STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

January 2, 2020

Sephra Ninow
Associate Director, Regulatory Affairs
Center for Sustainable Energy®
3980 Sherman Street, Suite 170
San Diego, California 92110
sephra.ninow@energycenter.org

Erik Jacobson
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale St., Mail Code B13U/ P.O. Box 770000
San Francisco, California 94177
PGETariffs@pge.com

Gary A. Stern, Ph.D.
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
advicetariffmanager@sce.com

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas Company
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
RvanderLeeden@socalgas.com

Subject: Center for Sustainable Energy® Advice Letter (AL) 97-E/E-A, Pacific Gas and Electric Company AL 4187-G/5699-E, Southern California Edison Company AL 4114-E, and Southern California Gas Company AL 5548-G, Request to Transfer Funds to Step 5 Small Residential Energy Storage under the Self-Generation Incentive Program

Dear Ms. Ninow, Mr. Jacobson, Dr. Stern, and Mr. van der Leeden:

This letter addresses the following Advice Letters (AL): Center for Sustainable Energy® (CSE) AL 97-E/E-A, Pacific Gas and Electric Company (PG&E) AL 4187-G/5699-E, Southern California Edison Company (SCE) AL 4114-E, and Southern California Gas Company (SoCalGas) AL 5548-G. These ALs are approved and effective as of today, with one key clarification: we clarify that on the date the new Self Generation Incentive Program (SGIP) equity resiliency budget opens to small residential customers, all new SGIP applications for residential energy storage incentives must comply with the greenhouse gas (GHG) emission reduction requirements for new residential customers that were created in Decision (D.)19-08-001.[1]

Energy Division has combined the disposition of these four AL filings into one letter as the submissions reflect joint action by the four entities that comprise the SGIP Program Administrators (PA). The main objective of each of the four advice letters is the same: each letter requests permission to transfer funding from the associated PA's large-scale energy storage incentive budget to that PA's small residential energy storage budget.

BACKGROUND:

D.16-06-055 created separate budget categories for small residential energy storage systems[2] and large energy storage systems and allocated a specified funding level to each SGIP budget category. The decision specifically provided that, "the SGIP Program Administrators may seek to amend the size of these carve-outs by advice letter filing no earlier than one year from the ratification of this Decision."[3] Subsequently, D.17-04-017 allocated additional funding to the SGIP budget categories, but maintained that the SGIP PAs could seek to reallocate funding among budget categories as market conditions or participant demand changed over the duration of the program.[4] It is pursuant to the authority granted in D.16-06-055 and D.17-04-017,[5] that the SGIP PAs submitted requests to reallocate funding to their step 5 small residential energy storage budgets. Each PA's step 5 small residential energy storage budget has been exhausted and as such, a waitlist of small residential energy storage projects that have applied for SGIP incentives exists in each PA's service territory.

ADVICE LETTERS and PROTESTS:

On January 15, 2019, CSE filed AL 97-E, which seeks approval to transfer all funding from step 5 of CSE's large-scale energy storage budget ($4,765,548.58) to CSE's step 5 small residential energy storage budget. CSE notes that its step 5 small residential energy storage incentive budget was exhausted in April 2018, several years earlier than anticipated. As of January 2019, CSE had over 500 projects on its waitlist for step 5 small residential energy storage incentives. AL 97-E seeks to reallocate funding to accommodate both the current waitlist as well as future projects expected to apply to CSE's step 5 small residential energy storage SGIP budget over the course of 2019. AL 97-E also asserts that the transfer of funds will not affect funding of large-scale energy storage projects in 2019 as at the time of filing in January 2019, more than $23 million would remain in the large-scale energy storage budget even after the transfer of all funding out of step 5.

Finally, AL 97-E acknowledges that a statewide developer cap exists for each incentive step within an SGIP budget category. This developer cap requires that no single developer receive more than 20 percent of the incentive funds statewide within a step. CSE recognizes that, if granted, its request would increase the amount of incentive funding available within the step 5 small residential energy storage budget, however, it points to the PA's joint filing under SoCalGas AL 5049-G et al which, when approved on February 9, 2017, added the following revision to the SGIP Program Handbook, "[t]he Developer cap will remain fixed for each budget step once the step is opened even if total

[1] D.19-09-027. At Ordering Paragraph (OP) 3 and OP 4.

[2] Under SGIP, small residential energy storage systems must be less than or equal to 10 kilowatts (kW).

[3] D.16-06-055 at 25.

[4] D.17-04-017 at 14 states, "the SGIP Program Administrators retain their existing authority to modify the amount of pre-AB 1637 funding available to residential projects less than or equal to 10kW per D.16-06-055." Critical to the authority to request these funding reallocations is the fact at none of the PAs' step 5 energy storage budgets were funded by AB 1637, thus the funding proposed to be shifted in these AL filings is entirely pre-AB 1637. Id at 4.

[5] This authority is memorialized on page 10 of the SGIP Program Handbook – 2019. https://www.selfgenca.com/home/resources/. Accessed 12/23/19.

available funds change."[6][7] Thus, CSE asserts that it is not appropriate for it to unilaterally adjust the developer cap but that instead, this issue should be revisited if, and when, the other PAs exhaust their step 5 small residential energy storage budget allocations and seek to similarly transfer funding to step 5.

On February 4, 2019, Sunrun Inc. protested AL 97-E. Sunrun's protest asserts that while it supports replenishing SGIP incentive funding for small residential energy storage systems, CSE should have adjusted the residential developer cap to correspond with its request to transfer funds to the step 5 small residential energy storage budget. Sunrun argues that CSE has the authority to revise the developer cap and that CSE should not wait for consensus among the SGIP PAs to propose the necessary revisions to the SGIP Handbook as this delay creates "market interruption."[8]

On February 11, 2019, CSE replied to Sunrun's protest. The response confirms that D.16-06-055 allows the SGIP PAs to propose modifications to the developer cap via an advice letter,[9] however, CSE also asserts that, "the SGIP PAs' ability to propose a change to the developer cap is both predicated on PA coordination and is discretionary."[10] Thus, CSE asserts that it is appropriate and necessary to wait until consensus has been reached among the SGIP PAs to propose changes to the developer cap and submit the associated revision to the SGIP Handbook which is jointly maintained by the four PAs. The reply also refutes Sunrun's argument that not immediately adjusting the developer cap creates market disruption.

On November 21, 2019, SoCalGas submitted AL 5548-G, which requested to transfer $717,771.84 from its step 5 large scale energy storage budget to its step 5 small residential energy storage budget. SoCalGas asserts that it exhausted its incentive funds within the step 5 small residential energy storage budget within 30 days of opening that step. As of late November 2019, SoCalGas indicates it has $126,000 worth of incentives for submitted residential energy storage projects on its waitlist. AL 5548-G also notes that step 5 small residential energy storage funds are now depleted across all four PAs' service territories and that thus the other PAs may similarly request funding reallocations to address their waitlists.

On November 22, 2019, SCE filed AL 4114-E, requesting to move $6,000,000 from its step 5 large energy storage budget to its step 5 small residential energy storage budget. SCE asserts that as of late November 2019, it has approximately $650,000 worth of incentives for submitted small residential energy storage projects on its waitlist. In addition, SCE predicts that if the developer caps are adjusted it could see a return to the SGIP incentive expenditure rate of approximately $1 million per month that it saw in the small residential energy storage step 5 budget category from August 2019 to September 2019. Thus, SCE estimates needing a total of $6 million to both address its waitlist and satisfy demand for small residential energy storage incentives through the first quarter of 2020. SCE notes the slow pace of uptake for large energy storage incentives as support for its assertion that the reallocation of funding should not impact the large energy storage market.

On November 26, 2019, PG&E submitted AL 4187-G/5699-E requesting to reallocate $4,754,962 from step 5 large energy storage to step 5 small residential energy storage. The AL explains that PG&E's step 5 incentives for small residential storage were fully subscribed as of July 13, 2019 and that as of late November it has approximately $1,350,000 worth of incentives for submitted residential energy storage projects on its waitlist. PG&E estimates that the total requested funding

[6] SoCalGas AL 5049/ PG&E AL 4942-E/ SCE AL 3941-E/ CSE AL 71 (SoCalGas AL 5049, et al.), October 21, 2016.
[7] See also: SGIP Program Handbook – 2019. https://www.selfgenca.com/home/resources/. Accessed 12/23/19. At 30.
[8] Sunrun Inc.'s Protest to Center for Sustainable Energy's Advice Letter 97. February 4, 2019. At 3.
[9] D.16-06-055 at 40.
[10] CSE Reply to Protest to CSE AL 97. February 11, 2019. At 3-4.

should be sufficient to both address its waitlist and satisfy the volume of small residential energy storage applications anticipated to be filed through the first quarter of 2020.[11] The AL notes that this still leaves $17.3 million remaining in incentives for large energy storage. Similar to SoCalGas and SCE, PG&E's AL also states its support for revising the statewide developer cap.

On December 3, 2019, CSE supplemented AL 97-E. Given that CSE already proposed to allocate the full amount from its step 5 large energy storage budget, it maintains its request to move $4,765,548.58 into its step 5 small residential energy storage budget. In the supplement, CSE references the funding reallocation ALs recently filed by the other SGIP PAs and confirms that since the filing of its original AL, the "SGIP PAs have since come to a consensus regarding when and how the developer cap should be adjusted, as well as to the SGIP handbook edits necessary to implement this change."[12] Thus, AL 97-E-A provides revisions to the SGIP Handbook to update the statewide developer cap: a footnote would be added to section 3.2.7 of the SGIP Program Handbook allowing for a one-time adjustment to the step 5 small residential budget developer cap upon the date that the PAs' collective funding reallocation ALs are approved.

On December 11, 2019, Sunrun Inc. filed a joint response to the SGIP PAs' advice letters. Sunrun expresses support of the funding reallocation proposals submitted by each of the PAs and endorses CSE's proposed change to the SGIP Handbook to enable the developer cap to be adjusted for step 5 small residential energy storage.

On December 11, 2019, the Public Advocates Office of the California Public Utilities Commission (CPUC) submitted a protest on the SGIP PAs' collective advice letters. The Public Advocates Office states that it does not oppose the PAs' funding reallocation requests but asserts that if the CPUC grants these requests, it should require the PAs' to enforce the GHG emission reduction rules established in D.19-08-001 on all energy storage projects receiving incentives through the new funding. The protest acknowledges that under D.19-08-001, projects that submit complete SGIP applications prior to April 1, 2020 are considered legacy projects and therefore are not required to comply with the new GHG emission reduction rules. The Public Advocates Office, however, urges the CPUC to "deem any currently or newly waitlisted projects as New Residential Projects under the rules in D.19-08-001. Allowing waitlisted projects to remain part of the Legacy Project portfolio risks continuing ratepayer subsidization of GHG-increasing SGIP storage projects."[13]

On December 18, 2019, PG&E, SoCalGas, and CSE filed replies to the Public Advocates Office's protest of their respective advice letters. SCE filed its reply on December 19, 2019. In response to the protest's entreaty that the GHG emission reduction rules apply to projects receiving incentives through the reallocated funding, PG&E, SoCalGas, and SCE agree that it is reasonable to apply the new GHG emission reduction rules to step 5 small residential energy storage projects starting on the date that the PAs open the new residential equity resiliency budget created by D.19-09-027. PG&E, SoCalGas, and SCE find this approach reasonable because they must enforce the new GHG emission reduction rules created in D.19-08-001 in order to open the new residential equity resiliency budget.[14] CSE argues that the Public Advocates Office's protest should be rejected because projects on its step 5 small residential energy storage waitlist are already complete and thus must be considered legacy projects.

---

[11] PG&E uses its estimate of 1,034 small residential energy storage projects submitted per month times the average project incentive it has seen for step 5 small residential energy storage of $3,293 to derive the amount of additional funding needed to satisfy historical residential energy storage uptake. PG&E notes, however, that demand could increase due to recent Public Safety Power Shutoff (PSPS) events. PG&E AL 4187-G/5699-E at 3.

[12] CSE AL 97-E-A. December 3, 2019. At 3.

[13] Public Advocates Office's Protest of Advice Letters requesting to transfer Self Generation Incentive Program funds from the Large-Scale Storage Budget to the Residential Energy Storage Budget. December 11, 2019. At 3.

[14] D.19-09-027. At OP 3.

DISPOSITION:

Energy Division finds that the proposed funding reallocation proposals submitted in CSE AL 97-E/E-A, PG&E AL 4187-G/5699-E, SCE AL 4114-E, and SoCalGas AL 5548-G are reasonable and the request is allowed under existing SGIP rules. Each PA has shown that demand for residential energy storage systems has grown in its service territory, evidenced by the growing number of projects on its step 5 residential energy storage waitlist. Each PA has also demonstrated that the transfer of funding should not negatively impact the large energy storage market since demand has slowed and considerable funding remains in that budget category in each PA's service territory. Energy Division also finds the proposal made by CSE, and supported by the other SGIP PAs, to make a one-time adjustment to the developer cap to account for the new funding allocated to the step 5 small residential energy storage budget to be reasonable.

Energy Division agrees with the statement in SoCalGas' response, echoed in SCE's response, that SGIP program rules require all projects to reduce GHG emissions. Further, the SGIP Handbook clearly allows the SGIP PAs to request to make a funding transfer of this kind.[15] As stated in D.19-08-001, "It is reasonable to require projects submitting complete SGIP applications containing all required information prior to April 1, 2020 that receive SGIP incentives to comply with the requirements of this decision for legacy projects."[16] Thus, it is clear that projects currently on the waitlist for SGIP step 5 small residential energy storage incentives must be considered "legacy" projects. We therefore reject the Public Advocates Office's protest on the GHG and legacy issues.

With regard to the Public Advocates Office's request that the new GHG emission reduction rules apply to new projects as soon as possible, D.19-09-027 does allow the SGIP PAs to move up the date that determines whether a project is "legacy" or "new". Per D.19-09-027, the SGIP PAs are "authorized to begin implementing the requirements of Decision 19-08-001 for new residential customers on January 1, 2020, or any other time prior to April 1, 2020, if they are able to do so."[17] The SGIP PAs aim to open the new equity resiliency budget for small residential customers prior to April 1, 2020 and, as stated above, to do so the PAs must "[implement] the SGIP requirements for new residential customers set forth in Decision 19-08-001 at the same time."[18] Since the PAs must be able to implement the new residential GHG emission reduction requirements as soon as the new residential equity resiliency budget is open, the PAs should consider all residential applications submitted on or after that opening date to be "new" projects that must comply with D.19-08-001.

The Energy Division hereby approves CSE AL 97-E/E-A, PG&E AL 4187-G/5699-E, SCE AL 4114-E, and SoCalGas AL 5548-G with an effective date of today.

Sincerely,

FOR

Edward Randolph
Deputy Executive Director for Energy and Climate Policy /
Director, Energy Division

cc: Michael Campbell, Program Manager for the Public Advocates Office
Julia Kantor, Keyes & Fox, LLP, Attorney for Sunrun Inc.

[15] SGIP Program Handbook – 2019. https://www.selfgenca.com/home/resources/. Accessed 12/23/19. At 10.

[16] D.19-08-001 at Finding of Fact 15.

[17] D.19-09-027 at OP 4.

[18] Id at OP 3.

Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.4957
RvanderLeeden@socalgas.com

November 21, 2019

Advice No. 5548
(U 904 G)

Public Utilities Commission of the State of California

Subject: Southern California Gas Company's Request to Modify the Funding Allocation of Step 5 Small Residential Energy Storage Categories for the Self-Generation Incentive Program

Purpose

Southern California Gas Company (SoCalGas) hereby requests the California Public Utilities Commission's (Commission) approval for a one-time increase to the allocation of funding available in the Step 5 Small Residential Energy Storage carve-out for the Self-Generation Incentive Program (SGIP) within SoCalGas' territory.

Background

In 2016, pursuant to Senate Bill (SB) 861 and Assembly Bill (AB) 1478, the Commission issued Decision (D.)16-06-055 (Decision), which established that 75% of incentive dollars be allocated to energy storage and the remaining 25% of incentive dollars be allocated to generation technologies. Additionally, the Commission established that of the 75% allocation to energy storage, there would be a 15% carve-out for energy storage projects installed at residential sites.[1] The Decision also established a five-step incentive step-down process for energy storage technologies that split funds equally among all five steps,[2] and authorized SGIP Program Administrators (PAs) to amend the size of this carve-out by advice letter filing no earlier than one year from the ratification of this Decision.[3]

---

[1] D.16-06-055 at 22-26.
[2] *Id. at 31-33.*
[3] *Id. at 25.*

Subsequently, in 2017 the Commission issued D.17-04-017 pursuant to AB 1637 which increased funding for Steps 2, 3, and 4 Large-Scale Energy Storage and Small Residential Energy Storage Budgets.[4]

Discussion

SoCalGas has noticed an increased demand in small residential storage projects since the beginning of 2019. Year-to-date, SoCalGas has received over 570 such applications. Conversely, the Large-Scale Energy Storage Budget in SoCalGas territory remains in Step 3 and has only received 41 applications year-to-date. On October 1, 2019, SoCalGas opened Step 5 Small Residential Storage Budget and received nearly 200 applications within 30 days, which exhausted all available funding for residential projects. Subsequently, SoCalGas opened the waitlist and received approximately $126,000 in total incentive value for residential waitlisted applications.

Given the increased applications from residential energy storage projects, SoCalGas believes it is reasonable to increase the allocation of funds within its territory's Step 5 Small Residential Energy Storage Budget from 15% to 30%. As such, the percentage allocation for Step 5 Large-Scale Energy Storage Budget would be reduced to 70%. Specifically, a one-time increase of the Small Residential Energy Storage Budget to 30% would make $717,771.84 available to fund additional Step 5 Residential Energy Storage projects. This would allow SoCalGas to fund currently waitlisted applications and allow new projects to continue to be deployed until future funding amounts are established with the implementation of SB 700. Further, this reduction to Step 5 Large-Scale Energy Storage Budget is not expected to impact the ability to continue funding Large Scale Energy Storage projects because of the latter's lower participation.

SoCalGas further seeks that the Commission evaluate this request to increase funding allocation to the residential energy storage budget along with the other PAs' similar requests to make sure that the applicability of the Developer Cap is fair and equitable. Currently, the 20% Developer Cap is established within each step and treated separately for Small Residential and Large-Scale storage budgets and remains fixed once the step is opened.[5] This means that the current policy does not allow the PAs to recalculate the Developer Cap even if total available funds change.

SoCalGas understands that because the Residential Energy Storage budget is in Step 5 across all PA's territory, the other PAs may submit similar advice letters as they have also exhausted their Step 5 Small Residential Energy Storage funding. Upon submission of these advice letters from all PAs, SoCalGas believes it is reasonable for the Commission to authorize a one-time re-evaluation to reset the 20% statewide Developer Cap to account for these potential statewide changes to both the Large-Scale Energy Storage and Residential Energy Storage Step 5 Budgets.

---

[4] D.17-04-017 at 2-4.

[5] SGIP 2017 Handbook, Section 3.2.7 Developer Cap: "*The Developer cap will remain fixed for each budget step once the step is opened even if total available funds change.*"

This is aligned with the Center for Sustainable Energy's (CSE) request filed on January 15, 2019 to transfer funds from their Step 5 Large-Scale Energy Storage Budget to their Step 5 Residential Energy Storage Budget in which they state in part that it believes it is appropriate to propose adjustments to an original statewide Developer Cap if significant funding is transferred by the other PAs to an incentive step after the cap has been set. CSE also indicates that if the other PAs request similar reallocation of funds between these budgets this would represent a significant funding transfer.[6]

Protest

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this advice letter, which is December 11, 2019. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

A copy of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Ray B. Ortiz
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-mail: ROrtiz@socalgas.com

Effective Date

SoCalGas believes this advice letter is subject to Energy Division disposition and should be classified as Tier 2 (effective pending disposition) pursuant to General Order (GO) 96-B. Therefore, SoCalGas respectfully requests that it be made effective for service on December 21, 2019, which is 30 calendar days from the date submitted.

Notice

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list in R.12-11-005. Address change requests to the GO 96-B service list should be directed via e-mail to tariffs@socalgas.com or call 213-244-2837.

---

[6] CSE AL 97 at 5-6.

For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or via e-mail at process_office@cpuc.ca.gov.

Ronald van der Leeden
Director - Regulatory Affairs

Attachments

ADVICE LETTER SUMMARY

ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.:

Utility type:

- ELC
- GAS
- WATER
- PLC
- HEAT

Contact Person:
Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric
GAS = Gas
WATER = Water
PLC = Pipeline
HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:
Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed[1]:

Pending advice letters that revise the same tariff sheets:

[1] Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

<table>
<tr>
<td rowspan="2">CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov</td>
<td>Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:</td>
</tr>
<tr>
<td>Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:</td>
</tr>
</table>