PUBLIC UTILITIES COMMISSION
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TO: Greenhouse Gas Reduction Fund Program

FROM: Rachel Peterson
Executive Director
California Public Utilities Commission

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California Public Utilities Commission

DATE: *March, 14, 2024*

SUBJECT: GREENHOUSE GAS REDUCTION FUND:
California Public Utilities Commission

EXPENDITURE RECORD FOR FISCAL YEAR *2023-2024*:
Self-Generation Incentive Program (SGIP)

This Attestation Memorandum documents that the Energy Division of the California Public Utilities Commission completed the attached Expenditure Record on *March, 14, 2024*, for Self-Generation Incentive Program (SGIP). The Expenditure Record is consistent with the statutory requirements of California Government Code Section 16428.9 to support expenditures from the Greenhouse Gas Reduction Fund. This Attestation Memorandum and Expenditure Record will be submitted to the California Air Resources Board for public posting on the California Air Resources Board website.

Questions on this Attestation Memorandum or Expenditure Record may be directed to Fang Yu Hu (415-301-8638).

Signed:

Rachel Peterson
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California Public Utilities Commission

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Attachment: Expenditure Record

Greenhouse Gas Reduction Fund: Expenditure Record

California Public Utilities Commission (CPUC)
Self-Generation Incentive Program

Authorizing legislation: Item 8660-101-3228 of the Budget Act of 2023, as amended by Assembly Bill (AB) 102 (Ting, Chapter 38), appropriates to Public Utilities Commission $280,000,000 for purposes pursuant to Section 379.10 of the Public Utilities Code for Self-Generation Incentive Program (SGIP).

Element (1) A description of each expenditure proposed to be made by the administering agency pursuant to the appropriation.

Agency that will administer funding:

California Public Utilities Commission

Amount of proposed expenditure and appropriation reference:

- The total expenditure is $280 million, appropriated by the FY 2023-24 Budget, as amended by AB 102 (Ting, Budget Act of 2023, Chapter 38, Section 247), Item 8660-101-3228, to the California Public Utilities Commission (CPUC) for the Self-Generation Incentive Program (SGIP) from the Greenhouse Gas Reduction Fund for purposes pursuant to Section 379.10 of the Public Utilities Code. This expenditure record reflects the initial allocation to the existing SGIP program in a future dedicated budget category:
    - SGIP Storage and Solar for low-income residential customers:
        - $280,000,000 for providing incentives to eligible low-income residential California customers who install behind-the-meter energy storage systems or solar photovoltaic systems paired with energy storage systems, as an integrated approach to increase individual customer resiliency, to reduce the electrical grid's net peak demand, to reduce electric ratepayer costs, and to reduce emissions of greenhouse gases and localized air pollution.
        - The funds shall be available for encumbrance or expenditure by the CPUC until June 30, 2026, and shall be available for liquidation until June 30, 2028.

Estimated amount of expenditures for administering agency administrative costs

Per AB 102, up to 5% ($14,000,000) of the amount appropriated in Item 8660-101-3228 may be used for administrative costs. This entire amount is expected to be allocated to the SGIP Program Administrators. The CPUC anticipates a yet to be determined amount of the expenditures to potentially be used for program marketing, education, and outreach (ME&O) as well as program measurement and evaluation (M&E). The exact amount will not be known until the CPUC issues a final Decision later this year or early 2024.

If applicable, identify laws or regulations that govern how funds will be used

- AB-209 (2022) Energy and climate change. amended the Public Utilities Code to allow solar as an eligible technology, to expand SGIP to a statewide program, and to provide incentives to eligible residential customers for behind-the-meter energy storage or solar PV paired with energy storage systems, to be funded through Legislative appropriations.
- AB-123 (2023) Energy. required all the funds pursuant to AB-209 to be allocated for low-income residential customers.
- AB-102 Budget Act of 2023. funds this program and provides direction on how it is to be used: $280 million shall be used by the Public Utilities Commission for purposes pursuant to Section 379.10 of the Public Utilities Code.

Continuation of existing Expenditure Record

This is a new Expenditure Record for an existing program that will receive GGRF funds for the first time. The Expenditure Record elements include the total amount of funds available to fund projects under the SGIP.

Project Type(s)

- Behind-the-meter energy storage or behind-the-meter solar PV paired with energy storage.

Describe the projects and/or measures that will be eligible for funding

- The SGIP incentives are for eligible low-income residential customers, including those receiving service from a local publicly owned electric utility (POU), who install behind-the-meter energy storage systems or solar photovoltaic systems paired with energy storage systems.

Intended recipients

- California low-income residential customers

Program structure and process for selecting projects for funding

- The CPUC has regulatory authority and oversight of SGIP and the program is administered by the SGIP Program Administrators (PAs): Pacific Gas and Electric (PG&E), Southern California Edison (SCE), Center for Sustainable Energy[1] (CSE), and SoCalGas (SCG).
- The program is existing and ongoing with a 20-year history. Upon allocation of the new GGRF funds, a customer enrollment date will be established, and applications will thereafter be open to submission.
- PAs issue incentive reservations until all incentive funds have been fully allocated, and issue payments to applicants who complete the installation and interconnection process and comply with all program requirements. Only complete applications may be issued incentive funds (first-come) or be placed into a lottery.
- The Commission is currently considering AB 209 implementation in R. 20-05-012.

Element (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.

How the expenditure is consistent with the Investment Plan and the Scoping Plan

- AB 1532 (Chapter 807, Statutes of 2012) requires that monies from the Fund be appropriated in a manner that is consistent with the three-year Investment Plan. The "Cap and-Trade Auction Proceeds Fourth Investment Plan: Fiscal Years 2022-23 through 2024-25" recommends support for energy efficiency and renewable energy projects for residential, commercial, industrial, and public buildings. In addition, the Investment Plan specifically describes and recommends the types of projects that will be funded by expenditures under the Program (e.g., implementation of Sustainable Communities Strategies, transit-oriented development, active transportation). The expenditures covered by this record are consistent with the Investment Plan and align with the priorities expressed in the Plan.
- California's 2022 Climate Change Scoping Plan identified key strategies and recommendations to continue reducing GHG emissions and achieve the goals and purposes of AB 32 and related statutes. The recommended actions for the energy sector include continuing to enhance energy efficiency, increasing distributed generation, and implementing smart-grid technologies.

[1] On behalf of San Diego Gas & Electric (SDG&E). This arrangement started close to the beginning of SGIP in 2001 pursuant to Commission Decisions D. 01-03-073.

Element (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Describe how expenditures will facilitate the achievement of GHG emission reductions in the State

One of the purposes of SGIP is to increase the deployment of distributed generation and energy storage systems to contribute to Greenhouse Gas (GHG) emission reductions. These project expenditures will help California reach its GHG emission reduction goals by generating distributed renewable energy and implementing energy storage that can shift electric net load to off-peak hours.

Prior SGIP Impact Evaluation Reports have found that residential customers deploying behind the meter energy storage paired with solar PV produce net reductions of GHG emissions. One primary factor for this outcome are the existing SGIP rules that require the host customer to be on a time-of-use rate and to meet a minimum number of required battery cycles per year. This generally leads to a pattern of charging batteries from mid-day solar generation and discharging the batteries during peak hours when more polluting generation plants are on the margin.

Explain when GHG emission reductions and/or co benefits are expected to occur and how they will be maintained

The GHG emission reductions resulting from the appropriation funded SGIP program are projected to begin in 2024-25 when recipient funded systems begin to be deployed and will continue to provide long-term GHG emission reductions for an expected quantification period of 10 years based on the warranty period of the funded equipment.

Element (4) A description of how the administering agency considered the applicability and feasibility of other non-greenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency

The SGIP aims at yielding economic, environmental, and public health co-benefits. Installing behind-the-meter energy storage systems or solar photovoltaic systems paired with energy storage systems improves air quality by reducing criteria air pollutants and limiting environmental impacts, such as water usage. It also safeguards public health and fosters climate resiliency.

The SGIP Equity Resiliency Budget was designed to support customer resilience in the event of a Public Safety Power Shutoff (PSPS) caused by wildfire in California, a state that is vulnerable to the effects of climate change. Observed impacts, which are expected to continue under this new GGRF budget category, include economic benefits, individual customer resiliency during outages, and energy bill savings.

How the project will support other objectives of AB 32 and related statutes

SGIP program supports AB 32 objectives, including improving and modernizing California's energy infrastructure, maintaining electric system reliability, complementing the State's efforts to improve air quality, and directs public and private investment toward the most disadvantaged communities in California.

The SGIP program also supports other priorities identified in AB 398, including climate adaptation and resiliency, as well as climate and clean energy research.

Percentage of total funding that will be expended for projects that are located in and benefit priority populations[2] per CARB guidance

- The Greenhouse Gas Reduction Fund SGIP incentives, per the authorizing legislation, are 100% dedicated to eligible low-income residential customers.
- The upcoming SGIP Decision may update the existing SGIP eligibility criteria for low-income residential customers.
- CPUC plans to finalize the priority population targets in collaboration with CARB and the statutory requirements of AB 1550.

[2] Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535 (De Leon, 2012); (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550 (Gomez, 2016). See Section VII.B Funding Guidelines for more information on the definitions of priority populations.

- With 100% of the funding dedicated to low-income residents the probability of meeting and exceeding the priority population benefits is high.

Describe the benefits to priority populations per CARB guidance

- SGIP projects provide benefits to priority populations, including renewable energy, energy storage, resiliency, and direct energy cost savings for low-income residential customers.

Explain strategies the administering agency will use to maximize benefits to disadvantaged communities

- The CPUC has an open Proceeding R.20-05-012 where comments are sought on ways to maximize program benefits to all customers, including disadvantaged communities (DACs). An upcoming Decision by the CPUC will be used to set program rules for this new pool of AB 209 funding.
- Existing SGIP rules make ratepayer incentives accessible at higher incentive levels under Equity Budgets, including for those located in a disadvantaged community. Address data is collected for all projects, which would allow the program to show DAC impacts.
- SGIP project expenditures will provide incentives for low-income residential customers. SGIP meets the Common Economic Need of Priority Populations in CARB's Funding Guidelines (Table. 5) of "reducing energy costs for residents."

Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities or, if unknown, explain the process for identifying and avoiding potential substantial burdens

- In anticipation of this new funding the CPUC conducted robust stakeholder engagement through the open SGIP proceeding to gather input on how the program can best serve low-income populations and reduce barriers to participation. This record development was intended to inform the upcoming SGIP Decision which will address how the GGRF funds will be administered to benefit low income populations.
- The CPUC, in administering SGIP, seeks to avoids potential substantial burdens to disadvantaged communities and low-income communities by evaluating the impacts to DACs, requiring SGIP PAs to host quarterly workshops and responding to customer inquiries.

Element (5) A description of how the administering agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 35800) of the Health and Safety Code.

How the administering agency will track / report progress to make sure projects are implemented per requirements in statute and CARB guidance

- Consistent with previous Commission Decisions, the Commission may continue to require SGIP participants to submit all necessary operational and performance data. Developers currently must provide the PAs and SGIP evaluators with documentation on participating customers' systems upon request.
- The PAs will annually verify that new residential fleets are reducing GHG emissions using annual statistical sampling within the SGIP impact evaluation process and, if not, will take appropriate enforcement actions.

The CPUC will continue to evaluation program impacts on an annual and semi-annual basis and will use the relevant program impact reports to document data and outcomes that are relevant to the CARB reporting guidelines.

Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion

CPUC will coordinate with CARB to determine how to document GHG emission reductions or co-benefits through quantitative and qualitative metrics. SGIP Program Administrators have historically been ordered to review metrics prepared by incentive applicants to ensure consistency with methods identified in CPUC GHG reporting requirements. SGIP PAs contract with a firm to conduct measurement and evaluation activities, which further document GHG emissions reductions and other benefits.

Type of information that will be collected to document results, consistent with CARB guidance

- SGIP Program Administrators have historically and may be required to collect data on project location, baseline and future load growth, energy costs, and other data, as applicable and as specified in CARB guidance.
- Once operational, the administering agency will collect information on project outcomes consistent with CARB guidance.

How the administering agency will report on program status

CPUC plans to provide regular updates on the program, including expenditure amounts, GHG emission reductions, other benefits in annual impact evaluation reports. CPUC will

also provide expenditure reports to CARB on target population benefits and all metrics required by CARB guidance.
Reports will also include information on project outcomes for these SGIP projects.