergency to expedite deployment of clean energy and storage projects.

16. The SGIP is already a highly complex program and creating additional requirements or incentives at this time could inhibit rather than support SGIP's contributions to Summer reliability in 2022.

17. Current circumstances provide ample justification to direct electric investor-owned utilities to expedite interconnection processes and to direct SGIP PAs to expedite application processing.

18. It is reasonable to continue financial audits of the SGIP PAs and to expand these to include all budget categories identified in Appendix A to D.09-12-047.

Conclusions of Law

1. The Commission should direct the SGIP PAs to immediately allocate and release all accumulated unallocated funds, estimated at approximately $67 million, to waitlisted applications as of the date of Commission adoption of this decision in the following order: Equity Resiliency, Equity (both Residential and Non-Residential, prioritized by date waitlisted), General Market Residential and General Market Large-Scale.

2. The Commission should direct each PA, if waitlisted applications as of the date of adoption of this decision do not exhaust all of that PA's available accumulated unallocated funds, to allocate all of its remaining unallocated funds to its Equity Resiliency budget category.

3. The Commission should direct each SGIP PA to report on the final allocation of accumulated funds in a Tier 1 advice letter submitted no later than 30 days from issuance of this decision.

4. The Commission should direct the SGIP PAs to undertake every reasonable effort to expedite processing of the waitlisted applications and any earlier applications that are still pending to support their installation and online status by Summer 2022.

5. The Commission should direct PG&E, SCE and SDG&E to undertake every reasonable effort to expedite interconnection of the released waitlisted projects to support their installation and online status by Summer 2022. This should

include, as a priority, SOMAH projects that are awaiting interconnection and may include adjustments to SOMAH virtual net metering tariff to identify utility-approved pathways to interconnect these projects, as needed.

6. The Commission should, starting in 2022, require the SGIP PAs to submit an annual Tier 1 advice letter no later than January 30th of each year containing all budget categories included in Appendix A of D.09-12-047, including any forfeited funds and any accrued interest on SGIP funds.

7. The Commission should require SDG&E, as the collector of SGIP ratepayer funds for CSE's program territory, to coordinate closely with CSE to provide to CSE the total unallocated accrued interest on SGIP funds in advance of the advice letter due date of January 30th of each year.

8. The Commission should direct PG&E to report on the discrepancy between the $36.7 million (in January 2021) and the $31.7 million (in September 2021) reported unallocated, unspent, unencumbered funds in its upcoming 2022 Tier 1 budget advice letter due January 30, 2022.

9. The Commission should direct the SGIP PAs to annually allocate all accrued interest on all SGIP budgets to the Equity Resiliency budget starting in December 31, 2022, and to clearly indicate the funds so transferred in the annual Tier 1 budget advice letter required here.

10. The Commission should direct staff to include fiscal audits of the SGIP PAs in the 2021 – 2025 Evaluation and Measurement plan as discussed here.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the Center for Sustainable Energy

(collectively Self-Generation Incentive Program [SGIP] Program Administrators) are directed to:

(a) Immediately allocate and release all accumulated unallocated funds, estimated at approximately $67 million as identified below, to applications waitlisted as of the date of Commission adoption of this decision, starting with waitlisted Equity Resiliency budget applications, if any, followed by Equity budget applications prioritized by the date the application was waitlisted, if any, General Market Residential waitlisted applications, if any, and finally General Market Large-Scale waitlisted applications, if any;

SGIP Program Administrator	**Total Accrued Interest Reported (Unallocated Funds)**
SCE	$40,384,000
PG&E	$17,900,163
SoCalGas	$4,610,504
CSE	$3,729,065
Total	**$66,623,732**

(b) If waitlisted applications as of the date of adoption of this decision do not exhaust all of each individual SGIP Program Administrator's available accumulated unallocated funds, to allocate all of its remaining unallocated funds to its Equity Resiliency budget category;

(c) If insufficient funds remain for the incentive amount for the next eligible project, the Program Administrator should offer the applicant the first right of refusal for the partial funds before reserving funds for the next eligible project for which sufficient funds are available, applying this approach only to the funds allocated in this decision;

(d) Report after-the-fact on the final allocation that was made of accumulated funds to waitlisted projects, and/or to the Equity Resiliency budget, in a Tier 1 advice letter submitted no later than 30 days from issuance of this decision;

(e) Starting in 2022, submit an annual Tier 1 budget update advice letter no later than January 30th of each year containing information on all budget categories included in Appendix A of Decision 09-12-047, including any forfeited funds and any accrued interest on SGIP funds;

(f) Annually allocate all accrued interest on SGIP funds from all budgets to the Equity Resiliency budget starting December 31, 2022, and clearly indicate the funds so transferred in the annual Tier 1 advice letter required in Ordering Paragraph 1(e); and,

(g) Undertake every reasonable effort to expedite application processing of the released waitlisted projects, and earlier applications that are still pending, to support their installation and online status by Summer 2022.

2. Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company are directed to undertake every reasonable effort to expedite interconnection of the released waitlisted projects, and earlier applications that are awaiting approval to interconnect, to support their installation and online status by Summer 2022. These efforts shall include, as a priority, Solar on Multifamily Affordable Housing (SOMAH) projects that are awaiting interconnection, including taking all necessary steps to identify utility-approved pathways, and may include, as feasible and as needed, adjusting SOMAH virtual net metering tariffs to facilitate such interconnections.

3. Commission staff shall include biennial (every two years) fiscal audits of the Self-Generation Incentive Program Administrators in the 2021 – 2025

Measurement and Evaluation Plan and shall require auditors to include the budget categories identified in Appendix A to Decision 09-12-047 in the audits, including accrued interest and forfeited fees, and any other relevant budget categories as identified by staff or the selected auditor.

4. Pacific Gas and Electric Company shall report on the discrepancy between the $36.7 million (in January 2021) and the $31.7 million (in September 2021) in reported unallocated, unspent, unencumbered funds in its Tier 1 budget advice letter due on January 30, 2022.

5. San Diego Gas & Electric Company is directed to coordinate closely with the Center for Sustainable Energy (CSE) to provide to CSE the total unallocated accrued interest on Self-Generation Incentive Program funds in advance of the Tier 1 advice letter required January 30 of each year in Ordering Paragraph 1(e) of this decision.

6. Rulemaking 20-05-012 remains open.

This order is effective today.

Dated December 16, 2021, at San Francisco, California.

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

Commissioners