

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**Agenda ID # 23259
RESOLUTION E-5373
February 20, 2025**

R E S O L U T I O N

Resolution E-5373. Southern California Gas Company, Pacific Gas and Electric, Southern California Edison Company, and Center for Sustainable Energy® Self-Generation Incentive Program Inflation Reduction Act Tax Credit

PROPOSED OUTCOME:

- Approves, with modification, the joint proposal by Southern California Gas Company, Pacific Gas and Electric, Southern California Edison Company, and Center for Sustainable Energy® concerning the Self-Generation Incentive Program's Inflation Reduction Act Tax Credit Proposal filed in the joint Advice Letter 6405-G, 5000-G/7436-E, 5423-E, and 161-E.

SAFETY CONSIDERATIONS:

There are no safety considerations associated with this resolution.

ESTIMATED COST:

There are no costs associated with this resolution.

By joint Advice Letter 6405-G, 5000-G/7436-E, 5423-E, and 161-E, filed on November 18, 2024.

SUMMARY

This Resolution approves, with modification, the joint proposal by Southern California Gas Company (SCG), Pacific Gas and Electric (PG&E), Southern California Edison Company (SCE), and Center for Sustainable Energy® (CSE), hereafter referred to as the joint Program Administrators (PAs), Self-Generation Incentive Program (SGIP) Inflation

Reduction Act (IRA) Tax Credit proposal for the new Residential Solar and Storage Equity budget (RSSE) and all other SGIP budgets.

This Resolution determines how to maximize the federal cost share of SGIP project costs covered by the federal IRA through the following policies:

- SGIP will cap its share of incentive payments at 70 percent of eligible project costs when the SGIP payment is from state funds, the system is third-party owned (TPO), or the system is nonresidential. Each of these types of projects is eligible to claim an IRA tax credit of 30 percent of eligible project costs.
- When the SGIP payment is from ratepayer funds for host customer owned residential projects, the applicant is required to disclose the percentage of total eligible project costs being claimed through the IRA tax credit between 0 to 30 percent. For ratepayer funded equity budget projects, the SGIP payment will cover the difference between the reported IRA tax credit and up to 100 percent of eligible project costs.
- TPO systems and nonresidential systems may alter the percentage of IRA tax credit reported at the Incentive Claim Form (ICF) stage based on the bonus credits. Depending on the amount of bonus credits reported this may reduce the SGIP share of the project below 70 percent.
- Adds a disclaimer in the SGIP application designating if the SGIP payment is from ratepayer or state funds.
- Requires SGIP PAs to provide more clarity on what documentation must be provided by RSSE projects that claim to be ineligible for the IRA tax credit and why the credit could not otherwise be utilized or transferred by a third-party entity via Tier 2 Advice Letter within six months.
- Requires the SGIP PAs to make the relevant handbook and application changes within 14 days of the resolution being approved.

These changes will maximize the federal cost share of SGIP project costs covered by the federal IRA tax credits and spread SGIP funds to more projects as mandated by Decision (D.) 24-03-071 (“the Decision”).

Table 1. IRA Tax Credit Contribution to Total Project Cost in SGIP Options Considered¹

| Funding Source | Owned By | Current SGIP Policy | Joint AL Proposal | Resolution Proposal |
|---|---------------|--|--|--|
| State Budget /GGRF | TPO | 1-70% (\$165-11,500) | 30-70% (\$4950-11,500) | 30-70% (\$4950-11,500) |
| | Host Customer | 1-30% (\$165-4950) | 30% (\$4950) | 30% (\$4950) |
| Ratepayer Collections | TPO | 1-70% (\$165-11,500) | 30-70% (\$4950-11,500) | 30-70% (\$4950-11,500) |
| | Host Customer | 1-30% (\$165-4950) | 30% (\$4950) | 1-30% (\$165-4950) |
| Exception Process to Claim 0% of Tax Credit | | Documentation explaining why the project would be ineligible for the tax credit. | Documentation explaining why the project would be ineligible for the tax credit and why the credit could not otherwise be utilized or transferred by a third-party entity. | Documentation explaining why the project would be ineligible for the tax credit and why the credit could not otherwise be utilized or transferred by a third-party entity. |

BACKGROUND AND PROCEDURAL CONTEXT

The California Public Utilities Commission (Commission) established the SGIP in D.01-03-073 in response to Assembly Bill (AB) 970 (Ducheny, Stats. 2000, Ch. 329) using ratepayer funds. The collection of ratepayer funds for SGIP was extended through December 31, 2024 and the administration of ratepayer funds in the SGIP was extended through January 1, 2026.² AB 102³ allocated \$280 million of the State Budget to the SGIP in Fiscal Year (FY) 2023-24 from the Greenhouse Gas Reduction Fund (GGRF)⁴ for solar and storage or standalone storage incentives to low-income residential customers, including those receiving service from publicly owned utilities (POUs).

Currently in the SGIP, program rules limit incentive payments to eligible project costs net of incentives received or anticipated from other sources. To achieve this policy, the applicant is required to input what percent of the total project cost the applicant expects

¹ Case of a single-family residential project with a 15 kWh storage system with total eligible project costs of \$16,500.

² SB 700 (Wiener, 2018).

³ AB 102 (2023), https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB102

⁴ California Climate Investments, <https://ww2.arb.ca.gov/ourwork/programs/california-climate-investments/about>

to claim from the IRA tax credits. If the expected IRA tax credit and the calculated SGIP incentive are greater than the total eligible project costs, the SGIP incentive is adjusted down. In general market budgets, this disclosure and calculation often does not affect the amount of SGIP incentive paid as the SGIP incentive covers a small fraction of the project costs. In equity budgets where SGIP covers up to 100% of eligible costs, the disclosure of the expected tax credit and calculation often affects the amount of SGIP incentive paid. For example, if the equity applicant discloses an expected tax credit of 30%, 15%, or 0% then the SGIP incentive payment is adjusted accordingly to pay 70%, 85%, or 100% respectively. If the applicant or other entity is not claiming the tax credit, the applicant is “required to provide documentation explaining why the project would be ineligible for the tax credit.”⁵

In March 2024, the Commission passed the Decision with Ordering Paragraphs (OP):

“28. Program Administrators for the Self-Generation Incentive Program, within 90 days of the issuance date of this decision, must update their applications to:

(a) Indicate the expected Inflation Reduction Act (IRA) tax credit value on their project application and this amount will be deducted from the SGIP incentive request.

(b) For applicants that indicate that they will not claim the IRA tax credit, include in or attach to their application a statement explaining why the project would be ineligible for the credit.

29. Program Administrators (PAs) for the Self-Generation Incentive Program (SGIP) shall hold a workshop to develop proposals to maximize the federal cost share of SGIP project costs covered by the federal Inflation Reduction Act tax credits and to evaluate whether changes to current project cost eligibility is warranted. Within six months after the adoption of this Decision, the PAs shall file and serve the proposal through a Tier 2 Advice Letter.”⁶

On August 9, 2024, the PAs received an extension to comply with OP 29 from the Commission’s Executive Director until November 18, 2024.

⁵ SGIP Handbook 2024 Version 2 at 46.

⁶ D.24-03-071 at 104, <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M527/K963/527963349.PDF>

How Federal Tax Credits Have been Handled in Related CPUC Programs

Disadvantaged Communities – Single Family Solar Homes (DAC-SASH) provides solar incentives to qualifying low-income homeowners living in Disadvantaged Communities within the service territories of PG&E, SCE, and SDG&E. The funds for the incentives first come from the available greenhouse gas allowance revenues and then through customer rates via public purpose funds.⁷ All projects are provided with the maximum DAC-SASH incentive that is under the total eligible project costs. If the system cost is higher than the incentive, the PA will attempt to identify additional funding resources or the customer may choose to pay the remainder out of pocket.⁸ Review of the program has found that TPO systems claim the IRA tax credit while single-family host customer owned projects are not expected to claim the IRA tax credit, as no customers have needed to contribute monetarily.⁹ In DAC-SASH, 91 percent of projects entered into a TPO arrangement.¹⁰

Solar on Multifamily Affordable Housing (SOMAH) provides solar incentives and technical assistance to qualifying affordable housing within the service territories of PG&E, SCE, SDG&E, Liberties Utilities Company, and PacifiCorp. All applicants are required to report if claiming a federal or state tax credit. If the project claims only the IRA investment tax credit (ITC), the SOMAH incentive is automatically reduced by 30 percent. There is a process for further incentive reductions if additional tax credits are also being utilized. “Additional ITC [bonus credits] are now possible through the IRA and will reduce incentives. These will be reviewed by the SOMAH PA on a case-by-case basis based on the project’s utilization of other incentive funds.”¹¹

Inflation Reduction Act Residential Clean Energy and Energy Investment Credits Background

The IRA extended existing tax credits for renewable energy technology to energy storage systems.

For residential systems owned by the host customer,

“The Residential Clean Energy Credit equals 30% of the [costs of new, qualified clean energy property](#) ... installed anytime from 2022 through 2032...

⁷ DAC-SASH Program Handbook Third Edition at 2.

⁸ *Id.* at 12.

⁹ [Process and Load Impact Evaluation of the DAC-SASH](#) 2023, Evergreen Economics at 25.

¹⁰ Low-Income Solar PV Data, accessed on 12/18/2024. [CaliforniaDGStats](#)

¹¹ SOMAH Program Handbook Eighth Edition at 52.

the credit amount [received] can't exceed the amount [owed] in tax. [The host customer] can carry forward any excess unused credit, though, and apply it to reduce the tax [owed] in future years...

The credit has no annual or lifetime dollar limit."¹²

The Internal Revenue Service (IRS) provides guidance on how to use the Residential Clean Energy tax credit with other funding sources:

1. **“Public utility subsidies** for buying or installing clean energy property are subtracted from qualified expenses. This is true whether the subsidy comes directly to you or to a contractor on your behalf. However, utility payments for clean energy you sell back to the grid, such as net metering credits, don't affect your qualified expenses.
2. **Rebates** are subtracted from qualified expenses if **all** of these apply:
 - The rebate is based on the cost of the property.
 - It comes from someone connected to the sale such as the manufacturer, distributor, seller or installer.
 - It isn't given as payment for services you provide.
3. **State energy efficiency incentives** are generally **not** subtracted from qualified costs unless they qualify as a rebate or purchase-price adjustment under federal income tax law. Many states label energy efficiency incentives as rebates even though they don't qualify under that definition. Those incentives could be included in your gross income for federal income tax purposes."¹³

For non-residential systems and TPO systems, the

“Energy investment credits... Section 48C provides a tax credit of up to 30% of the qualified investment in an advanced energy project that meets the prevailing wage and apprenticeship requirements... Section 48 also provides 3 bonus credits if certain conditions are met.

- The energy credit is increased by up to 10% for projects meeting certain domestic content requirements for steel, iron, and manufactured products.
- The energy credit is increased by up to 10% if located in an energy community.
- The energy credit is increased by up to 20% on certain solar and wind facilities placed in service in connection with low-income communities."¹⁴

¹² IRS [Residential Clean Energy Credit | Internal Revenue Service](#)

¹³ *Id.*

¹⁴ [Instructions for Form 3468 \(2023\) | Internal Revenue Service](#)

Proposed IRA Tax Credit Utilization in Joint PA Advice Letter

On September 20, 2024, the PAs held a workshop to solicit feedback from SGIP stakeholders on how to maximize the IRA tax credit. On November 18, 2024, the PAs submitted a joint Advice Letter, 6405-G, 5000-G/7436-E, 5423-E, and 161-E (SCG AL 6405-G et al.) to establish the IRA tax credit process in the SGIP.

The Joint PA Advice Letter proposes that:

- All SGIP projects are defaulted to take the full IRA tax credit at 30 percent of the total eligible project costs with SGIP covering up to 70 percent of project costs;
- The SGIP incentive will be reduced to ensure the SGIP and the IRA tax credit are not covering more than the eligible project costs;
- Customers may work with a TPO that will monetize the federal IRA tax credit share of the project costs;
- For projects with TPO, the owner will be required to state if any additional IRA bonus credits are being monetized and the SGIP share of project costs is reduced accordingly;
- If an applicant is not claiming the IRA tax credit, documentation is required to explain why the project would be ineligible for the credit and why the credit could not otherwise be utilized or transferred by a third-party entity; and
- To assist applicants in claiming the IRA tax credit, additional IRS resources will be provided to applicants and additional workshops on the topic will be convened.¹⁵

NOTICE

Notice of Joint AL SCG 6405-G, PG&E 5000-G/7436-E, SCE 5423-E, and CSE 161-E (SCG AL 6405-G et al.) was made by publication in the Commission's Daily Calendar. SCG states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

SCG AL 6405-G et al. was timely protested on December 9, 2024, by California Solar & Storage Association (CALSSA) and the Energy Savings Company (Free Energy).

¹⁵ SCG AL 6405-G et al. at 3-5.

The Joint PAs responded to the protests of CALSSA and Free Energy on December 16, 2024.

The following provides a summary of the major issues, grouped by topic, raised in the protests and the Joint PAs reply.

Protests on Proposed IRA Tax Credit in SGIP

1) SGIP as an Incentive, Rebate, or Subsidy

Both CALSSA and Free Energy protest the designation of the SGIP payment as an incentive and claim that the IRA tax credit would pay 30 percent on the net of the project cost and the SGIP incentive as the SGIP funds are provided by a public utility.¹⁶ CALSSA protests that if SGIP is treated as an incentive it would count as taxable income for low-income customers which could push them into a different tax bracket and might disqualify them from other low-income programs.¹⁷ CALSSA recommends including disclaimers at both the Reservation Request Form (RRF) and Incentive Claim Form (ICF) stage that the SGIP payment must be reported as taxable income to the federal government.

CALSSA claims that for a TPO entity, the SGIP payment is taxable income in all cases, but if the TPO entity does not have enough tax liability they will need to sell the IRA tax credits on the market which often yields a lower cash value than the credits. CALSSA recommends that the IRA tax credit percent being claimed be edited at the ICF stage to incorporate market sale price or additional IRA bonus credits.¹⁸

2) Treatment of the IRA Tax Credit

Free Energy protests that the 30 percent reduction would put the SGIP incentive below the previous \$0.85 per watt-hour (Wh) which had very low uptake and will result in few applicants.¹⁹ Free Energy protests that the mandatory claiming of the IRA tax credit creates unneeded burden to the host customer as spreading the funds to more projects is not needed based on low project uptake in the budget historically.²⁰ Free Energy protests that the timing of the IRA tax credit could take years to claim due to long

¹⁶ CLASSA protest at 1. Free Energy protest at 4.

¹⁷ CALSSA protest at 2.

¹⁸ *Id.* at 3.

¹⁹ Free Energy protest at 5.

²⁰ *Id.* at 11.

project timeline and low tax liability for claiming rolled over tax credits.²¹ Free Energy proposes that applicants can either claim the IRA tax credit themselves or transfer the IRA tax credits to the SGIP PAs to reinvest in the SGIP.²²

Free Energy protests that the exception process would force customers to use a TPO arrangement or face a 30 percent upfront cost for the system.²³ CALSSA claims that TPO projects will have higher total eligible project costs due to a higher administrative burden.²⁴ CALSSA claims that the IRA tax credit could be impacted by the Trump administration.²⁵

Joint PA Reply: The PAs claim that the proposal is in line with OP 29 of the Decision and the tax implications are out of the scope of the AL. The PAs claim that the exception process will allow customers ineligible for the IRA tax credit due to unique tax situations to submit documentation to receive an exemption. The PAs request that the Commission reject the protests and approve SCE 6405-G et al. with no modifications.

DISCUSSION

The Commission has reviewed the joint AL, the protests, and the reply, and approves SCG 6405-G et al. with modifications. We next discuss each topic following the structure of the previous section.

1) SGIP as an Incentive, Rebate, or Subsidy

First, we must resolve the threshold issue of how the Residential IRA tax credits are treated based on the source of SGIP funding: ratepayer collections vs state budget.

The IRS guidance on the Residential Clean Energy tax credit distinguishes between funds that come from a public utility and funds that come from the state as an incentive or rebate. As SGIP residential budgets are funded by ratepayer collections and the state budget, these potentially require different administrative policies. We will establish the policies for each type of funding in the following sections.

²¹ *Id.* at 7.

²² *Id.* at 12.

²³ *Id.* at 9.

²⁴ CALSSA protest at 4.

²⁵ *Id.*

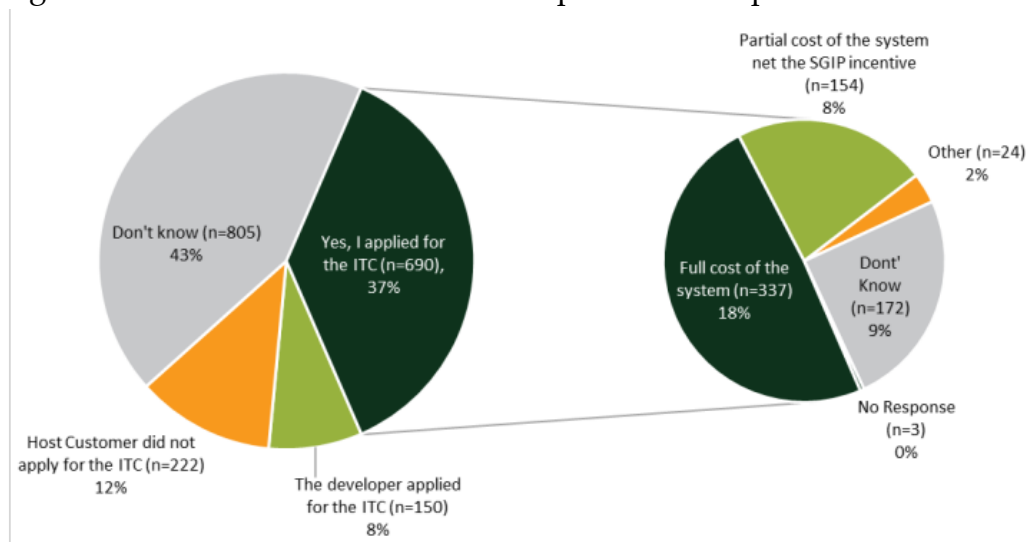
The two IRS designations being considered for residential host customer SGIP payments include a public utility subsidy or a state energy efficiency incentive. Generally, a public utility subsidy applies “if a public utility provides (directly or indirectly) a subsidy to a customer for the purchase or installation of any energy conservation measure” and a state energy efficiency incentive applies when a “state may provide incentives to encourage taxpayers to purchase property that also qualifies for an Energy Efficient Home Improvement Credit or the Residential Clean Energy Property Credit.”²⁶ If an SGIP payment is considered a public utility subsidy, the applicant would claim the Residential Clean Energy tax credit on the net of the project cost and SGIP payment. Therefore, in equity budgets where SGIP is intended to cover most of the project costs, the tax credit could be 0 percent. If an SGIP payment is considered a state energy efficiency incentive, the applicant would claim the Residential Clean Energy tax credit on the full project cost so the tax credit can cover 30 percent of the project cost and SGIP can cover up to 70 percent of the project cost.

SGIP Treatment of IRA Tax Credits for Residential Ratepayer Funded Projects Owned by the Host Customer

The SGIP ratepayer funds are mandated to be collected from IOU rates by California legislation. However, IRS guidance states that any funds that come directly or indirectly from a public utility are considered a public utility subsidy (Table 2), which would lead to the IRA tax credit being applied to the net of the total project cost and the SGIP incentive.²⁷ Therefore, the Commission finds it reasonable to exempt ratepayer funded residential host customer-owned projects from the assumed 30 percent IRA tax credit. Historically, SGIP customers in ratepayer budgets have claimed the IRA tax credit on both the full system cost and partial system cost (Figure 1). The range of possible federal tax credit amounts claimed in part depends on the amount of project costs that exceed the eligible amount of SGIP incentives. Given the variability in the amount of federal tax credit claimed in ratepayer funded projects, the Commission finds it reasonable to continue the current practice of having the applicant include the percent of the total project cost that the applicant expects to receive from the IRA tax credit. This amount will be deducted from the SGIP incentive if the combined SGIP incentive and IRA tax credit is greater than the total eligible project costs.

²⁶ IRS [Frequently asked questions about energy efficient home improvements and residential clean energy property credits](https://www.irs.gov/pub/taxpros/fs-2024-15.pdf) at 7. <https://www.irs.gov/pub/taxpros/fs-2024-15.pdf>

²⁷ *Id.*

Figure 1. SGIP Host Customers' Self-Reported Participation in the IRA Tax Credit²⁸

SGIP Treatment of IRA Tax Credits for Residential State Budget Funded Projects Owned by the Host-Customer

The SGIP is administered by four public utilities and one non-profit. The GGRF funds assigned to SGIP from the state budget are not considered a public utility subsidy. The IRS guidance on the Residential Clean Energy tax credit categorizes SGIP budgets funded by state funds, as a state energy-efficiency incentive. This applies only to the Residential Solar and Storage Equity (RSSE) budget currently (Table 2). The SGIP payment is not a rebate as:

- The payment is related to the capacity of the system installed, not the cost of the property;
- The payment is not from a party selling the property to the customer; and
- The payment is tied to specific system performance requirements as outlined in the SGIP Handbook.²⁹

Therefore, all SGIP projects with payments for systems from state funds can claim the IRA tax credit on the total eligible project costs.

²⁸ 2021-2022 SGIP Program Administrator Performance at 61.

²⁹ IRS [Frequently asked questions about energy efficient home improvements and residential clean energy property credits](#) at 7.

Table 2. Funding Source in SGIP

| SGIP Budget | Funding Source | IRS Designation for the Residential Clean Energy Tax Credit |
|--------------------------------------|---|---|
| Residential Solar and Storage Equity | State Budget (\$280 million for solar and storage) | State Energy Efficiency Incentive Not a rebate |
| | Ratepayer Collections (\$19.5 million for storage only) ³⁰ | Public Utility Subsidy |
| Equity Resiliency | Ratepayer Collections | Public Utility Subsidy |
| Small Residential Storage | Ratepayer Collections | Public Utility Subsidy |
| San Joaquin Valley Residential | Ratepayer Collections | Public Utility Subsidy |
| San Joaquin Valley Non-Residential | Ratepayer Collections | Not Applicable |
| Non-Residential Storage Equity | Ratepayer Collections | Not Applicable |
| Large-Scale Storage | Ratepayer Collections | Not Applicable |
| Generation | Ratepayer Collections | Not Applicable |

SGIP Treatment of IRA Tax Credits for Non-Residential Projects and TPO Projects

The IRS guidance on the commercial Energy Investment Credit categorizes TPO residential and non-residential SGIP projects funded by either state funds or ratepayer funds as having a basis of total eligible project costs for the system.³¹ Therefore, TPO residential and all non-residential SGIP projects can claim the minimum 30 percent tax credit on the full project cost and are eligible for additional bonus credits that can cover up to 70 percent of the full project cost.

³⁰ Data accessed on 12/19/2024 at https://www.selfgenca.com/home/program_metrics/.

³¹ [Instructions for Form 3468 \(2023\) | Internal Revenue Service](#)

SGIP Treatment of IRA Tax Credits by Project Type

Table 3. SGIP Utilization of IRA Tax Credit

| Project Type | Funding Source | SGIP IRA Tax Credit Utilization |
|---|-----------------------|---|
| Residential single family host customer owned | Ratepayer Collections | Applicant submits 0 to 30 percent of IRA tax credit being claimed |
| Residential single family host customer owned | State Budget | Assumed 30 percent IRA tax credit |
| Residential multifamily host customer owned | All | Assumed 30 percent IRA tax credit with ability to increase up to 70 percent with adders |
| Third-party owned systems | All | Assumed 30 percent IRA tax credit with ability to increase up to 70 percent with adders |
| Non-residential host customer owned | All | Assumed 30 percent IRA tax credit with ability to increase up to 70 percent with adders |

The Commission finds it reasonable to apply a minimum 30 percent IRA tax credit to all SGIP projects (Table 3), excluding residential projects owned by the host customer funded by ratepayer dollars.

Some of the IRA tax credit bonus credits require an application that may not be resolved by the time of the RRF. The Commission finds it reasonable for TPO and non-residential SGIP projects to modify the expected percent of IRA tax credit at the ICF stage to account for awarded bonus credits. If this results in a decrease in the expected IRA tax credit value, the project will only obtain more SGIP funds if funds are available at that time. To claim additional funds, the TPO entity must submit documentation explaining why the IRA tax credit percentage decreased. If the modification results in an increased IRA tax credit percentage, the SGIP payment will be decreased accordingly. The Commission finds it unreasonable to adjust the expected IRA tax credit percent due to the market value of the tax credits as the market value of the tax credits at time of sale is highly uncertain and administratively burdensome to verify.

Table 4. Illustrative Examples of Resolution’s Proposed Use of the IRA Tax Credit in SGIP³²

| Funding Source | SGIP Budget | Total Project Cost | Pre-IRA Tax Credit SGIP Incentive | IRA Tax Credit Percent | IRA Tax Credit Value | Final SGIP Incentive |
|-----------------------|---|---------------------------|--|--|-----------------------------|-----------------------------|
| Ratepayer Collections | Equity Resiliency – Residential Host Customer Owned | \$16,500 | \$15,000 | 2.7% (Input of 0-30% by applicant) | \$450 | \$15,000 |
| | Equity Resiliency – Residential TPO | \$16,500 | \$15,000 | 40% (Assumed 30% and 10% bonus credit) | \$6,600 | \$8,400 |
| State Budget | RSSE – Residential Host Customer Owned or TPO | \$16,500 | \$16,500 | 30% (Assumed 30%) | \$4,950 | \$11,550 |

The Commission finds the income tax implications of the SGIP payment to host customers to be highly uncertain and beyond the jurisdiction of the Commission. The host customer should follow IRS guidance on how to file their taxes and the Commission does not offer tax advice. The Commission finds it reasonable to include a disclaimer in the SGIP application indicating if the SGIP incentive is from ratepayer or state funds. The SGIP PAs proposed in SCG 6405-G et al. to include links to official IRS guidance for interpretation by the customer on the SGIP website³³ which is approved by the Commission. The Commission further directs the SGIP PAs to send a direct notice to the appropriate SGIP participants including links to the IRS guidance, the expected or final value of the SGIP incentive, and the tax credit value that was indicated by the applicant in the SGIP application. This notice will ensure that host customers who own the system will directly receive the appropriate information about the SGIP incentive and are aware of the availability of IRS guidance for their review.

³² 15 kWh energy storage system. Equity Resiliency incentive is \$1.00 per Wh from ratepayer collections. RSSE incentive is \$1.10 per Wh from the state budget.

³³ SCG 6405-G et al. at 3.

2) Treatment of the IRA Tax Credit

The Commission finds that the reduction in SGIP payment to ensure the combined IRA tax credit and SGIP payment do not exceed the total eligible project costs is ordered by D.24-03-071 OP 28 and dismisses all protests requesting otherwise. The Commission finds that D.24-03-071 removed several barriers to low-income host customer participation,³⁴ including raising the incentive rate, which will reasonably lead to high participation in the RSSE once it opens.

The Commission finds that SGIP payments are only made after the system has been interconnected and verified at ICF, in alignment with the IRA tax credit. Therefore, the maximum amount of time it will take to claim the tax credit after the SGIP payment is one year: if the project completes interconnection in mid-April the applicant could get the SGIP incentive after completing the ICF but would need to wait till next April to claim the tax credit. The Commission finds the amount of time it takes for a customer to monetize the IRA tax credit against their tax liability to not be an acceptable reason to claim ineligibility for the IRA tax credit in the SGIP application.

The Commission finds that the Residential Clean Energy tax credit cannot be transferred based on IRS guidance.³⁵ Therefore, Free Energy's proposal to have the host customer transfer IRA tax credits to the SGIP PAs adds additional complexity to the process and is rejected.

As the IRA tax credit is currently available, the Commission finds it reasonable to make these rules based on what is currently known. If the availability of the IRA tax credit changes in the future, these program rules can be revisited.

The Commission clarifies that for the RSSE budget there are three pathways for residential customers to choose from:

- 1) The customer can own the system and claim the IRA tax credit for 30 percent of the project cost and receive an SGIP incentive for up to 70 percent of the project cost.

³⁴ Eliminated deed or resale restrictions for low-income residential, expanded low-income categorical eligibility, and developed an upfront payment program. D.24-04-071 at 3.

³⁵ IRS [Elective pay and transferability frequently asked questions: Transferability | Internal Revenue Service](#).

- 2) The customer can contract with a TPO developer and the TPO will monetize the tax credit at 30 to 70 percent of the project cost and receive an SGIP incentive for up to the remainder of the project cost.
- 3) The customer can submit documentation demonstrating why their project is ineligible to receive the IRA tax credit and why the credit could not otherwise be utilized or transferred by a third-party entity to receive the full SGIP incentive.

The Commission finds that these options do not force a host customer into a TPO arrangement. In DAC-SASH, 91 percent of the low-income solar projects enter a TPO arrangement.³⁶ A customer may choose a TPO arrangement for reasons unrelated to the upfront cost of the system such as “ongoing education and engagement, solar production online monitoring, and access to phone support and troubleshooting throughout the expected life of the solar electric system.”³⁷

These options will maximize the federal cost share of SGIP project costs covered by the federal IRA tax credits and spread SGIP funds to more projects as mandated by Decision (D.) 24-03-071 (“the Decision”). The Commission finds that having additional guidance on what documentation is sufficient to claim 0 percent of the IRA tax credit would be beneficial after the SGIP PAs have a better understanding of the process.

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. Any comments are due within 20 days of the date of its mailing and publication on the Commission’s website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment 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. Accordingly, this draft resolution was mailed to parties for comments and will be placed on the Commission's agenda no earlier than 30 days from today.

³⁶ Low-Income Solar PV Data, accessed on 12/18/2024. [CaliforniaDGStats](#)

³⁷ DAC-SASH 2022 Marketing, Education, and Outreach Plan at 17.

FINDINGS

1. AB 102 (2023, Ch. 38) directed the CPUC to apply \$280 million of the state budget to the Residential Solar and Storage Equity budget.
2. All SGIP budgets authorized by SB 700 contain funds from ratepayer collections.
3. On March 21, 2024, the CPUC issued Decision (D.) 24-03-071 *Decision Implementing Assembly Bill 209 and Improving Self-Generation Incentive Program Equity Outcomes* (Decision).
4. The Decision directed the SGIP PAs to develop a proposal to maximize the cost share of Inflation Reduction Act (IRA) tax credits in SGIP and spread SGIP funds to more projects.
5. On November 18, 2024, the SGIP PAs filed a proposal for IRA tax credit cost share in SGIP through a joint advice letter, SCG 6405-G, et al. (AL).
6. On December 9, 2024, the AL was timely protested by the California Solar & Storage Association (CALSSA) and the Energy Savings Company (Free Energy).
7. On December 16, 2024, the SGIP PAs replied to the protests of the AL filed by CALSSA and Free Energy.
8. The SGIP PAs proposed to assume that all SGIP projects will receive a 30 percent IRA tax credit that, in combination with the SGIP payment, should not exceed the total eligible project costs.
9. For systems owned by the residential host customer, state funds are considered a state energy efficiency incentive by the Internal Revenue Service (IRS).
10. For systems owned by the residential host customer, ratepayer funds are considered a public utility subsidy by the IRS.
11. For systems owned by a third-party entity or non-residential host customer, both ratepayer and state funds are considered eligible cost basis by the IRS.
12. It is reasonable to apply the assumed 30 percent IRA tax credit for systems owned by the residential host customer funded by state funds and for all third-party entity owned (TPO) residential systems and nonresidential systems.
13. It is reasonable to have the applicant for systems owned by the residential host customer funded by ratepayer funds input the percentage of total project cost expected to be covered by the IRA tax credit.
14. It is reasonable for the SGIP application to disclose the funding source of the SGIP payment.
15. The SGIP PAs proposed to make the applicant aware of available IRS guidance on how to apply the tax credit.
16. It is reasonable to make this IRS guidance available in the SGIP application process and to send a direct notice of the guidance to SGIP participants.

17. The SGIP PAs proposed that projects not claiming the IRA tax credit must submit documentation for why the project is ineligible for the tax credit or why the credit could not otherwise be utilized or transferred by a third-party entity.
18. It is reasonable to request this documentation.

THEREFORE IT IS ORDERED THAT:

1. The request of Southern California Gas Company, Pacific Gas and Electric Company, Southern California Edison Company, and the Center for Sustainable Energy® (SGIP PAs) to establish cost share between SGIP and the Inflation Reduction Act (IRA) tax credit as requested in Advice Letter 6405-G, 5000-G/7436-E, 5423-E, and 161-E is approved with modifications set forth below and otherwise specified herein.
2. SGIP PAs shall assume a minimum 30 percent IRA tax credit when the SGIP payment is from state funds, the system is third party owned, or the system is nonresidential.
3. SGIP PAs shall allow third party owned systems and nonresidential systems to alter the percentage of IRA tax credit at the Incentive Claim Form (ICF) based on the IRA tax credit adders. SGIP PAs shall allocate additional funding to these systems at the ICF if additional documentation explaining the IRA tax credit decrease is sufficient and there are unreserved funds left in that budget category.
4. SGIP PAs shall maintain the existing practice of having the applicant enter the expected IRA tax credit percentage for residential single-family projects owned by the host customer receiving a ratepayer funded SGIP incentive.
5. SGIP PAs shall include a disclaimer in the SGIP application designating if the SGIP payment is from ratepayer or state funds.
6. SGIP PAs shall send a direct notice to the appropriate SGIP participants including links to the IRS guidance, the expected or final value of the SGIP incentive, and the tax credit value that was indicated by the applicant in the SGIP application.
7. SGIP PAs shall implement these SGIP handbook, application, and database changes in 14 days to apply to all future SGIP applications.
8. SGIP PAs shall file a Tier 2 Advice Letter in six months to provide more clarity on what documentation must be provided for projects claiming to be ineligible to claim the IRA tax credit and why the credit could not otherwise be utilized or transferred by a third-party entity.
9. SGIP PAs must notify the SGIP Proceeding Service List, the SGIP website announcements, and in future SGIP marketing materials and workshops once all changes required in this Resolution have been made.

This Resolution is effective today.

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 February 20, 2025; the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director