

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-5430

December 18, 2025

R E S O L U T I O N

Resolution E-5430. Southern California Edison Company, Center for Sustainable Energy, Southern California Gas Company, and Pacific Gas and Electric Changes to the Federal Tax Credit and Consumer Protections in the Self-Generation Incentive Program

PROPOSED OUTCOME:

- Approves, with modification, the joint proposal by Southern California Gas Company, Southern California Edison Company, Center for Sustainable Energy, and Pacific Gas and Electric concerning the Self-Generation Incentive Program's Third-party Ownership Consumer Protection Proposal filed in the joint Advice Letter 6523-G, 5611-E, 168-E, and 5100-G/7680-E.
- Approves, with modification, the joint proposal by Southern California Edison Company, Center for Sustainable Energy, Southern California Gas Company, and Pacific Gas and Electric concerning the Self-Generation Incentive Program's Federal Investment Tax Credit Proposal filed in the joint Advice Letter 5617-E, 169-E, 6525-G, and 5103-G/7688-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 6523-G, 5611-E, 168-E, and 5100-G/7680-E filed on August 20, 2025 and Joint Advice Letter 5617-E, 169-E, 6525-G, and 5103-G/7688-E, filed on August 27, 2025.

SUMMARY

This Resolution approves, with modification, SCG AL 6523-G et al., 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), third-party owned (TPO) project consumer protections.

This Resolution approves, with modification, SCE AL 5617-E et al., the joint PAs Self-Generation Incentive Program (SGIP) Inflation Reduction Act (IRA) Tax Credit proposal following the changes implemented by the Federal H.R.1 enacted on July 4, 2025.

Decision (D.) 24-03-071 (“the Decision”) requires that the CPUC maximize the federal cost share of SGIP project costs covered by the federal IRA tax credits with the goal of spreading SGIP funds to more projects. This Resolution determines how to update CPUC policy on how to maximize the federal cost share of SGIP project costs covered by the federal IRA through the following policies:

- Requires all projects that claim less than 30 percent of the total eligible project costs through the federal tax credit to submit supporting documentation to validate both:
 - a. Why the project is ineligible for the tax credit; and
 - b. Why the project could not be third-party owned (TPO)?
- All host customer-owned projects with a permission to operate (PTO) date after December 31, 2025, are no longer eligible for the tax credit (criteria a). The applicants will still need to demonstrate how they meet criteria b to claim less than 30 percent of the total eligible project costs through the federal tax credit.
- Maintains the current SGIP policy of a 30 percent deduction from the total eligible project costs for TPO or non-residential projects that have material assistance from a prohibited foreign entity.
- Removes the assumed tax credit for solar equipment for TPO or non-residential projects with a PTO date after December 31, 2027.
- Requires the SGIP PAs to make the relevant handbook and application changes before January 1, 2026 through a Tier 1 advice letter.
- Maintains the pathway for SGIP PAs to modify the tax credit in SGIP if the availability of the tax credit changes or if in one year from issuance of this Resolution there has been low uptake in the program due to these policies.
- Rejects proposed TPO consumer protection 13 to align SGIP with IRA tax credit rules.

BACKGROUND

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, 2026.¹ AB 102² allocated \$280 million of the State Budget to the SGIP in Fiscal Year (FY) 2023-24 from the Greenhouse Gas Reduction Fund (GGRF)³ for solar and storage or standalone storage incentives to low-income residential customers, including those receiving service from publicly owned utilities (POUs).

In March 2024, the Commission passed the Decision which ordered the SGIP PAs to serve a Tier 2 Advice Letter with a proposal to maximize the federal cost share of SGIP project costs covered by the federal Inflation Reduction Act tax credits.⁴

On November 18, 2024, the PAs submitted 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 SGIP. On February 20, 2025, the Commission passed Resolution E-5373 that approved the joint PA Advice Letters with some modifications. E-5373 Ordering Paragraph (OP) 11 required the PAs to file an advice letter within six months to determine what, if any, TPO protections should be used in SGIP.⁵ E-5373 OP 10 required the PAs to file an advice letter in 21 days of learning of any material changes to the tax credit to implement the needed handbook and database changes.⁶

The SGIP Handbook currently has no TPO consumer protections and states that:

“SGIP assumes a 30% tax credit will always be utilized and the remaining 70% of the [Total Eligible Project Costs (TEPC)] will be covered by the SGIP incentive, unless a customer provides documentation requesting otherwise (see Exceptions section below) ...

4.5.6.1 Exceptions to the IRA Tax Credit Requirements

¹ SB 700 (Wiener, 2018).

² AB 102 (Ting, Chp. 38, Stats. 2023),

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB102

³ California Climate Investments, <https://ww2.arb.ca.gov/ourwork/programs/california-climate-investments/about>

⁴ D.24-03-071 at 104 OP 28 and 29,

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M527/K963/527963349.PDF>

⁵ [Resolution E-5373](#) at 23.

⁶ *Id.*

Applications indicating the Investment Tax Credit (ITC) will not be claimed by the Host Customer or any affiliated entity are required to provide 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.”⁷

Proposed TPO Protections in Joint PA Advice Letter

On August 20, 2025, the PAs submitted a joint Advice Letter, 5611-E, 168-E, 6523-G, and 5100-G/7680-E (SCG AL 6523-G et al.) to add TPO consumer protections in SGIP.

The joint PA Advice Letter proposed to use some of the TPO consumer protections established for the Disadvantaged Communities- Single-family Solar Homes (DAC-SASH) in D.15-01-027 OP 18 (Figure 1).

Figure 1. Proposed TPO Consumer Protections for SGIP⁸

⁷ SGIP Handbook 2025 Version 2 at 51.

⁸ SCG 6523-G et al. Attachment A.

(Revisions based on the DAC-SASH TPO Model)

- ~~1) Ensure the Program customers receive at least 50 percent of the savings, as compared to standard IOU rates, from the PV generating and storage equipment;~~
- ~~2) Reduce or eliminate barriers for customers with poor credit (low FICO score) to qualify and participate;~~
- ~~3) Address concerns that homeowners may have about moving or selling their home during the TPO contract term;~~
- 4) Cover maintenance (includes, but not limited to, system support, problem diagnosis, on-site repair, and preventative maintenance), operations, inverter replacement, and monitoring;
- ~~5) Prohibit liens on homes;~~
- ~~6) Minimize the risk to the low-income customers that the system would be removed for delinquent payments;~~
- 7) Ensure that all costs are apparent and upfront and that there is no risk that the TPO deal would result in an additional financial burden to the customer (i.e., additional or hidden costs outside of what is agreed upon upfront in the sales contract, such as penalties for non-payment not previously disclosed);
- ~~8) Standardize financial terms for low-income customers where possible;~~
- 9) Protect the customer against terms that could change after contract signing;
- 10) Require that TPO agreements note the potential for additional costs associated with the contract, if applicable;
- 11) Require the TPO provider to clearly explain that rate changes will affect the economics of a power purchase agreement (e.g., the financial impacts of a new successor tariff may have a different economic proposition; or impacts from rate escalators built into PPAs);
- 12) Require that TPO agreement include provisions ~~spell out what happens in the event~~ that the TPO will notify the Host Customer in the event that the company owning the system defaults; and
- 13) Ensure that the TPO transfer of ownership of the incentivized SGIP system to the Host Customer shall not result in incremental revenue or profit to TPO, or in other words, a TPO should not profit from the transfer of ownership of an SGIP system.

Changes to the Federal Tax Credits

On July 4, 2025, President Trump signed H.R.1 into law, which altered the tax credits in the following ways:

1. For residential systems owned by the host customer, the Residential Clean Energy Credit, which covers 30 percent of the TEPC for solar and storage projects, shall not apply with respect to any expenditures made after December 31, 2025.⁹
2. For non-residential systems and all TPO systems, the Clean Electricity Investment Credit will no longer cover wind and solar projects placed in service after December 31, 2027.¹⁰ Projects that begin construction, reconstruction, or

⁹ Internal Revenue Code [§25D. Residential clean energy credit](#) (h).

¹⁰ Internal Revenue Code [48E: Clean electricity investment credit](#) (e.4).

erection after December 31, 2025 cannot have material assistance from prohibited foreign entities (as defined in section 7701(a)(52)).¹¹

Per Section 7701(a)(52), energy storage beginning construction in 2026 must have at least 55 percent of material assistance from entities that are not considered a ‘prohibited foreign entity.’ Every year, the percentage increases by 5 percent, until capping in 2030 at 75 percent for energy storage. For all other qualified facilities (e.g. solar, wind, etc.) beginning construction in 2026, they must have at least 40 percent of material assistance from entities that are not considered a ‘prohibited foreign entity.’ Every year, the percentage increases by 5 percent until capping in 2030 at 60 percent.¹²

On August 15, 2025, the Internal Revenue Service (IRS) released additional guidance for the Residential Clean Energy Credit, clarifying that for a project to receive the tax credit:

“Section 25D(e)(8)(A) provides that an expenditure with respect to an item is treated as made when the original installation of the item is completed. If installation is completed after December 31, 2025, the expenditure will be treated as made after December 31, 2025, which will prevent the taxpayer from claiming the section 25D credit. In the case of an expenditure made in connection with the construction or reconstruction of a structure, section 25D(e)(8)(B) provides that such expenditure will be treated as made when the original use of the constructed or reconstructed structure by the taxpayer begins. If such construction or reconstruction is completed and taxpayer’s original use of the structure begins after December 31, 2025, the expenditure will be treated as made after December 31, 2025, which will prevent the taxpayer from claiming the section 25D credit.”¹³

Proposed Tax Credit Changes in Joint PA Advice Letter

On July 29, 2025 the PAs received an extension to comply with E-5373 OP 10 from the Commission’s Executive Director until August 27, 2025.

On August 27, 2025, the PAs submitted a joint Advice Letter, 5617-E, 169-E, 6525-G, and 5103-G/7688-E (SCE AL 5617-E et al.) to revise the IRA tax credit process in SGIP.

¹¹ *Id.* at c.3.

¹² Internal Revenue Code [7701 Definitions](#) (a)(52).

¹³ IRS [Fact Sheet 2025-05](#) at Question 7.

The joint PA Advice Letter proposes that:

1. All SGIP residential host customer-owned projects can claim 0-30 percent of the tax credit at Request for Reservation Form (RRF). The SGIP PA will either approve or deny any exemption by RRF approval and adjust the expected tax credit percentage accordingly. To receive an exemption the applicant must provide documentation explaining why:
 - a. The project is ineligible to receive the tax credit (for projects that received permission to operate before December 31, 2025); and
 - b. The tax credit could not otherwise be utilized or transferred by a third-party entity.¹⁴
2. All SGIP Third-party owned (TPO) projects can claim 0 percent of the tax credit at RRF. The SGIP PA will either approve or deny the exemption by Incentive Claim Form (ICF) approval and adjust the expected tax credit percentage accordingly. To receive an exemption the applicant must provide documentation explaining why:
 - a. The project is ineligible to receive the IRA tax credit;
 - b. The applicant must demonstrate why the credit could not otherwise be utilized or transferred by a third-party entity to receive the full SGIP incentive; and
 - c. For solar systems: Construction of the project must begin (i.e., permit issued) by July 4, 2026 or the project must be placed in service (i.e., PTO issued) by the taxpayer by December 31, 2027 to receive the tax credit.¹⁵
3. Application of Domestic Content and Restrictions for Foreign Entities of Concern in TPO and non-residential projects:
 - a. The SGIP PAs will require verification from the applicant to ensure the project meets the new domestic content and restrictions on material assistance from prohibited foreign entities requirements. A project will be considered ineligible to claim the tax credit if it does not meet the domestic content rules or has material assistance from a prohibited foreign entity.¹⁶

¹⁴ SCE AL 5617-E et al. at 3.

¹⁵ *Id.* at 4.

¹⁶ *Id.* at 5.

NOTICE

Notice of SCG AL 6523-G et al. and SCE AL 5617-E et al. was made by publication in the Commission's Daily Calendar. SCG and SCE state that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

SCG's Advice Letter 6523-G et al. was timely protested by the California Solar and Storage Association (CALSSA).

The joint PAs responded to the protests of CALSSA on September 16, 2025.

SCE's Advice Letter 5617-E et al. was timely protested by CALSSA.

The joint PAs responded to the protests of CALSSA on September 23, 2025.

The following provides a summary of the major issues raised in the protests and joint PA replies.

TPO Consumer Protections

CALSSA protested that for a TPO project to be considered a valid TPO for tax credit purposes, the host customer may not have "an option to purchase, or [be] required to purchase, all or a part of such facility at a fixed and determinable price (other than for fair market value)." ¹⁷ CALSSA instead proposes SGIP anchor the transfer of ownership cost to the fair market value at the time of transfer net of the cost to decommission, remove, and transfer the title costs (i.e. the salvage cost). ¹⁸ If the salvage costs are greater than the fair market value, then the cost to the customer would be zero.

The joint PAs replied that as some SGIP budgets, such as the Residential Solar and Storage Equity (RSSE), have incentive rates intended to cover the full project costs, the host customer should not have to pay full fair market value for a system that has already been paid for by SGIP. The PAs note that the consumer protections used in DAC-SASH and proposed for SGIP already require that 'all costs are apparent and upfront and that there is no risk that the TPO deal would result in an additional

¹⁷ CALSSA protest of SCG 6523-G et al. ('TPO Consumer Protections protest') at 1 and [Internal Revenue Code 7701\(e\) Treatment of certain contracts for providing services, etc.\(4\)\(A\)\(iv\)](#)

¹⁸ *Id.* at 2.

financial burden to the customer’ which directly requires the TPO entity to inform the customer what the expected transfer of ownership cost and process would be before the customer enters into contract.¹⁹ Due to this, the PAs ask the Commission to reject CALSSA’s protest and approve SCG 6523-G et al.

Tax Credit

CALSSA protested that the residential host-customer owned system tax credit does not apply to any expenditures made after December 31, 2025, and finds the PA tying this to the permission to operate is not synonymous. CALSSA claims it is inappropriate for the SGIP PAs to opine on an acceptable definition when the Federal Treasury Department has not done so.²⁰

Similarly, CALSSA protested the PAs using a building permit to verify if a TPO or non-residential project has started construction before July 7, 2026. CALSSA claims that “Historically, the Treasury Department has relied on two different methods to begin construction – performing physical work of a significant nature (the “physical work test”) or incurring at least 5% of total project costs (the “5% test”).”²¹

CALSSA requests that the PAs clarify that if a project cannot meet the tax credit deadlines, they can still apply to SGIP by adding ‘To claim the ITC’ before the ‘construction of the project must begin...’ sentence.²²

CALSSA protests that the PAs conflated the domestic content adder requirements with the prohibited foreign entity requirements. CALSSA notes that the prohibited foreign entity requirements for solar systems beginning construction in 2026 is at least 40 percent of the system costs must be non-prohibited foreign entity to qualify for the tax credit, increasing to 45 percent in 2027. For storage systems beginning construction in 2026, at least 55 percent of system costs must be non-prohibited foreign entity to qualify for the tax credit, increasing by 5 percent a year until it reaches 75 percent.²³

Finally, CALSSA protests that due to these additional complications, the PAs should instead require all projects to “complete an attestation as part of RRF submittal where they affirm, under penalty of perjury, that any ITC combined with SGIP and all other

¹⁹ Joint PA Reply on September 16, 2025 at 2.

²⁰ CALSSA protest of SCE AL 5617-E et al. (‘Tax Credit protest’) at 2.

²¹ *Id.*

²² *Id.*

²³ CALSSA Tax Credit protest at 3.

incentives, grants, rebates, tax credits, and transfers will not exceed the total eligible project cost (TEPC) of the system. They would also agree to notify the PA within 90 days of any subsequent federal benefit claimed or received and consent to a [claw-back] of any SGIP amount that would cause total benefits to exceed TEPC” to simplify the process for applicants and the PAs.²⁴

The joint PAs replied asking for the Commission to approve the advice letter and being open to some changes recommended by CALSSA.²⁵ The SGIP PAs continue to recommend using permission to operate (PTO) date to determine if a residential host-customer owned system can qualify for the tax credit as “The joint PAs took a conservative approach in choosing the latest project milestone date which is the PTO date. This approach reduces the likelihood that an SGIP project is assumed to be eligible for the ITC when, based on IRS definitions, it may ultimately be ineligible.”²⁶ The SGIP PAs agree, if directed by the Commission, to reword the Handbook language to ensure it is clear that a project is not precluded from SGIP if the project cannot meet the tax credit deadlines, but maintain a building permit is the best way to establish a clear date for a project’s start of construction.²⁷ The SGIP PAs replied that while the domestic content adder and prohibited foreign entity frameworks are distinct, the applicants are still required to show if they can meet both frameworks to ensure tax credit eligibility in the SGIP applications. Finally, the SGIP PAs find that CALSSA’s alternative proposal lowers programmatic assurance that the tax credits are being used when available and are strongly against creating any type of SGIP incentive claw-back framework.²⁸

DISCUSSION

The Commission has reviewed the joint AL, the protests, and the reply and approves SCG 6523-G et al. with modifications and SCE AL 5617-E et al. with modifications.

TPO Consumer Protections

The Commission finds CALSSA’s reference to the tax credit rules around TPO projects to be correct²⁹ (i.e. that a TPO system cannot be transferred to the host customer at a

²⁴ *Id.*

²⁵ Joint PA Reply on September 23, 2025 at 4.

²⁶ *Id.* at 2.

²⁷ *Id.* at 3.

²⁸ *Id.* at 3.

²⁹ CALSSA TPO Consumer Protections protest at 1. Rev. Rul. 55-540, 1955-2 CB 39, IRC Sec(s). 162. 4.01.(e). https://www.novoco.com/public-media/documents/rr-55-540_0.pdf

fixed and determinable price other than for fair market value). The Commission also agrees with the SGIP PAs that the consumer protections used in DAC-SASH and proposed for SGIP already require that ‘all costs are apparent and upfront and that there is no risk that the TPO deal would result in an additional financial burden to the customer.’ This protection requires the TPO entity to inform the customer of the expected transfer of ownership cost and process before the customer enters into contract. Therefore, the Commission finds it reasonable to reject the proposed TPO consumer protection criteria 13 which states, ‘Ensure that the TPO transfer of ownership of the incentives SGIP system to the host customer shall not result in incremental revenue of profit to the TPO, or in other words, a TPO should not profit from the transfer of ownership of an SGIP system.’³⁰ The Commission maintains that it is up to each TPO entity to disclose the transfer of ownership costs and process to the host customer upfront while remaining aligned with SGIP rules and the IRC.

SGIP Treatment of Federal Tax Credits

The Commission rejects CALSSA’s alternative tax credit proposal³¹ as SGIP already requires projects to disclose any non-SGIP incentives (including tax credits, grants, other incentives, etc.) in the application process³² and the Decision was clear that the Commission’s goal is to maximize the federal cost share of SGIP project costs covered by the federal tax credits.³³

The Commission finds it reasonable to maintain the requirement that any project that claims less than 30 percent of the total eligible project costs (TEPC) through the federal tax credit to submit supporting documentation at Reservation Request Form to validate both:

- a. Why the project is ineligible for the tax credit; and
- b. Why the project could not be third-party owned (TPO)?

The Commission notes that this resolution closes a loophole created in E-5373 where a ratepayer residential host-customer owned project could claim less than 30 percent of TEPC being covered by the tax credit, getting to near zero, without needing to submit why the project could not be TPO. This frustrated the Commission’s goal of maximizing the federal tax credit as it allowed projects to claim 100 percent of the SGIP incentive

³⁰ SCG 6523-G et al. at Attachment A.

³¹ CALSSA Tax Credit protest at 3.

³² SGIP Handbook 2025 V2 at 4.5.6.

³³ D.24-03-071 at OP 29.

when a TPO system would have been able to claim 30 percent of the project costs from the tax credit.

Table 1. Assumed IRA Tax Credit Contribution to Total Project Cost in SGIP³⁴

Funding Source	Owned By	Current SGIP Policy per Resolution E-5373	Resolution E-5430 Proposal
State Budget /GGRF	TPO/Commercial host customer	30-70% (\$4950-11,500)	30-70% (\$4950-11,500)
	Residential Host Customer	30% (\$4950)	0% if exception(s) accepted, otherwise 30%
Ratepayer Collections	TPO/Commercial Host Customer	30-70% (\$4950-11,500)	30-70% (\$4950-11,500)
	Residential Host Customer	1-30% (\$165-4950)	0% if exception accepted, otherwise 30%
Exception Process to Claim 0% of 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 is ineligible for the tax credit and why the project could not be third-party owned.

Additionally, criterion b has been slightly modified from E-5373 following stakeholder feedback at SGIP Workshops that the criterion ‘why the credit could not otherwise be utilized or transferred by a third-party entity’ was confusing for host customer owned projects. The Commission uses this resolution to clarify that the intent of this criterion was to ensure a project would use the tax credit by being a TPO system if possible. The Commission finds that some of the criteria do not apply to all project types and clarifies in Table 2 what is expected from applicants.

³⁴ Case of a single-family residential project with a 15 kWh storage system with total eligible project costs of \$16,500.

Table 2. Two Part Tax Credit Exemption Criteria for SGIP Projects

Project Type	Exemption Criteria A: Why the project is ineligible for the tax credit	Exemption Criteria B: Why the project could not be TPO
TPO	Applicable	N/A
Residential host customer owned	Applicable if the PTO was granted before December 31, 2025. N/A for ratepayer funded projects.	Applicable
Non-residential host customer owned	Applicable	Applicable

For residential host customer owed projects, a customer can use the tax credit for any expenditures made before December 31, 2025. The Commission agrees with the SGIP PAs proposal to use the PTO date being before December 31, 2025 as a reasonable expectation that the host customer can still claim the tax credit and rejects CALSSA's protest. As IRS guidance states that an expenditure is only valid for the residential tax credit if the installation is completed and the equipment in use before December 31, 2025,³⁵ the Commission finds it reasonable for SGIP to use the PTO date to determine if a project meets the deadline. For projects that have a PTO date after December 31, 2025, the SGIP PAs proposal to assume a residential host-customer owned project is ineligible to claim the tax credit is reasonable. The Commission agrees with the PAs that these applicants must still demonstrate why the project could not be TPO to claim less than a 30 percent tax credit in the SGIP application.

For TPO or non-residential projects, the tax credit is no longer available for solar system projects placed in service after December 31, 2027, but the storage system will still be eligible for the tax credit. The Commission finds it reasonable for the SGIP PAs to use the PTO date to determine if TPO or non-residential projects can claim the solar part of the tax credit. If a project is past the PTO date for the solar side of the project and the TPO entity attests they will not be able to claim the tax credit, the SGIP PAs will increase the SGIP incentive if there are still funds available. The Commission rejects the PA proposal to use a building permit to verify if a project started construction before July 4, 2026 and remains eligible for the tax credit. The Commission finds it reasonable to only rely on the later PTO date and TPO entity to determine if a project can claim the solar tax credit.

³⁵ IRS [Fact Sheet 2025-05](#) at Question 7.

For TPO and non-residential projects, the tax code added new limits on the amount of material assistance from a prohibited foreign entity that can be provided to a project that seeks the tax credit. The Commission agrees with CALSSA that the SGIP PAs incorrectly interpreted the Domestic Content Adder language as a requirement for the base 30 percent of TEPC tax credit. The Commission finds it unreasonable to allow projects to go from SGIP covering up to 70 percent of the project costs to up to 100 percent of the project costs if the project cannot meet the IRC material assistance from a prohibited foreign entity requirement. Doing the latter would have two negative consequences: first, it would reward projects that exceed the prohibited foreign entity threshold caps by giving them high SGIP incentives of up to 100 percent of TEPC; second, it would frustrate the Commission's policy goal of maximizing the federal cost share of SGIP projects. Instead, the Commission's policy will encourage developers and host customers to develop projects that do not exceed the threshold caps on material assistance from prohibited foreign entities.

The Commission finds it reasonable to require the SGIP PAs to make the relevant handbook and application changes before January 1, 2026. The Commission encourages the SGIP PAs to use this opportunity to simplify the current SGIP Handbook Section 4.5.6 on the tax credit which spans three pages and provides example redlined language in Appendix A.

The Commission maintains the need for all new exception case types to be elevated to the SGIP Working Group and receive consensus from the SGIP PAs and Energy Division staff.

These policies continue to maximize the federal cost share of SGIP project costs covered by the federal tax credits and spread SGIP funds to more projects as mandated by the Decision. If the availability of the federal tax credit changes in the future, the SGIP PAs are directed to file a Tier 2 Advice Letter within 45 days of learning of any material changes to the tax credit to implement the needed handbook and database changes. The Commission also finds it reasonable for the SGIP PAs to be able to file a Tier 2 Advice Letter after January 1, 2027 to implement any changes to the tax credit policies in SGIP if found needed after a year of implementation.

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. 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 on November 13, 2025.

CALSSA and CSE filed timely comments on the draft resolution on December 3, 2025.

We now discuss comments for each issue followed by the Commission resolution of each issue.

1) TPO Consumer Protections

CALSSA requests that the resolution reject TPO Consumer Protection 13 to align SGIP with longstanding federal tax rules governing both leases and power purchase agreements (PPAs).³⁶ CALSSA claims that a TPO entity must transfer ownership at true, unadjusted fair market value at the time of transfer and that reducing the fair market value by the SGIP incentive and tax credit would make the contract a pre-arranged sale, making it ineligible for the 30% tax credit. CALSSA claims it is standard practice to net out salvage costs such as the alternative decommissioning, removal, and title-transfer costs from the fair market value.³⁷ Finally, CALSSA asks that if the 13th consumer protection is retained, the resolution clarify that these TPO Consumer Protections will apply to only SGIP applications submitted after the resolution goes into effect.³⁸

The Commission finds CALSSA's arguments and references to IRS guidance and legal definitions of fair market value to be persuasive and agrees to reject the SGIP PA proposed TPO Consumer Protection 13. IRS guidance is clear that for a TPO entity to receive the 30% tax credit, any transfer of ownership to the host customer must occur at fair market value and not a predetermined nominal value.³⁹ This change is made to the resolution.

³⁶ CALSSA Comments on Resolution E-5430 at 1.

³⁷ CALSSA Comments on Resolution E-5430 at 2.

³⁸ *Id.*

³⁹ Rev. Rul. 55-540, 1955-2 CB 39, IRC Sec(s). 162. 4.01.(e). https://www.novoco.com/public-media/documents/rr-55-540_0.pdf

The Commission clarifies that the TPO Consumer Protections apply to all SGIP projects that have not reached a Confirmed Reservation Request Form status on the day the TPO Consumer Protections are made effective in the SGIP Handbook.

2) SGIP Treatment of Federal Tax Credits

CSE requests that the Commission correct an error in the Background Section as the draft resolution states the SGIP PAs proposed to complete review of a TPO project's tax credit exemption at RRF when the SGIP PAs actually proposed to complete this review at ICF. CSE requests the resolution clarify this aspect of the PA's proposal was modified for approval.⁴⁰ CSE claims that the changes made in this resolution cannot be made into the SGIP database by January 1, 2026. CSE requests OP 6 be modified to retain the January 1, 2026 deadline for changes to the SGIP Handbook and application and allow for changes to the database to be made as soon as feasible.⁴¹

The Commission finds both of these requests to be reasonable and makes the needed corrections and changes to the resolution. The Commission maintains that review of a project's tax credit exemption should be completed at RRF to ensure both the host customer and developer are aware of what level of SGIP incentive can be expected before the project proceeds with construction.

FINDINGS AND CONCLUSIONS

1. 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).
2. 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.
3. On February 20, 2025, Resolution E-5373 implemented the IRA tax credit in SGIP.
4. Resolution E-5373 directed the SGIP PAs to file a Tier 2 Advice Letter within 6 months to determine what, if any, third-party ownership (TPO) consumer protections should be included in SGIP.

⁴⁰ Comments of CSE regarding Draft Resolution E-5430 at 1.

⁴¹ *Id.* at 2.

5. Resolution E-5373 directed the SGIP PAs to file a Tier 2 Advice Letter within 21 days of learning of any material changes to the tax credit to implement the needed handbook and database changes.
6. On August 20, 2025, the SGIP PAs filed SCG 6523-G et al. to add TPO consumer protections.
7. On September 9, 2025, SCG 6523-G et al. was timely protested by CALSSA.
8. On September 16, 2025, the SGIP PAs replied to the protests of SCG 6523-G et al. filed by CALSSA.
9. It is unreasonable to adopt TPO consumer protection 13 as proposed by the SGIP PAs.
10. It is reasonable to adopt all other TPO consumer protections proposed by the SGIP PAs.
11. On August 27, 2025, the SGIP PAs filed SCE AL 5617-E et al. to revise the SGIP tax credit policy.
12. On September 16, 2025, SCE AL 5617-E et al. was timely protested by CALSSA.
13. On September 23, 2025, the SGIP PAs replied to the protests of SCE 5617-E et al. filed by CALSSA.
14. It is reasonable for all projects claiming a federal tax credit less than 30 percent of the total eligible project costs to only be granted an exemption if they can provide documentation explaining:
 - a. Why the project is ineligible for the tax credit; and
 - b. Why the project could not be third-party owned (TPO)?
15. The residential tax credit ends after December 31, 2025 and the TPO and commercial solar tax credit ends after December 31, 2027.
16. It is reasonable to use the permission to operate date to verify both the December 31, 2025 and the December 31, 2027 deadlines.
17. It is unreasonable to use the domestic content adder requirements as grounds for exemption to taking the base tax credit.
18. It is unreasonable to grant an exemption to the 30 percent incentive reduction for projects that cannot meet the prohibited foreign entity requirements.
19. It is reasonable to establish a process to modify the tax credit criteria due to program need in the future.

THEREFORE IT IS ORDERED THAT:

1. The request of Southern California Edison Company, Center for Sustainable Energy, Southern California Gas Company, and Pacific Gas and Electric to include third-party consumer protections in the Self-Generation Incentive Program (SGIP) as requested in Advice Letter 5611-E, 168-E, 6523-G, and 5100-G/7680-E is approved with the modifications as set forth in the Conclusions of Law and otherwise specified herein.
2. 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 the cost share between SGIP and the federal tax credits as requested in Advice Letter 5617-E, 169-E, 6525-G, and 5103-G/7688-E is approved with the modifications set forth below and otherwise specified herein.
3. SGIP PAs shall assume a minimum 30 percent federal tax credit on the total eligible project cost unless the project provides approved documentation explaining:
 - a. Why the project is ineligible for the tax credit; and
 - i. This criterion is removed for single-family host-customer owned projects with a permission to operate date after December 31, 2025 and all single-family projects funded by ratepayer funds.
 - b. Why the project could not be third-party owned (TPO)?
 - i. This criterion is removed for TPO projects.
4. SGIP PAs shall remove the 30 percent tax credit assumption for solar equipment with a permission to operate date after December 31, 2027 and the SGIP PA shall increase the SGIP incentive for existing projects if funds are still available and the TPO entity attests they will not be able to claim the tax credit.
5. SGIP PAs shall not grant an exemption to the 30 percent tax credit assumption due to a project being unable to meet the material assistance from a prohibited foreign entity requirement or the domestic content adder requirement.
6. SGIP PAs shall file an informational Tier 1 Advice Letter implementing these changes in the SGIP Handbook and application before January 1, 2026, with implementation into the SGIP database to follow as soon as feasible.
7. SGIP PAs are directed to file a Tier 2 Advice Letter within 45 days of learning of any material changes to the tax credit to implement the needed handbook and database changes.
8. SGIP PAs may file a Tier 2 Advice Letter after January 1, 2027 to modify the tax credit process in SGIP if needed.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 18, 2025; the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON

Rachel Peterson
Executive Director

ALICE REYNOLDS
President

DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
Commissioners

Commissioner Matthew Baker,
recused himself and did not participate.

Dated December 18, 2025, at Sacramento, California.

Appendix A

**Appendix A: Example of Concise Handbook Language for Tax Credit Changes
(Redline based on Attachment to SCE 5617-E et al.)**

4.5.6 Incentives from Other Sources

Host Customers, Applicants, and System Owners are required to disclose information about all other incentives they have received, plan to receive, or have applied for.

SGIP assumes a 30% ~~federal~~ tax credit will always be utilized and the remaining 70% of the TEPC ~~may will~~ be covered by the SGIP incentive, unless a customer provides documentation ~~at Request for Reservation Form stage validating:~~

- a. Why the project is ineligible for the tax credit; and
 - i. This criterion is removed for single-family host-customer owned projects with a permission to operate date after December 31, 2025 and all single-family projects funded by ratepayer funds.
- b. Why the project could not be third-party owned (TPO).
 - i. This criterion is removed for TPO projects.

~~requesting otherwise (see Exceptions section below). SGIP will cap the incentive payment at 70% of eligible project costs if a project is found to be eligible to claim the Inflation Reduction Act (IRA) tax credit of 30% of eligible project costs at the ICF stage of the application. TPO and non-residential systems may alter the percentage of IRA tax credit reported at the incentive claim stage based on the bonus credits, which may reduce the SGIP share of the project below 70%. If TPO and non-residential projects decrease their expected IRA tax credit value at the incentive claim stage, the project may obtain more SGIP funds (if available). The TPO or non-residential entity must submit documentation explaining why the IRA tax credit percentage decreased to claim the additional funds.~~
~~If a project received material assistance from a prohibited foreign entity, the project is not exempt from the assumed 30 percent reduction to the TEPC.~~

~~The applicant is required to disclose the percentage of TEPC being claimed through the IRA tax credit between 0 to 30 percent for host customer owned residential projects ~~completed (PTO issued) by December 31, 2025.~~~~

~~SGIP will cover the difference between the reported IRA tax credit and up to 100% of TEPC for equity budget projects.~~

A disclaimer will appear on the SGIP forms indicating if the SGIP incentive is ratepayer funded, or state funded.

For all projects, the sum of the SGIP incentive and any other incentive or tax credit received for the project may not exceed the TEPC for the SGIP-eligible system. If the total exceeds the eligible costs, the SGIP incentive will be reduced until the sum of the SGIP, and other incentive equal the total eligible costs.

For example, a customer is claiming a tax credit towards the purchase of the SGIP system, the ITC would be applied to the SGIP incentive as follows:

TEPC: \$30,000.00

Tax credit as a % of TEPC: 30% (\$9,000.00)

Calculated SGIP Incentive Amount: \$27,000.00

Final SGIP Incentive Amount: \$21,000.00⁴⁵

Tax credit Amount of \$9,000.00 + Final SGIP Incentive Amount of \$21,000.00 allows the customer to cover the full eligible project costs of \$30,000.00

For projects ~~(excluding Equity and Equity Resiliency Budget projects)~~ receiving incentives under other programs, the SGIP incentive may be reduced depending on the source of the other incentive(s):

- For other incentives funded 100% by Investor-Owned Utility (IOU) ratepayers, the total SGIP incentive will be reduced by the full amount of the other incentive(s).
- For other incentives funded by Non-IOU Ratepayers, the total SGIP incentive will be reduced by 50% of the amount of the other incentive(s).

4.5.6.1 Exceptions to the IRA Tax Credit Requirements

~~Applications indicating the Investment Tax Credit (ITC) will not be claimed are required to provide 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.~~

To protect against entities creating governance structures or affiliations that would allow them to achieve more funding than the capped amount, it is required that Host Customers, Applicants, and System Owners disclose information about all other incentives and eligible tax credits applicable to the project or any of their affiliates applicable to the project. Failure to disclose such information will be considered an infraction and is subject to the penalties indicated in Section 13.

~~Projects also must meet the following Domestic Content rules as stated below in order to be eligible for the IRA tax credit.⁴⁶ If the system has less than the stated percentages shown below for the respective periods, the project is considered ineligible for the IRA tax credit:~~

~~a. any project in which construction begins before June 16, 2025 must comprise of 40% domestic content;~~

~~b. any project in which construction begins on or after June 16, 2025 and before January 1, 2026,~~

~~must comprise 45% of domestic content;~~

~~c. any project in which construction begins during calendar year 2026 must comprise 50% of domestic content.~~

~~d. any project in which construction begins after December 31, 2026 must comprise 55% of domestic content.~~

~~also considered ineligible for the IRA tax credit.~~

4.5.6.2 RSSE Budget IRA Tax Credit Pathways

There are three pathways for residential customers.

~~Projects funded by state funds:~~

1. Host customer can own the system and claim the IRA tax credit for 30% of the TEPC and receive

an SGIP incentive for up to 70% of the TEPC *if the system is placed in service (PTO issued) by December 31, 2025.*

2. *For Storage Systems:* Host customer can contract with a TPO developer and the TPO will monetize the tax credit at 30 to 70 percent of the TEPC and receive an SGIP incentive for up to the remainder of the TEPC.

For Solar Systems: Host customer can contract with a TPO developer and the TPO will monetize the tax credit at 30 to 70 percent of the TEPC and receive an SGIP incentive for up to the remainder of the TEPC. *Construction must begin by July 4, 2026, or To receive the tax credit, the solar system must be placed in service (PTO issued) by the taxpayer by December 31, 2027. If a project is past the PTO date for the solar and the TPO entity attests they will not be able to claim the solar tax credit, the SGIP incentive may be increased if there are still funds available.*

3. Host customer can submit documentation demonstrating why their project is ineligible to receive the IRA tax credit *(for projects with a PTO before December 31, 2025)* and why the *project could not be TPO credit could not otherwise be utilized or transferred by a third-party entity to receive the full SGIP incentive. If a project is completed after December 31, 2025, host customer does not have to demonstrate why their project is ineligible to receive the IRA tax credit, but must still submit documentation demonstrating why the credit could not otherwise be utilized or transferred by a third-party entity to receive the full SGIP incentive.*

~~Projects funded by ratepayer funds:~~

~~1. Host customer can own the system and claim the IRA tax credit for 0 to 30% of the TEPC and receive an SGIP incentive for up to 70-100% of the TEPC *if the system is placed in service (PTO issued) by December 31, 2025.*~~

~~2. *For Storage Systems:* Host customer can contract with a TPO developer and the TPO will monetize the tax credit at 30 to 70 percent of the TEPC and receive an SGIP incentive for up to the remainder of the TEPC.~~

~~*For Solar Systems:* Host customer can contract with a TPO developer and the TPO will monetize the tax credit at 30 to 70 percent of the TEPC and receive an SGIP incentive for up to the remainder of the TEPC. *Construction needs to begin by July 4, 2026 or the solar system must be placed in service by the taxpayer by December 31, 2027.*~~

~~3. Host 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. *If a project is completed after December 31, 2025, host customer does not have to demonstrate why their project is ineligible to receive the IRA tax credit, but must still submit documentation demonstrating why the credit could not otherwise be utilized or transferred by a third-party entity to receive the full SGIP incentive.*~~