

Decision 09-12-047 December 17, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.

Rulemaking 08-03-008
(Filed March 13, 2008)

**DECISION ADOPTING SELF-GENERATION
INCENTIVE PROGRAM BUDGET FOR 2010 AND 2011**

1. Summary

This decision adopts an annual budget of \$83 million for the Commission's Self-Generation Incentive Program (SGIP) in 2010 and 2011. The SGIP administrators may reserve and spend the \$166 million they collect in 2010 and 2011 until January 1, 2016. The SGIP administrators may reserve and spend the total authorized carryover from prior years' authorized SGIP budgets until January 1, 2016. Any funds that are collected and unallocated on January 1, 2016 will be returned to ratepayers. The decision directs the SGIP administrators to obtain an independent audit of SGIP ratepayer collections and expenditures no later than October 1, 2010.

The decision also lifts a prior restriction on the payment of incentives up to three megawatts. Other aspects of SGIP operation, including the administrative budget, budget allocations between the utilities, and allocation of funds between renewable and non-renewable projects, will continue unchanged based on previous Commission guidance.

2. Background

The Commission established the Self-Generation Incentive Program (SGIP) in 2001 to provide incentives to businesses and individuals who invest in distributed generation (DG), i.e., generation installed on the customer's side of the utility meter that provides electricity for a portion or all of that customer's electric load. (*See* Decision (D.) 01-03-073.) The program is available to customers of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas). The program is administered by these same investor-owned utilities (IOUs), except that the California Center for Sustainable Energy (CCSE) administers the program in SDG&E's service territory.

The SGIP budget was initially \$125 million per year, with cost responsibility allocated across the four energy utilities noted above. With the creation of the California Solar Initiative (CSI) in 2006, the Commission redirected the portion of the SGIP budget supporting solar incentives to the CSI program. (*See* D.06-01-024.) As a result, the SGIP budget was reduced to \$83 million per year for 2007 and 2008 to reflect that solar incentives are now funded through CSI. (*See* D.06-12-033 and D.08-01-029.) Also in 2006, Assembly Bill 2778 (Stats. 2006, Ch. 617) amended Pub. Util. Code § 379.6¹ to limit program eligibility for SGIP incentives to qualifying wind and fuel cell distributed generation technologies, beginning January 1, 2008 through January 1, 2012.

¹ All statutory references are to the Public Utilities Code, unless otherwise noted.

In D.09-01-013, the Commission approved the SGIP budget for 2009 but noted that further review was required of prior years' unspent SGIP authorized budgets, or "carryover funds," which had accrued over several years of SGIP operations. On June 1, 2009, the four utilities filed detailed information on all unspent funds and pending SGIP applications, in compliance with D.09-01-013, to aid the Commission in a review of the program's budget status.

In a ruling of September 17, 2009, the assigned Administrative Law Judge (ALJ) provided a summary of the SGIP budget information provided by the utilities in their June filings, and asked parties to comment on this information and its implications for the SGIP budget for 2010 and 2011. The ruling also noted pending legislation impacting SGIP, namely Senate Bill (SB) 412, and asked for comments on that as well.

Comments were filed on September 28, 2009 by Bloom Energy (Bloom), CCSE, the California Energy Storage Alliance (CESA), Community Renewable Solutions LLC, the Commission's Division of Ratepayer Advocates (DRA), PG&E, SCE, jointly by SDG&E and SoCalGas, and UTC Power Corporation. Reply comments were filed on October 5, 2009 by the California Clean DG Coalition (CCDC), CESA, DRA, FuelCell Energy, PG&E, SCE, SoCalGas, The Utility Reform Network (TURN), and the U.S. Fuel Cell Council.

In addition, several recent events could impact the Commission's determination of the SGIP budget for 2010 and 2011. First, on October 11, 2009, the Governor signed SB 412 (Stats. of 2009, Chap. 182), which amends Pub. Util. Code § 379.6 to allow the Commission to authorize the annual collection for SGIP in 2010 and 2011 of not more than the amount authorized for SGIP in 2008. The legislation also extends administration of the program until January 1, 2016, and limits program eligibility to distributed energy resources that the Commission

determines, in consultation with the California Air Resources Board, will achieve reductions in greenhouse gas emissions. According to the legislation, on January 1, 2016, the Commission shall provide repayment of all unallocated funds collected pursuant to this section to reduce ratepayer costs.

Second, Commission decisions in 2008 and 2009 expand program eligibility and incentive payments, which we should factor into our decision on the future SGIP budget. In D.08-04-049, the Commission permitted expansion of SGIP incentive payments beyond the prior 1 megawatt (MW) limit, allowing the SGIP program administrators (PAs) to use carryover funds from prior budget years to pay incentives up to 3 MW. Incentives up to 1 MW are paid at existing rates, and incentives over 1 MW and up to 3 MW are paid a lower incentive as set forth in D.08-04-049. Systems may be sized up to 5 MW, but are only paid incentives up to 3 MW. Later in 2008, the Commission issued D.08-11-044 allowing energy storage technologies to receive incentives of \$2 per watt when coupled with SGIP eligible technologies. Finally, D.09-09-048 expands eligibility for SGIP incentives by allowing SGIP projects that use pipeline delivered biogas as their renewable fuel source to receive renewable (i.e., Level 2) incentives.

3. SGIP Budget in 2010 and 2011

In this decision, the Commission must decide what amount to authorize as the SGIP budget for 2010 and 2011. In addition, it must decide what to do with previously authorized budget amounts that have been carried over from prior program years.

In the ALJ Ruling, the ALJ proposed the SGIP budget remain at the \$83 million annual amount established for the three prior calendar years, 2007, 2008, and 2009, with allocation across the four IOUs in the same percentages as in those prior years. Specifically, the ruling proposed the IOUs should collect \$83 million from ratepayers, in both 2010 and 2011, as follows:

SGIP Budget Allocation for 2010 and 2011

Utility	Annual SGIP Budget (in millions)
PG&E	\$36
SCE	\$28
SDG&E	\$11
SoCalGas	\$8
Total	\$83 million

The ALJ Ruling also proposed that the SGIP PAs may reserve and spend the \$166 million collected in 2010 and 2011 through December 31, 2015, in keeping with SB 412 language allowing program administration until January 1, 2016.

Most parties that commented supported the continuation of the budget at \$83 million annually. CESA and Bloom support a budget of \$83 million for 2010, but believe that additional funds may be needed in 2011. DRA supports a budget of \$83 million annually, but recommends that the amount collected from ratepayers be determined if and when SB 412 is enacted. TURN agrees with DRA that because of large projected overcollections from prior program years, additional collections from ratepayers are not necessary at this time.

As noted above, SB 412 was enacted in October 2009. The legislation limits the annual collection amount the Commission can authorize in 2010 and 2011 for SGIP. We will adopt the proposal from the ALJ Ruling to direct the four IOUs to

collect an authorized budget of \$83 million in both 2010 and 2011 for SGIP, according to the allocations set forth above. We find this meets the SB 412 requirement that we not authorize more than was authorized for SGIP in 2008.

Although CESA and Bloom ask us to wait and not adopt a budget yet for 2011, we see no reason to wait, as the legislation sets the maximum amount we can authorize in those two years. Given recent decisions to expand program eligibility, we conclude we should continue to budget the maximum allowed for this program in the expectation that these recent decisions will increase program participation and bring additional DG on line in California over the next few years. In addition, the legislation allows administration of the program through January 1, 2016, thereby allowing additional years for the funds collected in 2010 and 2011 to be spent. It is reasonable to collect the maximum allowed by statute so that it can be available for use by the PAs until January 1, 2016 to achieve SGIP goals.

We address the TURN and DRA arguments that no additional funds be collected from ratepayers for SGIP in the section below.

4. Treatment of SGIP Carryover Funds

A secondary and important SGIP budget issue involves what direction the Commission should give to the IOUs regarding unspent and previously authorized budgets from prior years, which have been “carried over” from previous SGIP budget years.

Previous Commission decisions have directed that SGIP authorized budgets that remain unspent or uncommitted in any given year should be “carried over” for use in future budget years. (See D.08-01-029, D.08-04-049, and

D.09-01-013.)² On June 1, 2009, the four IOUs supplied the SGIP budget information requested by D.09-01-013 regarding carryover funds and program participation. The data supplied is current through May 1, 2009, and indicates different accounting methods for each utility regarding SGIP funds, and significant carryover funds, i.e., authorized budgets, that are unspent. Some IOUs have reserved funds for projects, but not yet collected the money from ratepayers or only collected as incentives need to be paid out. Thus, these IOUs may be under-collected. Other IOUs have collected their authorized budgets on a consistent basis, but not yet committed them to a project. Thus, these IOUs are over-collected.

The Energy Division reviewed the information supplied by the four IOUs in their June 2009 filings. Based on the information supplied, the Energy Division summarized the budget and collections information from each utility in a uniform format, as shown in the table below. The terms in this table are defined as follows:

- Total Authorized Budget – the amount of funds a utility has been authorized by the Commission to collect for its SGIP budget, including incentives, administration, and program evaluation.
- Total Spent and Reserved – Actual Expenditures (i.e., the amount of funds which have been spent) plus Pending Reservations (i.e., projects that have applied for and are anticipated to collect funds, but have not yet received incentive payments).

² D.09-01-013 also specified that “unspent funds related to [photovoltaic] applications that drop out should transfer to CSI as directed in D.06-12-033.” (See D.09-01-013 at Conclusion of Law 3.)

- Total Authorized Carryover – Authorized Budget minus Actual Expenditures and Pending Reservations. This is the amount an IOU should theoretically have available for SGIP.
- Ratepayer Collections – the actual dollar amount collected from ratepayers for SGIP.
- Collected Carryover – the actual dollar amount of funds collected from ratepayers minus Actual Expenditures and Pending Reservations.
- Uncollected Carryover – Total Authorized Carryover minus what remains unspent and unreserved from ratepayer collections.

SGIP Budget Status (\$ in millions) through May 1, 2009

IOU	Total Authorized Budget ³ (a)	Total Spent and Reserved (b)	Total Authorized Carryover (c) = a - b	Total Ratepayer Collections (d)	Collected Carryover (e) = d - b	Uncollected Carryover (f) = c - e
PG&E	\$463.2	\$373.9	\$89.3	\$427.7	\$54.2	\$35.1
SCE	276.4	62.7	113.7	240.9	78.2	35.5
SDG&E	128.7	82.9	45.8	90.4	7.5	38.3
SoCalGas ⁴	153	91.6	61.4	106.3	14.7	46.7
Total	\$1021.3	\$711.	\$310.2	\$865.3	\$154.6	\$155.6

³ The authorized budget amounts do not include additional solar (i.e., Level 1) funds added to each IOU's SGIP budget by D.05-12-044 for solar incentives in 2006, which were later transferred to CSI. (See D.06-08-028 at 106, and D.06-12-033 at Ordering Paragraphs 11 and 12.)

⁴ The amounts shown for SoCalGas do not account for the fact that in Resolution E-4251, issued September 10, 2009, the Commission authorized SoCalGas to transfer \$3 million from its SGIP Memorandum Account to make the funds available to its Gas Assistance Fund Customer Assistance Program.

As seen in the table above, there is a large discrepancy of approximately \$310 million between the Total Authorized Budget and Total Spent and Reserved by each IOU for SGIP. Though each IOU has collected funds in a unique manner, none has collected the full amount of funds authorized for the program. Thus, as of the date that Energy Division collected and reviewed this data, it appears that \$310.2 million in Total Authorized Carryover has accrued. Further, Energy Division's analysis indicates that of this Total Authorized Carryover, \$154.6 million has been collected from ratepayers, and it appears that \$155.6 million remains uncollected.

The ALJ Ruling proposed that:

- The SGIP PAs may reserve and spend the Total Authorized Carryover from prior years authorized SGIP budgets.
- If all SGIP funds are expended prior to December 31, 2015, the program will end early.
- Any funds that are collected and unallocated on January 1, 2016 shall be returned to ratepayers.

In other words, the ALJ ruling proposes to continue to track the Total Authorized Carryover and use it to augment the SGIP authorized budgets for 2010 and 2011. Given that SB 412 extends the program through January 1, 2016, the Total Authorized Carryover could also fund SGIP activities until that date. A final accounting of program expenditures as of January 1, 2016 would then occur, and any funds collected but unspent or uncommitted would be returned to ratepayers.

Several parties - namely SoCalGas, SDG&E, SCE, CESA, CCDC, UTC Power, Bloom, FuelCell Energy, and the U.S. Fuel Cell Council - support the ruling's proposal to allow expenditure of prior year's carryover funds. UTC Power contends the long sales cycle for fuel cell projects makes it important for

the Commission to show a sustained funding commitment. Bloom notes that the addition of new technologies in SGIP, including projects fueled by pipeline delivered biogas, will increase future demand for these funds. FuelCell Energy maintains that the addition of advanced energy storage to SGIP will increase demand for program funds in future years. The U.S. Fuel Cell Council asserts that the commitment of carryover funds will drive job creation in the DG sector.

In contrast, PG&E objects to the continued tracking and spending of carryover funding. It requests that it be allowed to “clear the budget slate” and no longer track its uncollected SGIP funds from 2001 through 2005, which it calculates at \$148.3 million, as opposed to the \$35.1 million that Energy Division calculates.⁵

DRA recommends applying the Total Authorized Carryover to adjust budget and ratepayers collections for each utility. Specifically, DRA suggests that because SCE has a high level of collections, SCE should suspend future collections until SCE’s expenditures and reservations increase. DRA further suggests the Commission monitor collection levels and in the event of excess overcollections, the Commission should suspend collections. DRA also recommends a cap on ratepayer collections of \$70 million annually.

TURN agrees with DRA that additional collection of money is not necessary at this time for SGIP. TURN recommends the Commission balance SGIP goals to promote clean DG with the important need to prevent rate hikes at this time of economic upheaval in California due to rising unemployment and

⁵ PG&E contends the Energy Division figure is not accurate because PG&E includes in its calculation of total authorized carryover those funds that would have been

Footnote continued on next page

reduced household incomes. However, if the Commission does authorize collections in 2010 and 2011 to preserve future years funding for SGIP in light of SB 412, TURN urges the Commission to allow the utilities to reserve and spend only the Collected Carryover in 2010 through 2015. This would provide approximately \$320.6⁶ million in total funding for SGIP until January 1, 2016. According to TURN, any Uncollected Carryover should be removed from the SGIP budget and no longer carried forward. Moreover, TURN asserts that any attempt by the IOUs to collect the Uncollected Carryover would violate the language in SB 412 which limits collections to no more than the amount authorized in 2008.

We will adopt the proposal from the ALJ ruling that the PAs may reserve and spend the Total Authorized Carryover from prior years authorized SGIP budgets until January 1, 2016. These unspent funds were authorized in prior SGIP budget years, and we find they should continue to be committed for this program to augment the \$83 million annual budget we authorize in this decision for 2010 and 2011. As TURN notes, SB 412 limits collections in 2010 and 2011 to the amount “authorized for the [SGIP] in the 2008 calendar year.” The amount authorized by the Commission in 2008 included “any unspent SGIP non-[photovoltaic (PV)] funds from prior budget years.” (D.08-01-029 at 7.)

transferred to CSI, as directed by D.06-12-033, if PG&E had collected them. (PG&E comments, 9/28/09 at 3.)

⁶ TURN calculates this as follows:

\$83 million annually x 2 = \$166 million + \$154.6 million Collected Carryover = \$320.6 million.

We find that use of the carryover is especially important given the program eligibility changes in SB 412 as well as recent Commission decisions.

The ALJ Ruling estimated the Total Authorized Carryover at \$310.2 million as of May 1, 2009. The utilities responses to the ALJ Ruling indicate that continuing accounting discrepancies as well as ongoing activity in 2009 may cause the actual Total Authorized Carryover to differ slightly from this estimate.

We will direct PG&E, SCE, SoCalGas, and SDG&E, in coordination with its program administrator CCSE, to each do the following:

- On January 31, 2010, submit, as a Tier 2 Advice Letter, final accounting data as of December 31, 2009 of all prior years' SGIP Total Authorized Carryover, using the format contained in Appendix A. Once approved, this information shall be posted on the website of each PA and updated monthly thereafter.
- Annually submit by advice letter in their appropriate ratemaking proceedings, until December 2015, for Commission review in order to collect from ratepayers the amount of previously authorized carryover funding committed, reserved and/or spent in that calendar year, for collection in rates the following calendar year. PG&E, SCE, SoCalGas and SDG&E shall ensure that notice of any requests by advice letter for collection of SGIP carryover funding be served on the service list of this rulemaking, or any successor proceeding and that the amount requested does not exceed the Total Authorized Carryover approved as described above.
- Submit an advice letter by January 30, 2016 indicating the SGIP funds that were collected and unallocated on January 1, 2016, so that those funds can be returned to ratepayers by June 30, 2016.

As to the issue raised by PG&E, we recognize there is some confusion over the amount of PG&E's SGIP carryover balance. In fact, in late 2005, the Commission authorized an additional \$300 million for SGIP to fund solar PV

projects in advance of CSI in 2007, with \$132 million of this amount authorized for PG&E. (See D.05-12-044.) PG&E maintains that it has a total authorized carryover of \$148.3 million, and \$118.3 million of its carryover is from its PV (i.e., Level 1) budget, and would be transferred to CSI if collected. Thus, PG&E calculates its uncollected carryover at \$30 million (\$148.3 million minus \$118.3 million). We clarify that PG&E's SGIP carryover should not include the electric ratepayers' portion of any unspent funds, whether collected or not, from the money the Commission authorized for solar PV, i.e., Level 1 projects in D.05-12-044. In D.06-12-033, the Commission directed that the electric ratepayers' pro rata share of these funds should be transferred to CSI, while the gas ratepayers' share of these funds should be carried over to the 2007 SGIP renewable (i.e., Level 2) budget. Since PG&E never collected these funds from electric ratepayers, PG&E apparently never removed these funds from its SGIP carryover accounting. PG&E should not count these funds as part of its SGIP carryover. The exact amount of the IOUs' Total Authorized Carryover will be determined by the compliance filing directed above.

5. Audit of SGIP Collections and Expenditures

The ALJ ruling proposed that the Commission direct the SGIP PAs to obtain an independent audit of SGIP ratepayer collections and expenditures, funded from the SGIP administrative budget, to ensure that expenditures do not exceed authorized budgets and the proper management of carryover funds.

DRA supports the audit proposal and recommends audits be performed annually. CCSE, SCE, and SDG&E/SoCalGas support the audit proposal. PG&E questions the need for a formal audit by an independent third party.

Given the different accounting methods used by each utility and the discrepancies in collection and carryover in funds, we agree that an audit will

provide important financial information on the collections, expenditures, and the availability of carryover funding. We adopt the proposal in the ALJ ruling and direct the SGIP PAs to issue a request for proposals (RFP) no later than April 1, 2010, after consultation with Energy Division, to obtain an independent entity to conduct an audit of SGIP expenditures and ratepayer collections to ensure expenditures do not exceed authorized budgets and the proper management of carryover funds. The audit shall review the status of program applications, including confirmed reservations and applications that have dropped out, to determine the total amount of funds spent and reserved in SGIP Levels 1, 2, and 3, and the total authorized carryover available for the program. In addition, the audit should include an assessment of any interest earned on SGIP memorandum account balances over the course of the Program, to more accurately reflect account balances and funds remaining. Energy Division should oversee the scope of audit to ensure it meets the goals described in this decision. The audit shall be completed by October 1, 2010, and submitted to Energy Division within seven days of its completion, with a copy to the service list of this proceeding. If the audit finds discrepancies between the SGIP account balances reported by the IOUs in January 2010 and the audit, the audit should include recommendations for adjustments to reconcile these discrepancies.

6. Other Program Issues

The ALJ Ruling contained two additional proposals as follows:

- Projects up to 5 MW in size can qualify for incentives up to 3 MW. The restriction in D.08-04-049 that incentives over 1 MW can only be paid from carryover funds would no longer apply and incentives over 1 MW may be funded from either carryover funds or the current year's budget. However, the tiered incentive rates adopted in D.08-04-049 would remain in effect.

- SGIP Program Administrators should continue to implement SGIP in accordance with all previous direction from this Commission including but not limited to allocation of funds between renewable and non-renewable projects and a 10% cap on administrative expenses.

There was no opposition to the first proposal regarding payment of incentives up to 3 MW and we will adopt it.

On the matter of continuing SGIP in accordance with previous Commission direction, DRA requests the Commission consider instituting performance-based incentives⁷ for SGIP, similar to those adopted through the CSI. In addition, DRA suggests the Commission consider reducing rebate levels offered under SGIP, and request comments on changes in eligible technologies and incentive structures before adopting a budget for 2011 and beyond. Finally, DRA proposes the Commission evaluate SCE's role as PA, and consider an alternative administrator for the SCE territory.

DRA provides provocative program suggestions that deserve discussion, but we will not delay our adoption of a 2010 and 2011 budget to consider these issues. We intend shortly to consider further SGIP modifications in order to implement SB 412, which allows payment of SGIP incentives to technologies that reduce greenhouse gas emissions. DRA may raise its program suggestions at that time.

⁷ The term "performance-based incentives" refers to the payment of incentives based on the actual power produced by the DG facility, rather than payment up front based on system capacity.

7. Comments on Proposed Decision

The proposed decision of President Michael R. Peevey in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by CCSE, DRA, TURN, PG&E, SCE, and jointly by SDG&E/SoCalGas. Reply comments were filed by CCSE, DRA, PG&E and SCE. Minor adjustments and clarifications have been incorporated in response to comments. A few comments merit discussion.

PG&E requests Ordering Paragraph 3.b be modified to allow the utilities to collect carryover funding through the utilities' existing annual advice letters rather than a new and separate SGIP advice letter. We agree with this request and the decision has been modified to not require an additional and separate SGIP advice letter submittal. The utilities may request approval to collect carryover funding by advice letter in the appropriate ratemaking proceeding, as long as notice is given to the service list for this rulemaking, or its successor proceeding.

In addition, PG&E seeks clarification that the advice letter in Ordering Paragraph 3.b only applies to collection of uncollected carryover and is not intended for collection of the 2010 and 2011 authorized budget. PG&E is correct that the advice letter described in that ordering paragraph only applies to collection of carryover funding on an as needed basis.

SCE requests an extension for the audit in Section 5. We decline to change the dates at this time, but note the ALJ has discretion to modify dates as needed. We do provide an additional month to issue the RFP for the audit, as requested by PG&E.

DRA requests the decision be modified to direct an additional audit in 2016 when the program ends. We decline to direct such an audit at this time, but can revisit that request at a later date. DRA also urges that each year's budget collections for SGIP not exceed the prior year's spending and program reservations. We decline to adopt DRA's suggestion because, as stated in the decision, we find it important to collect the full \$83 million allowed by SB 412 for 2010 and 2011 in order to meet program demand in those years and in 2012 through 2015.

TURN reargues its position that the utilities cannot collect any more than \$83 million in 2010 and 2011, and that collection of carryover funding is not allowed by SB 412. We reject TURN's arguments. The statute speaks to how much the Commission can authorize for collection in 2010 and 2011, but it does not speak to previously authorized amounts. Uncollected carryover funding was previously authorized by the Commission and the utilities do not need authorization to collect these funds, although the decision provides Commission guidance on the use of these funds and requires an advice letter for Commission review to put the uncollected carryover funds into rates if and when the funds are actually needed.

8. Assignment of Proceeding

President Michael R. Peevey is the assigned Commissioner and Dorothy J. Duda is the assigned ALJ for this portion of the proceeding.

Findings of Fact

1. SB 412 allows the Commission to authorize the annual collection for SGIP in 2010 and 2011 of not more than the amount authorized for SGIP in 2008.
2. In D.08-01-029, the Commission authorized the SGIP budget for 2008, which included unspent SGIP non-PV funds from prior budget years.

3. SB 412 limits SGIP eligibility to DG resources that achieve reductions in greenhouse gas emissions.

4. In D.08-04-049, the Commission permitted expansion of SGIP incentives beyond the prior 1 MW limit to payments up to 3 MW.

5. In D.08-11-044, the Commission allowed energy storage technologies to receive SGIP incentives of \$2 per watt when coupled with SGIP eligible projects.

6. In D.09-09-048, the Commission expanded SGIP eligibility to DG projects that use pipeline delivered biogas as their renewable fuel.

7. The four IOUs have used different collection and accounting methods for SGIP, wherein some IOUs have reserved funds for projects but not yet collected the funds from ratepayers, whereas other IOUs have collected their total authorized budget but not yet committed the funds to specific projects.

8. There is a large discrepancy between the Total Authorized Budget for SGIP and the Total Spent and Reserved under SGIP, which leads to a Total Authorized Carryover of approximately \$310 million.

Conclusions of Law

1. The Commission should budget the maximum allowed for SGIP under SB 412 due to recent Commission decisions designed to increase program participation and to allow these funds to be used until January 1, 2016 to achieve SGIP goals.

2. The SGIP budget for 2010 and 2011 should be set at \$83 million per year and allocated across the four IOUs in the same percentages as in 2008.

3. The SGIP PAs should reserve and spend the \$166 million collected in 2010 and 2011 through December 31, 2015.

4. The SGIP PAs should reserve and spend the Total Authorized Carryover from prior years' authorized SGIP budgets through January 1, 2016, in addition to the \$166 million budgeted for 2010 and 2011.

5. It is reasonable to allow the Total Authorized Carryover to be reserved and spent through January 1, 2016 given recent SGIP eligibility expansions in SB 412 and Commission decisions.

6. The SGIP PAs should perform a final accounting of program expenditures as of January 1, 2016 so that any funds collected but unallocated can be returned to ratepayers.

7. PG&E's SGIP total authorized carryover should not include its electric ratepayers' pro rata share of any unspent funds from the money authorized by the Commission for solar PV in D.05-12-044.

8. The SGIP PAs should obtain an independent audit of SGIP ratepayer collections and expenditures to ensure expenditures do not exceed the authorized budget and the proper management of carryover funds.

9. It is reasonable to continue to allow projects up to 5 MW in size to qualify for incentives up to 3 MW, with tiered rates as set forth in D.08-04-049.

10. The SGIP administrators should continue to implement SGIP in accordance with all previous Commission direction, including but not limited to budget allocations, administrative budget, and allocation of funds between renewable and non-renewable projects.

O R D E R

IT IS ORDERED that:

1. The Self-Generation Incentive Program budget for 2010 and 2011 is \$83 million annually, and Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall collect \$83 million in 2010 and again in 2011 according to the allocation adopted in Decision 09-01-013.

2. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the California Center for Sustainable Energy may reserve and spend the \$166 million that was collected in 2010 and 2011 for the Self-Generation Incentive Program budget through December 31, 2015.

3. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company, in cooperation with the California Center for Sustainable Energy, shall do the following:

- a) On January 31, 2010, each submit a Tier 2 advice letter containing final accounting data as of December 31, 2009 indicating all prior years' Self-Generation Incentive Program Total Authorized Carryover, using the format contained in Appendix A. Once approved, this information shall be posted on each program administrator's Self-Generation Incentive Program website and updated monthly.
- b) Each submit an annual advice letter request in their applicable ratemaking proceeding, until December 31, 2015, for Commission review in order to collect from ratepayers the amount of previously authorized Self-Generation Incentive Program carryover funding committed, reserved and/or spent in that calendar year,

- for collection in rates the following calendar year. Each utility shall ensure that notice of any request by advice letter for collection of carryover funding is served on the service list of this rulemaking, or any successor proceeding and that the amount requested does not exceed the Total Authorized Carryover approved pursuant to Ordering Paragraph 3.a above.
- c) Each submit an advice letter by January 30, 2016 indicating the Self-Generation Incentive Program funds that were collected and unallocated on January 1, 2016, so that those funds can be returned to ratepayers by June 30, 2016.
 - d) Jointly issue a Request for Proposals no later than April 1, 2010, after consultation with Energy Division, to obtain an independent entity to conduct an audit of Self-Generation Incentive Program expenditures and ratepayer collections to ensure expenditures do not exceed authorized budgets and the proper management of carryover funds. The audit shall review the status of program applications, including confirmed reservations and applications that have dropped out, to determine the total amount of funds spent and reserved and the total authorized carryover available for the program. The audit should include an assessment of any interest earned on Self-Generation Incentive Program memorandum account balances over the course of the Program, to more accurately reflect account balances and funds remaining, and recommendations for adjustments to reconcile any discrepancies found by the audit between the Self-Generation Incentive Program account balances reported by the utilities in January 2010 and the audit. Energy Division should oversee the scope of audit to ensure it meets the goals described in this decision. The audit shall be completed by October 1, 2010, and submitted to Energy Division within seven days of its completion, with a copy to the service list of this proceeding.

4. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the California Center for Sustainable Energy may reserve and spend the Self-Generation Incentive Program Total

Authorized Carryover, as determined in Ordering Paragraph 3(a), through December 31, 2015.

5. Any Self-Generation Incentive Program funds collected and unallocated on January 1, 2016 shall be returned to ratepayers.

6. Distributed generation projects up to five megawatts in size may qualify for tiered incentives up to three megawatts, as set forth in Decision 08-04-049, with payment from either Self-Generation Incentive Program carryover funds or the current year's budget.

7. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the California Center for Sustainable Energy shall continue to implement the Self-Generation Incentive Program in accordance with all previous direction from this Commission including but not limited to allocation of funds between renewable and non-renewable projects and a 10% on administrative expenses.

8. For good cause, the assigned Commissioner or Administrative Law Judge may modify the due dates set forth in this decision.

9. Rulemaking 08-03-008 remains open.

This order is effective today.

Dated December 17, 2009, at San Francisco, California.

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners

Account												
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(END OF APPENDIX A)