CALIFORNIA
PUBLIC UTILITIES COMMISSION

Self-Generation Incentive Program

External Compliance Examination Program Years 2021 & 2022

Final Report
October 13, 2023

MACIAS
CONSULTING GROUP & CPAs

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MACIAS CONSULTING GROUP

Independent Accountant's Report

California Public Utilities Commission
San Francisco, CA

We have examined the California Self-Generation Incentive Program (SGIP) for 2021 and 2022 program years for compliance with the requirements set by the California Public Utilities Commission in the California SGIP Handbook, dated November 16, 2022. The four Program Administrators - Pacific Gas & Electric Company, Southern California Edison Company, Southern California Gas Company, and the Center for Sustainable Energy - are responsible for compliance with those requirements. Our responsibility is to express an opinion on their compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Program Administrators complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Program Administrators complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Program Administrators' compliance with specified requirements.

In our opinion, the Program Administrators complied, in all material respects, with the SGIP Handbook requirements during the 2021 and 2022 program years.

This report is intended solely for the information and use of the California Public Utilities Commission and the four Program Administrators and is not intended to be and should not be used by anyone other than these specified parties.

Macias Consulting Group, Inc.

Macias Consulting Group, Inc.
El Dorado Hills, CA
October 13, 2023

Introduction and Executive Summary

This examination fulfills a requirement of Decision 16-06-055 (June 23, 2016) of the California Public Utilities Commission (CPUC). This decision requires biennial fiscal audits of the Self-Generation Incentive Program (SGIP). The examination is intended to determine whether Program Administrators (PAs) are complying with the administrative requirements set forth in the SGIP Handbook, to evaluate how Program Administrators account for SGIP funds, and to assess that safeguards are in place to ensure SGIP funds are distributed in accordance with the SGIP Handbook Guidelines.

This examination addresses the compliance of the PAs with applicable CPUC decisions and rulings that were in effect during the program years 2021 and 2022. Our examination did not identify any material instances of noncompliance and found the expenditures were reasonable and in accordance with the program decisions and rules specified by the CPUC.

This report presents the results of the external compliance examination performed by Macias Consulting Group, Inc. (MCG) and approved by the CPUC. This examination reviewed the California Self-Generation Incentive Program as administered by the PAs: Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SCG), and the Center for Sustainable Energy (CSE) in the San Diego Gas & Electric Company (SDG&E) territory.

Observations

In general, MCG found that the four entities entrusted with the management of the SGIP program complied, in all material respects, as reflected in our Independent Accountant's Report on page 1. MCG's detailed observations are explained in a Summary of Results of Procedures and Recommendations on page 20 of this report and each PA's Results of Procedures and Recommendations section, starting on page 22 of this report.

Background

California's SGIP provides financial incentives to certain distributed generation and storage technologies located on the customer side of the electricity meter. The generation projects produce electricity and the storage projects provides on-site power or load shifting to help offset a customer's electric load. Funded by California ratepayers, the SGIP is managed by Program Administrators representing California's major investor-owned utilities (IOUs). Overseen by the CPUC, the SGIP program provides financial incentives for the installation of new qualifying technologies that are installed to meet all or a portion of the electric energy needs of a facility. The purpose of the SGIP is to contribute to Greenhouse Gas (GHG) emission reductions, demand reductions and reduced customer electricity purchases, resulting in the electric system reliability through improved transmission and distribution system utilization as well as market transformation for distributed energy resource (DER) technologies.

The SGIP is one of the longest running distributed generation incentive programs in the country. The SGIP was initially conceived as a peak-load reduction program in response to the California energy crisis of 2000-2001, during which Californians experienced electrical outages throughout the State. Through Assembly Bill 970, the legislature directed the CPUC to offer financial incentives to electric and gas customers of the major investor-owned utilities to install on-site distributed generation (DG) technologies to offset all or a portion of their energy needs. In 2001, the SGIP was established to encourage the development and commercialization of renewable and nonrenewable DG technologies.

In 2011, California Senate Bill 412 extended SGIP to January 1, 2016, and modified the primary purpose of SGIP from peak load reduction to GHG emissions reductions and subsequently, the CPUC modified the program's incentive eligibility criteria to further support technologies that achieve GHG emissions reductions. As of 2011, eligible technologies included advanced energy storage, wind turbines, pressure reduction turbines, fuel cells, waste heat capture, combined heat and power, internal combustion engines, microturbines, and gas turbines.

In 2014, California Senate Bill 861 extended administration of the SGIP through 2020. In 2016, in conjunction with this extension of the program, the CPUC implemented major program modifications, including a new program structure and incentive rates. The most significant of these changes was the allocation of 75% of the total incentive budget to energy storage technologies from CPUC Decision 16-06-055.

In 2016, California Assembly Bill 1637 gave the CPUC the authority to increase collections for SGIP and extended the net energy metering tariff for electric fuel cell systems. In 2017, CPUC Decision 17-04-017 authorized the increase of collections for SGIP, for 2017 through 2019, to the maximum amount allowed by Public Utilities Code §379.6(a)(2) – not more than double the amount authorized for the 2008 calendar year.

In 2018, Senate Bill 700 extended collections for the SGIP to December 31, 2024, and program administration to January 1, 2026. The bill requires the CPUC to adopt requirements for energy storage systems to ensure that eligible energy storage systems reduce the emissions of greenhouse gases. The bill specifies that generation technologies using nonrenewable fuels are not eligible for incentives under the program on and after January 1, 2020.

Table 1 - Statewide Authorized Incentive Collections and Administrator Allocations

The CPUC authorized incentive collections for the period 2020 to 2024 to total $813,400,000 as a result of SB 700 and the subsequent CPUC budget Decisions 20-01-021. Additional funds that are made available through project cancelations, reallocations, and application fee forfeitures are added to Program Administrators budgets as they become available. The authorized incentive collections for each Program Administrator through 2024 are as follows:

Table 1 - Statewide Authorized Incentive Collections and Administrator Allocations

Program Administrator	2020 to 2024
Pacific Gas & Electric Incentives Administration	 $360,000,000 $0
Southern California Edison Company Incentives Administration	 280,000,000 0
Southern California Gas Company Incentives Administration	 74,400,000 5,600,000(a)
Center For Sustainable Energy (a) Incentives Administration	 99,000,000 11,000,000(a)(b)
Totals: **Incentives** **Administration**	 **$813,400,000** **$16,600,000**

(a) Source: SGIP Handbook and CPUC Decision 20-02-039
(b) Funds collected by San Diego Gas & Electric

The Program Administrators administer the SGIP budget on a continuous basis and available funding can change based on authorized incentive collections, funds collected from canceled projects and application fee forfeitures. Program Administrators will issue incentive reservations until all incentive funds have been fully allocated.

The statewide program budget is divided between generation and storage technologies, and now includes funds set aside in an Equity Resiliency Budget for certain qualifying projects, such as those for single- and multi-family low-income housing:

Energy Storage Technologies: **88% of funds**

- Large-scale storage (greater than 10kW) – 10%
- Small residential storage (equal to or less than 10kW) – 7%
- Residential Equity – 3%
- Non-residential Equity – 0%[1]
- Equity Resiliency (residential and non-residential) – 63%
- Heat Pump Water Heaters (general) – 5%[2]
- San Joaquin Valley Pilot Budget – 0%[3]

Generation Technologies: **12% of funds**

[1] 2020-24 authorized collections suspend further collections for non-residential equity storage once existing carryover is exhausted
[2] Heat Pump Water Heater funds transferred to SCE as directed in CPUC Decision 22-04-016
[3] Pursuant to D.19-09-027, SJV Pilot Program has $10 million set-aside funded from SCE and PG&E's unused non-residential equity budget

Energy Storage General Budget

The incentive budget allocates 88% to energy storage technologies, with 7% of the energy storage category carved out for small residential projects less than or equal to 10 kW. This budget category has added Steps 6 & 7 (with equal budget allocations of $28 million each per step) and continues the $0.05/Wh incentive step-down structure.

The incentive budget allocates 10% to large-scale storage (greater than 10 kW) for Steps 3 through 5.

Energy Storage Equity Budget[4]

The incentive budget allocates 3% for residential energy storage equity budget for qualifying residential (single family and multi-family low-income housing) regardless of project size. The incentive budget allocates 0% for the non-residential energy storage equity budget.

Renewable Generation Budget

The incentive budget allocates 12% to generation technologies, with no incentive step-down structure.

Equity Resiliency Budget[5]

The incentive budget allocates 63% to equity resiliency in the amount of $513 million.

Heat Pump Water Heater Budget (HPWH)

$4 million has been established for equity projects. Additionally, the incentive budget allocates 5% to general market HPWHs.

San Joaquin Valley (SJV) Pilot Budget

$10 million has been set aside from SCE and PG&E's unspent non-residential equity budget.

Fund Shifting Authority

Program Administrators have the option to transfer funds between technology incentive budgets after December 31, 2022, if it is likely that funds will remain unspent, allowing PAs the flexibility to better respond to market demands in SGIP.[6]

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[4] See page 7, below
[5] See page 8, below
[6] Implemented pursuant to Ordering Paragraph 34 in D.20-01-021.

Table 2 - Unaudited SGIP Available Balances as of December 31, 2022

BUDGET DETAILS	PG&E	SCE	SCG	CSE	TOTAL
Large-Scale Storage	$2,001	$170,245	$276,648	$8,379,213	$8,828,107
Small Residential Storage	$2,953,728	$6,377,575	$2,727,665	$438,624	$12,497,592
Residential Storage Equity	$5,334,399	$2,853,763	$911,603	$2,887,472	$11,987,237
Non-Residential Storage Equity	$4,213,721	$7,958,056	$520,386	$1,425,879	$14,118,042
Equity Resiliency	$4,839,887	$593,758	$8,763	$41,405	$5,483,813
San Joaquin Valley Residential	$22,400	$4,563,200	-	-	$4,585,600
San Joaquin Valley Non- Residential	$120,000	$120,000	-	-	$240,000
Generation	$38,164,768	$33,517,670	$11,547,246	$14,507,136	$97,736,820
Equity Heat Pump Water Pump					
General Heat Pump Water	$18,000,000	-			$18,000,000
Administration and M&E	$5,336,418	$15,688,581	$9,209,870	$5,921,685	$36,156,554
Unallocated Accrued Interest	$4,828,895	$5,018,691	$1,457,561	$4,770,961	$16,076,108
TOTAL	**$83,816,217**	**$76,861,539**	**$26,659,742**	**$38,372,375**	**$225,709,873**

Source: PA's Advice Letter Submissions in compliance with CPUC Decision 21-12-031 .

Changes Made to SGIP Since 2018

Equity Resiliency

The Equity Resiliency budget is a new budget category, which provides incentives for on-site residential and non-residential storage systems for low-income, vulnerable customers in high-risk fire threat districts (HFTD) or those who have been affected by the blackouts across the state, also known as the Public Safety Power Shutoffs (PSPS). PSPS events, also referred to as De-Energization by the CPUC, are preemptive power shutoffs designed to reduce the risk of utility infrastructure starting wildfires. PSPS events are intended to be a preventative measure of last resort if the utility believes there is a significant and imminent risk that weather conditions could lead to increased risk of fire. The Equity Resiliency incentive level is set at $1,000/kWh, which the CPUC has stated was designed to "fully or nearly fully subsidize the installation of a storage system." The eligibility requirements are as follows:

Residential:

Are located in Tier 2 or Tier 3 HFTD, and were subject to two or more discrete PSPS events prior to the date of application for SGIP incentives, or experienced one PSPS event and one de-energization or power outage from an actual wildfire and are one of the following:

1. Eligible for the SGIP equity budget,
2. Medical baseline customer,
3. A customer that has notified their utility of a serious illness or condition that could become life threatening if electricity is disconnected,
4. Rely on electric pump wells for water supply.

Non-residential:

1. Located in Tier 2 or Tier 3 HFTD, were subject to two or more discrete PSPS events prior to the date of application for SGIP incentives, and
2. Provides critical facilities or critical infrastructure during a PSPS event to at least one community in a Tier 2 or Tier 3 HFTD, or have experienced two or more Public Safety Power Shutoff events, and
3. Community is also eligible for the equity budget,
4. Police stations, fire stations, emergency response providers, emergency operations centers, 911 call centers, hospitals, skilled nursing facilities, nursing homes, blood banks, health care facilities, dialysis centers, hospice facilities, independent living centers, public and private gas, electric, water wastewater or flood control facilities, jails and prisons, small business grocery stores, cooling centers, homeless shelters, emergency feeding organization, and locations that aid during PSPS events.

Equity Budget

The Equity Budget was designed to provide incentives to low-income customers in disadvantaged communities (DAC). The program was originally established in 2017 but never had meaningful participation given that the incentive level was set at the same amount as the general program. In CPUC Decision 19-09-027, the CPUC increased the Equity Budget's incentive level to $850/kWh. The eligibility requirements are as follows:

Residential:

Residential projects that are deemed as multi-family, low-income housing or single-family low-income:

1. Single family eligibility criteria: household income is less than 80% of the area median and home is subject to resale restriction or equity sharing agreement,
2. Eligible multi-family housing criteria: a multi-family residential building with at least five rental housing units which is operated to provide deed-restricted, low-income housing and is located in a disadvantaged community or a building where at least 80% of the households have incomes at or below 60% of the median area income,
3. Customer previously qualified for Single-family Affordable Solar Homes (SASH), Disadvantage Communities – Single-Family Affordable Solar Homes (DAC-SASH),

Multifamily Affordable Solar Housing (MASH), or Solar on Multifamily Affordable Housing (SOMAH) programs.

Non-residential:

1. A government agency, educational institution, non-profit organization or small business.
2. Must be located in a disadvantaged community (DAC) or low-income community. DAC is defined as any census tract that ranks in the statewide top 25% most affected census tracts (CalEnviroScreen), or
3. Provides services to DAC or low-income community members for which at least 50% of census tracts served are DACs or low-income communities.

Equity and Equity Resiliency Incentives per Wh

Energy Storage Equity Budget	$ / Wh
Equity Budget	$ 0.85
Equity Resiliency Budget	$ 1.00

Changes to Commercial General Market:

Many of the existing non-residential SGIP program rules were carried forward from the 2017 program and handbook, but a few key changes were made:

1. Non-residential customer receiving an SGIP incentive will now be required to reduce GHG emissions by at least 5 kg CO_2/kWh (see details below in GHG section).
2. The minimum cycling requirement for new projects was reduced to 104 cycles/year (it was previously 130 cycles/year).
3. All non-residential projects are now required to receive half their incentive paid as a performance-based incentive (PBI), paid out annually for up to five years. Previously this only applied to systems greater than 30 kW in size. Systems that do not meet the GHG reduction requirement will reduce the PBI amount (see details below in GHG section).

Changes to Residential General Market

Many of the existing residential SGIP program rules carried forward from the 2017 program and handbook, but a few key changes were made:

1. All new residential systems must have a single cycle round trip efficiency of at least 85 percent.
2. Residential customers are now required to be on a Time-of-Use (TOU) rate with a peak period starting after 4pm, and with a peak vs. off-peak differential of at least 1.69. Several existing residential TOU rates qualify, including PG&E's EV-2, SCE's TOU-D-PRIME, and SDG&E's TOU-DR1.
3. Residential SGIP developers will be required to submit GHG emissions reduction data twice per year on kWh charged/discharged in every hour, in order to demonstrate their fleet reduces emissions in aggregate.

SGIP Incentive Limitations

There are several incentive limitations for developers to be aware of that are explicitly stated in the SGIP handbook, including:

1. Project cost cap. The handbook states that the entire sum of incentives for a project (SGIP and Investment Tax Credit (ITC) combined), cannot exceed the total installed energy storage project cost.
2. System overpricing. It's also important for any developer applying for these projects to be mindful of the cost cap and not overpricing the systems. The guidebook also says when it comes to pricing a system, the developers cannot sell a residential system that receives incentives for more than the price that they would sell a comparable system that wouldn't qualify for the SGIP incentives.
3. The total SGIP incentive amount limit per project is $5 million.
4. Developer cap: an individual developer will be limited to 20% of the program incentive funding for a specific general budget category in each incentive step. The developer cap does not apply to the Equity Budgets.

Greenhouse Gas (GHG) requirements

One of the primary stated goals of the SGIP program is to reduce GHG emissions. In August 2019, the CPUC added additional program rules that require energy storage systems receiving SGIP incentives to reduce GHG emissions.

Commercial customers must dispatch their Energy Storage Systems (ESS) to ensure the system reduces at least 5kg CO_2/kWh for each system. If the system does not reduce by at least that level, the customer will lose a portion of their performance-based incentive (PBI) at a rate of $1 per kg ($1,000/ton). The penalty cannot exceed the PBI amount for a given year. Additionally, if a commercial developer's fleet repeatedly increases GHG, they risk program suspension.

Small residential customers are also required to reduce GHG emissions but will be required to comply at a developer fleet level. If a developer's fleet is found to increase emissions in aggregate, the developer could face a suspension from the program.

Increased Volume In Incentive Applications Processed

The PAs received and processed a significantly higher volume of incentive applications than in previous periods. During program years 2019 to 2022, SGIP experienced a significant increase in incentive applications processed, most of which were small residential storage applications.

The PAs were challenged and tasked to implement many changing rules and requirements in the 2022 CPUC Handbook as it was amended by 5 different versions. Implementation of the CPUC's current decision and ruling requirements affected application processing as the PAs' technical reviewers must ensure new applications meet the updated program eligibility criteria.

The changes related to Equity and Equity Resiliency Budgets caused a significant influx of applications in all territories, especially the Residential sector, as qualified customers began to take advantage of the higher incentive rates. Statewide, there was a significant increase in the volume of applications. However, the PAs each made the necessary adjustments (processing adjustments, staff increases, etc.) to adhere to Reservation Request processing timeline standards.

The table below reflects the increased volume in applications processed from program years 2017-18, 2019-20, and 2021-22.

SGIP Number of Applications Processed During Program Years 2017 to 2022

Program Administrator	Program Years 2017-18	Program Years 2019-20	Program Years 2021-22	Total
Pacific Gas & Electric Residential Non-Residential	 3,565 332	 14,816[7] 850[8]	 9,578 318	 27,959 1,500
Southern California Edison Residential Non-Residential	 2,997 366	 6,946 540	 13,724 482	 23,667 1,388
Southern California Gas Residential Non-Residential	 562 75	 1,306 54	 1,877 83	 3,745 212
Centers For Sustainable Energy Residential Non-Residential	 2,477 200	 3,913 186	 3,350 77	 9,740 463
Total **Residential** **Non-Residential**	 **9,601** **973**	 **26,981** **1,630**	 **27,838** **892**	 **64,420** **3,495**

Note: Chart numbers includes cancelled applications as they have been through the review process. The numbers exclude Waitlist applications as these applications have not yet been through the review process.

Examination Objectives

The purpose of performing this external examination was to determine whether the SGIP program was administered and implemented in accordance with established guidelines, parameters, and CPUC directives. More specifically, our objectives were to:

- Determine if the SGIP program's administrative costs and expenditures were properly charged against program funds,
- Identify factors, if any, to ensure that ratepayer funds are being prudently managed, and
- Ensure transparency to enable the CPUC to meet its due diligence goals.

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[7] PGE submitted updated application numbers for Program Years 2019-20 as applications came off waitlist.
[8] PGE submitted updated application numbers for Program Years 2019-20 as applications came off waitlist.

The scope of our review encompassed program years 2021 and 2022, as administered within the four IOUs' service territories: PG&E, SCE, SCG and SDG&E. CSE is the Program Administrator within SDG&E's territory.

MCG discussed the results of this external examination with PG&E, SCE, SCG and CSE, having provided each entity with their portion of the draft report. Each entity's comments, and in some cases MCG's response to those comments, are included within the body of this report.

Methodology

The central objective of the examination was to determine that incentive payments paid by the PAs were paid out in accordance with established SGIP Handbook requirements for the program years 2021 and 2022 and to determine that administrative costs and expenditures were properly charged against SGIP funds.

MCG judgmentally (non-statically, based on knowledge and professional judgment) selected samples of 25 SGIP projects each from PG&E, SCE, SCG, and CSE, to test for Program Years 2021 and 2022. The large majority of 2021-22 SGIP incentives paid were for storage projects. For projects there is typically a 12 to 18-month lag, or more, between a project's reservation approval and initial incentive payment. This is mainly due to the implementation time necessary to complete SGIP projects. In program years 2021-22, we noted that projects took longer to reach project and payment completion compared to past program years. The reasons for the longer completion times were due to shortage of energy storage systems (mainly, Tesla units) and developers having issues with labor shortages to install the energy storage systems. In addition,

- Non-Residential projects receive 50 percent of their incentive payment when the system has been installed and proven to be operating as designed; the remaining 50 percent of the incentive is paid over a 5-year period, based on the results of the system's electrical generation or discharge,
- Residential projects receive their full incentive payments upon proof of operation.

The SGIP Handbooks and requirements are subject to change and have changed over the years. As such, with concurrence from the PAs and the CPUC, MCG used the last revision (V.5) of the 2022 SGIP Handbook as the baseline for testing Program Administration requirements. We reviewed the respective year's SGIP Handbook to confirm compliance with the specific requirements in the year of each project's application submission, versus the year it was paid. Thus, each project was verified using the respective year's SGIP Handbook.

The sampling was designed to reflect the universe of expenditures for each location. Since incentive payments on approved projects accounted for greater than 90 percent of the dollar value of total annual expenditures, MCG focused most of our testing on SGIP expenditures on projects. Other expenditures such as Measurement & Evaluation (M&E), Marketing and Outreach (M&O), and administrative expenses (mostly labor charges) were also examined.

During the examination, MCG tested 100 projects valued at $27,195,179 spread out over four entities as shown in Table 3 below.

TABLE 3 – SGIP PROJECT INCENTIVE PAYMENTS TESTED BY LOCATION

Program Administrator	2021	2022
PG&E	$1,604,963	$10,405,689
SCE	$1,169,721	$9,331,697
SCG	$2,784,006	$835,742
CSE	$521,938	$541,423
Total Examined	**$6,080,628**	**$21,114,551**

The SGIP Application Process

Applications are subject to the incentive rates of the Program Administrator to which they apply. Generally, applications will be assigned an incentive rate and reviewed in the order in which they are received. However, in the event that application submissions on a single day exceed available funding in a given Program Administrator's territory for a given budget and step, a lottery will be initiated. Lottery details are found in *Section 2.3.2* of the CPUC Handbook. Please refer to *www.selfgenca.com* for the most up-to-date information on current incentive steps, rates, and available funds.

All SGIP applications and required documents at all stages of the application process must be submitted via the SGIP online application database at *www.selfgenca.com.* Mailed, email faxed, or hand delivered applications are not accepted. In order to submit an application and/or project documentation, companies or individuals must create an account and register as users at *www.selfgenca.com.* Once the account has been confirmed, registered Applicants may create and edit applications. Only complete applications may be assigned incentive funds or be placed into a lottery. Only complete applications may receive an approved reservation. Duplicate applications or multiple submissions for the same project will be rejected. Applicants must agree to the Terms of Use pertaining to the SGIP online application database in order to submit an application. The Terms of Use can be found at *www.selfgenca.com.*

Once an application is entered into the SGIP database and submitted for consideration within a given step, it will be retained in the database. In the event a lottery is implemented, and the application is *not* selected for the current step, the Applicant must update relevant documentation and resubmit the application in order to be considered in the next incentive step.

Beginning 2017, the SGIP moved from a program that operated with an *annual* budget to a program that is based on a *step-down structure*, whereby the budget is divided not by program year, but rather by budget category and step. The budget was set in 2017 for the 2017-2019 program years and set in 2020 for the 2020-24 program years.

There are two application processes in the SGIP Program. The three-step process is applied for large (≥10kW) non-residential projects and the two-step process is applied for residential projects and small (≤10kW) non-residential projects.

The three-step process requires specific documentation of the Reservation Request, Proof of Project Milestones, and Incentive Claim Forms. The two-step requires specific documentation of the Reservation Request and Incentive Claim Forms. In general, the larger three-step process requires more documentation.

For incentive payments, MCG tested compliance with the guidelines set forth in the SGIP Handbook that included reviewing (if applicable) the following requirements:

Step 1: Reservation Request

To reserve a specified incentive amount, a Reservation Request Form (RRF) must be submitted with certain required attachments, and non-residential projects are required to submit an application fee upon submittal of the RRF.

Required Reservation Request Materials:

Energy Storage Projects

- Completed and Signed Reservation Request Form
- Application Fee (Non-Residential Projects Only)
- Equipment specifications (All Projects not currently on the SGIP Energy Storage Equipment List)
- Proof of Utility & Load Documentation (All projects)
- Preliminary Monitoring Plan (All Non-Residential Applications and/or Residential projects paired with on-site renewable generators)
- Proof of Equity Budget Eligibility (Equity Projects Only*]*
- Customer Resiliency Attestation (All backup capable projects with a longer than two hours duration and projects applying for a Resiliency Adders or Equity Resiliency Incentive)
- Certification/Proof of Coordination with Local Government and California Office of Emergency Services (Non-Residential and Renewable Generation Resiliency Adder Applications only)
- Proof of Electric-Pump Well at Primary Residency (Residential Equity Resiliency projects)
- Proof of Medical Baseline at Primary Residency and Self Certification (Residential Equity Resiliency Projects only)

Generation Projects

- Completed and Signed Reservation Request Form (All Projects)
- Application Fee (Non-Residential Projects Only)
- Equipment specifications (All Projects)
- Proof of Utility & Load Documentation (All projects)
- Preliminary Monitoring Plan (All 3 Step Applications ≥ 30 kW)
- Minimum Operating Efficiency with Backup Documentation (Renewable Fuel Projects Only)
- Proof of Adequate Fuel or Waster Energy Resources
- Customer Resiliency Attestation (Resiliency Projects)
- Proof of Coordination with Local Government and California Office of Emergency Services (Non-Residential Renewable Generation Resiliency Adder Applications only)

Step 2: Proof of Project Milestone

All applicants of non-residential projects greater than or equal to 10kW must complete and sign a Proof of Project Milestone form. Residential and non-residential projects less than 10kW must submit all applicable Proof of Milestone forms as part of the RRF Process.

Required Proof Of Project Milestone Materials (3 Step Projects):

- Completed and Signed Proof of Project Milestone Form
- Copy of RFP or equivalent within 90 calendar days of Conditional Reservation Letter (Public Entity Projects Only)
- Copy of Executed Contract or Agreement for System Installation (All Projects)
- Proposed Monitoring Plan (All Generation Projects ≥ 30kW)
- Proof of Fuel Contract and Documentation (Renewable Fuel and Waste Projects Only)

Step 3: Incentive Claim Forms

Once the project is completed, the applicant requests payment of the incentive amount by submitting a signed Incentive Claim Form and all applicable Incentive Claim documents to the PA. A project is considered complete when the system is completely installed, interconnected, and permitted. PAs disburse the payments upon verification (based on sampling) by a field inspector that the system meets all the eligibility requirements of the SGIP.

Required Incentive Claim Form Materials:

- Completed and Signed Incentive Claim Form (All Projects)
- Proof of Authorization to Interconnect (SCE, CSE and SoCalGas Project Applications)
- Building Permit Inspection Report (SCE, CSE and SoCalGas Project Applications) Additional AHJ Grid Islanding Plan (Projects applying for Resiliency Adder, Equity Resiliency and Equity > 2 hour Projects only))
- Substantiation Documentation
- Final Monitoring Schematic (All projects)
- Planned Maintenance Coordination Letter (≥ 200 kW CHP Generation Systems Only)

Methodology for Testing

MCG completed a review of 100 individual projects, 25 from each PA. MCG found that the PAs followed the guidelines and met the administrative requirements as set forth in the SGIP Handbook for the respective Program Year.

For the projects MCG judgmentally selected for testing, we reviewed scanned copies of the requisite documents that the PAs downloaded from the Energy Solutions database.

The PAs use a project checklist to ensure that each phase of the SGIP process is followed according to the SGIP Handbook. PAs use either a third party or in-house engineer as a technical reviewer to review and ensure that the proposed equipment specifications are compliant with the respective year's SGIP Handbook's requirements.

In summary, MCG reviewed the selected projects and determined that the PAs:

- Completed the requirements of the review of the RRF process, and had either a third party or in-house engineer complete technical reviews of the RRF requirements,
- Completed the requirements of the review of the PPM process, and had either a third party or in-house engineer complete technical reviews of the PPM requirements,
- Received the ICF required documentation from the applicant, and
- Completed the requirements of the ICF process and had either a third party or in-house engineer conduct a field inspection to approve project completion and satisfy the ICF requirements to pay the incentive amount.

SGIP IT Environment Processes and Controls

In 2011, the PAs formed an agreement with Cohen Ventures, Inc., dba Energy Solutions, for the purpose of developing the SGIP website*:* www.selfgenca.com ("website"). Serving as a third-party service provider, Energy Solutions is an energy-efficiency consulting firm with over 360 employees, headquartered in Oakland, CA, with other offices in the U.S. In addition to SGIP, Energy Solutions supports the State's solar initiative program (CSI) and the federal EPA's Integrated Risk Information System (IRIS). The Center for Sustainable Energy holds the master contract with Energy Solutions, supported by a co-funding agreement between CSE and the other PAs. The four PAs meet weekly with Energy Solutions to discuss development items, budget status and any other ongoing maintenance needs, and to address any issues and concerns.

MCG consultants previously received a demonstration of how the PAs use the database to comply with the SGIP Handbook requirements.

The website was developed as an online platform to provide information for interested parties regarding the SGIP, and to help manage each applicant's progress through the process of completing the required incentive steps. Energy Solutions works with the PAs to maintain both the website and the supporting database, which contains the various application documents submitted by applicants, as well as project, budget, payment, and other information provided by the PAs. The database provides workflows within the framework of the three-step process, allowing PA staff to review and correct applications prior to the approval of any individual step. The database application was designed with several layers of data entry validation to avoid the most common errors.

Energy Solutions uses Amazon Web Services (AWS) to provide cloud hosting services for the website and database, and Mendix to provide various software tools to maintain the website and database within the AWS environment. MCG requested and received a copy of Energy Solutions' *Report on System and Organization Controls 2*, commonly referred to as its "SOC 2 Report." This 148-page report is based on an examination and testing of Energy Solutions' internal controls relevant to security, availability, and confidentiality. The report follows AICPA guidelines and was completed by A-Lign, a CPA firm specializing in IT controls. The report was published in January 2023, based on A-Lign's examination in Q4 of 2022, and identified no issues related to Energy Solutions' controls.

During our examination, MCG requested from the PAs and from Energy Solutions copies of written policies related to SGIP information access, security, and confidentiality. We reviewed ten distinct information security policy documents from Energy Solutions. Energy Solutions also maintains the SGIP Database User Access Control Process document in conjunction with the PAs; the current version of this document includes features which were added during the audit review period. Further, recognizing the impact of COVID and the changing work environment -- which includes greater allowance for employees to work from home -- the responsibility for information security is growing beyond the direct control of Energy Solutions and the PAs. MCG requested from the PAs their organization's general policies related to secure online interactions, such as personal use of corporate devices, safe internet use, and working from home. Our review of the IT controls in place at Energy Solutions and the PAs identified no concerns.

MCG also requested a SGIP database user list from all of the PAs and also from Energy Solutions. The list included all current staff with authorized access to the database, and a list of employees who were terminated or transferred from the SGIP database group. The process of collecting this information confirmed to MCG that each PA, and their organization, understands the importance of a secure information environment. Our review of PA staff with access to the database, which included the database upgrades noted below, identified no concerns related to data security.

During the audit period there were two upgrades to the SGIP database application worth noting:

1. Each PA now has the ability to provide and remove database access to their own staff. Previously this was done via a request-response process with Energy Solutions, and now allows for more timely changes to user access. PAs have real time access to validate a listing of their users who have log in authority.

2. In early 2021 it was discovered that the SGIP database did not enforce session controls regarding automated session log off after a set period of inactivity, which allowed users to remain logged in for an infinite time period – days or weeks during which the device in use might provide open access to SGIP data. Addressing this concern, by summer of 2021 the issue was remedied collectively by the PAs and Energy Solutions. Now, after eight hours of inactivity users are automatically logged out. The PAs may revisit the topic as needed, including adjustments as appropriate to the eight-hour time interval.

SGIP managers anticipate future challenges, including changes to the SGIP program which will undoubtedly require changes to the IT environment and the database. The integrated website and database is a custom application, so that changes to the SGIP program require changes to the software program's code. AB209 is currently in the legislative process, and some proposed elements of the bill would require significant changes to the database. These possible program changes include:

- The State's general fund as a new source of funding. SGIP has always been funded by each PA's ratepayer collections, and each PA has their own budget.
- Inclusion of participants outside the service area of the four PAs.
- The reintegration of photovoltaic solar technologies
- Combining two technologies in one application, such as solar + battery storage installations.

Measurement & Evaluation and Program Administration.

For non-incentive payments, MCG reviewed:

- Supporting invoice or receipt, to verify that the expense was related to the SGIP program.
- Supporting documentation to verify the payment amount and payee.

For labor charges, we reviewed the description of the work being performed by the PA employees to determine the reasonableness of charges to the SGIP funds. In addition, for individual employees selected for testing we determined that the labor charges were based on input from timesheets and were from the PA's SGIP team.

In order to obtain evidence of transparency and the prudent management of the SGIP funds, MCG (1) reviewed evidence that SGIP funds were not included (double counted) in General Rate Case calculations, if applicable; (2) ascertained that the PAs maintained SGIP funds in separate and distinct accounts; and (3) determined that internal controls were adequate to provide security around SGIP payments and use of internal checklists to track program compliance with incentive payment rules.

During the examination, MCG met with managers involved in operations, accounting, data management, and ratemaking to gain an understanding of their processes. We also obtained documentation that included SGIP staff organization charts, program information, flowcharts, and written documentation describing the SGIP-related processes.

Summary of Results

Findings and Recommendations

SDG&E Includes O&M Expenses That Support SGIP in Its General Rate Case

One of the tasks that MCG is contractually requested to perform is verify that the Investor-Owned Utilities (“IOUs”) do not include SGIP related expenses in their rate case. During our 2021-22 examination, we interviewed San Diego Gas & Electric staff (SDG&E) responsible for overseeing the SGIP for its respective territory. The SDG&E communicated to MCG that the company has always charged O&M expenses to support SGIP in the General Rate Case.

The current SDG&E staff communicated that the company’s situation is unique in that the Center for Sustainable Energy is the Program Administrator (“PA”) for its territory. The SGIP did not factor the situation where the IOU is separate from the PA responsibilities. Thus, the only way that SDG&E can recover its costs to SGIP support activities such as reporting, submitting advice letters, paying invoices, reviewing PA payments and expenses, and reviewing SGIP changes and updates for its territory can only be recovered in the General Rate Case.

Based on our SGIP examination, we noted that the other IOUs charge the SGIP ratepayer funds for SGIP O&M support expenses. MCG could not find any CPUC rulings or decisions that SGIP support expenses could not be in the General Rate Case and seems reasonable for SDG&E to recover O&M expenses that support the SGIP.

Recommendation

We recommend that the SDG&E work with the CPUC to review SDG&E’s unique SGIP situation and responsibilities. Both parties should determine the best way for SDG&E to recover its O&M expenses to support the SGIP.

SDG&E is Not Listed as a Party to The SGIP Contract

Our examination involves requesting SGIP information and interviewing SGIP staff for the respective SGIP territories. During our interview with SDG&E staff, we were informed that SDG&E’s internal auditors reviewed its SGIP responsibilities during the 2021-22 program years. SDG&E staff communicated to MCG some of the areas that the internal auditors reviewed, but MCG was not able to obtain a written copy of the aforementioned internal audit report as SDG&E was not included as a contracted party to the SGIP examination contract and MCG did not sign a Non-Disclosure Agreement with SDG&E. Based on our interviews with SDG&E staff and the limited information that we obtained, we did not learn anything that would be materially significant to our 2021-22 SGIP examination.

Recommendation

We recommend that the SGIP contract administrator include SDG&E as part of the SGIP examination contract so that external auditors can have access to information needed to perform their contractual duties.

SDG&E's Cumulative SGIP Available Balance Does Not Agree to CSE's Reported Balances as of December 31, 2022

During our interview with SDG&E staff, MCG was informed that SDG&E has a materially different SGIP cumulative available balance recorded as of December 31, 2022, than the number CSE reported to the CPUC.

Recommendation

We recommend that SDG&E and CSE reconcile the cumulative available SGIP balance to ensure that the correct balance is reported to the CPUC.

Observations and Recommendations for all PAs

The observations were noted to help improve the timeliness of SGIP information on the *selfgenca.com* website and considerations to improve the SGIP program. The items noted in the respective PA sections are neither errors nor items non-compliant with the CPUC Handbook.

Expenditure Testing

We noted no compliance issues or errors in our sample of 100 individual projects, Administration, and Measurement & Evaluation (M&E) expenses reviewed.

Recommendation

None.

Results of Procedures and Recommendations

Pacific Gas & Electric Company

The following is a summary of results and recommendations based on the examination procedures we performed at PG&E:

TABLE 4 – TOTAL SGIP EXPENDITURES BY TYPE INCURRED: PG&E

CATEGORY	2021	2022
Administration	$6,664,387	$5,138,957
M&O	$94,482	$22,210
M&E	$666,155	$21,908
Incentives Paid	$89.105,059	$99,503,400
TOTAL EXPENDITURES	**$96,530,083**	**$104,686,475**
% of Administration, M&O, M&E to Total Expenditures	7.69%	4.95%
% of Incentive Payments to Total Expenditures	92.31%	95.05%

Source: Pacific Gas & Electric

General Observations

1. Expenditure Testing

We noted no compliance issues or errors in our sample of 25 individual projects tested, nor in the Administration and Measurement & Evaluation items reviewed.

Recommendation

None.

2. MCG's Review of PGE's Internal Audit Report

As part of the examination process, we request the PAs to provide copies of internal audit reports that were specifically performed on the PA's SGIP program. During the program years 2021-22, PGE's internal auditors performed an in depth internal audit on its SGIP program. Our SGIP examination includes a less detailed review of the SGIP processes and records that an internal audit encompasses. An internal audit review is much more detailed than MCG's review in the specific SGIP areas that we examined.

The conclusion of the internal audit report was that the Utility's processes and controls over SGIP "needs strengthening". In the SGIP areas that the internal auditors reviewed, they concluded that there was medium risk in the SGIP areas that they reviewed. The internal audit identified issues for PGE management to address. PGE provided MCG with their management response and actions taken to address the issues identified in their internal audit report.

Based on MCG's review of the internal audit report, we reviewed the issues identified in the internal audit report, PGE's management response, and action plans taken to address the issues identified. We did not find any issues noted in the internal audit report that would cause any material significance in the work that we performed.

Recommendation

We recommend that PGE's management incorporate the recommendations identified by PGE's internal auditors. We also recommend that PGE develop a formal internal structure to continuously schedule requisite updates to their internal SGIP policies and procedures as CPUC guidelines change and that changes be communicated to PGE SGIP staff on a timely basis.

PG&E Management Response

PG&E (or the "SGIP Team") had implemented the recommendations identified by PG&E's internal auditors in March of 2023 and have developed a formal structure to continuously monitor for SGIP program updates that impact PG&E's SGIP policies and procedures.

Results of Procedures and Recommendations

Southern California Edison Company

The following is a summary of results and recommendations based on the examination procedures we performed at SCE:

TABLE 5 – TOTAL SGIP EXPENDITURES BY TYPE INCURRED: SCE

Category	2021	2022
Administration	$3,735,176	$3,654,775
M&O	$347,255	$14,765
M&E	$699,473	$223,235
Incentives	$55,283,348	$65,457,475
Total Expenditures	**$60,065,252**	**$69,350,250**
% of Administration, M&O, M&E to Total Expenditures	7.96%	5.61%
% of Incentive Payments to Total Expenditures	92.04%	94.39%

Source: Southern California Edison

General Observations

1. Expenditure testing

We noted no compliance issues or errors in our sample of 25 individual projects tested, nor in the Administration and Measurement & Evaluation items reviewed.

Recommendation

None.

Results of Procedures

Southern California Gas Company

The following is a summary of results based on the examination procedures we performed at SCG:

TABLE 6 – TOTAL SGIP EXPENDITURES BY TYPE INCURRED: SCG

Category	2021	2022
Administration	$901,789	$951,746
M&O	-	-
M&E	$141,262	$17,697
Incentives	$9,833,208	$12,737,389
Total Expenditures	**$10,876,259**	**$13,706,832**
% of Administration, M&O, M&E to Total Expenditures	9.59%	7.07%
% of Incentive Payments to Total Expenditures	90.41%	92.93%

Source: Southern California Gas

General Observations

1. Expenditure testing

We noted no compliance issues or errors in our sample of 25 individual projects tested, nor in the Administration and Measurement & Evaluation items reviewed.

Recommendation

None.

Results of Procedures and Recommendations

Center for Sustainable Energy

The following is a summary of results and recommendations based on the examination procedures performed at CSE and SDG&E:

TABLE 7 – TOTAL SGIP EXPENDITURES BY TYPE INCURRED: CSE

Category	2021	2022
Administration	$1,828,529	$2,726,943
M&O	$72,135	$186,168
M&E	$9,099	$27,045
Incentives	$28,349,131	$25,641,662
Total Expenditures	**$30,258,894**	**$28,581,818**
% of Administration, M&O, M&E to Total Expenditures	6.31%	10.29%
% of Incentive Payments to Total Expenditures	93.69%	89.71%

Source: Center for Sustainable Energy

General Observations

1. **Expenditure testing**

We noted no compliance issues or errors in our sample of 25 individual projects tested, nor in the Administration and Measurement & Evaluation items reviewed.

Recommendation

None.

2. **Administrative, M&O, and M&E Expenditure Are High Compared to Incentives Paid**

CSE's administrative expenses are high compared to incentives paid. In 2022, CSE disbursed $26,151,565 in incentives and expended $2,940,156 in administrative costs. In 2022, approximately 10.29% of the total SGIP expenditures paid were for administrative costs. This percentage is higher than that of the other PAs and the other PAs include

O&M expenses in their administrative costs. As noted in the Finding section of this report, SDG&E separately charges O&M related expenses that support SGIP in their General Rate Case. Although MCG did not note any issues with the Administrative, M&O, and M&E expenses tested, CSE's administrative expenses-to-incentives-paid ratio is much higher than other PAs.

Recommendation

We recommend that the CSE review their internal procedures to administer the SGIP and control its spending to keep SGIP administrative expenses in line with other PAs.

CSE Management Response

CSE ramped up on staffing to support the influx of applications in 2020-2021 with the plans of scaling back in 2022. This process took a little longer than anticipated to adjust our staffing size. 2023 will reflect a significant drop in administrative costs.

Additionally, many statewide activities are split evenly amongst the PAs rather than apportioned according to the budget allocation. CSE generally contributes 25%+ to statewide administrative and regulatory activities but receives only 13% of the overall SGIP budget. For example, starting in Q2 of 2022 and currently still in progress, CSE took the lead on the 2022 SGIP Handbook edits which required a large bulk of administrative hours on behalf of all the PAs over a course of 9 months to a year.

3. SDG&E's Cumulative SGIP Available Balance Does Not Agree to CSE's Reported Balances as of December 31, 2022

During our interview with SDG&E staff, MCG was informed that SDG&E has a materially different SGIP cumulative available balance recorded as of December 31, 2022, than the number CSE reported to the CPUC.

Recommendation

We recommend that SDG&E and CSE reconcile the cumulative available SGIP balance to ensure that the correct balance is reported to the CPUC.

CSE Management Response

As of Q4 of 2022 CSE and SDGE have been aggressively collaborating in efforts to reconcile the SGIP budget. Our joint efforts to reconcile our values are in the final stages of wrapping up. Our team are anticipating a conclusion in early Q3 of 2023.CSE continues to work in tandem with the SDGE team to reconcile the SGIP program balances and our teams will continue working together to assure the determined numbers are accurate when reported to the CPUC.

Status of Prior-Year Observations and Recommendations

There were no findings in the prior-year report, only observations and recommendations. All observations and recommendations were made at the program level and copied, in most cases, to the individual section for each PA. Each of the PAs provided responses which were included in the report.

2019-20 Final SGIP Report Observations and Recommendations

Observations and Recommendations for all PAs

(See respective PA sections for detailed observations and management responses)

Expenditure Testing

We noted no compliance issues or errors in our sample of 100 individual projects, Administration, and Measurement & Evaluation (M&E) expenses reviewed. The items noted in the respective PA sections are not errors or items that did not comply with the CPUC Handbook. The observations were noted to help improve the timeliness of SGIP information on the *selfgenca.com* website and considerations to improve the SGIP program.

Update from 2019-20 Examination: No follow-up required.

The Program Administrators Are Highly Reliant on Energy Solutions

In 2011, the PAs and Cohen Ventures, Inc., dba Energy Solutions, formed an agreement for the purposes of developing *selfgenca.com* as the statewide website. The website has developed into an important online platform to provide certain authorized and interested parties with access to specific documents for the SGIP. The online portal allows applicants to obtain program documents, upload applications, check application status, learn about program updates, and access calculation tools.

The statewide website is the central information source to the public for real-time SGIP budget information. With the collaboration and input of PA staff, Energy Solutions responsibilities are to update the software to comply with the current CPUC Handbook requirements. The PAs utilize the statewide website to inform all interested parties on the SGIP Handbook requirements.

The statewide portal serves the PAs in administering the program and tracking the incentive payments paid to date. During our examination, we observed that the Energy Solutions database could be improved by considering the following recommendations.

Update from 2019-20 Examination: Based on MCG's observation noted in the 2019-20 examination, our consultant performed a more concentrated and detailed review on the services that Energy Solutions provides to the CA SGIP. We also reviewed Energy Solutions' IT policies and procedures, as well as, reviewing the most current SCO 2 report. In sum, MCG collected information to determine that Energy Solutions hosts and maintains a secure and dependable IT environment.

The Database is a Custom Software System

The Energy Solutions database is a customized database that is highly reliant on programmers that are knowledgeable about the specific coding as well having institutional knowledge of the SGIP. The customized system may be vulnerable to staff turnover at Energy Solutions, data or cyber-attacks, and technology failure.

Recommendation

As the CPUC rules and regulations change frequently, it is important for the PAs to ensure that the Energy Solutions programming support team is well versed and cross trained to make the timely changes to the database, to protect against potential data and cyber-attacks, and that Energy Solutions is equipped to address potential staff turnover.

Update from 2019-20 Examination: Although the database continues to have limitations, our MCG consultant noted that Energy Solutions has 360 employees and has enough employees to mitigate staff turnover. This includes 14 staff who worked on SGIP and two whose access ended during the review period; MCG concluded that Energy Solutions maintains a stable core of knowledgeable staff supporting the SGIP. The SGIP working group meets weekly which includes a representative from Energy Solutions to discuss requisite updates and changes necessary to ensure that information reported on the *selfgenca.com* website is up to date and correct.

Reporting to the CPUC

The PAs are not required to submit any formal financial reports to the CPUC on a regular basis. The CPUC authorizes investor-owned utilities to assess SGIP fees for incentive collections to pay for SGIP incentives. Currently, while the public can see the SGIP disbursements on the *selfgenca.com* website, they cannot see the accounting of balancing accounts maintained by the Investor-Owned Utilities.

Recommendation

MCG recommends that the PAs and the CPUC formalize an agreement to have PAs report SGIP funds collected and expended by Program year. The CPUC required submission of semi-annual reports for the comparable California Solar Initiative Program. The Self Generation Incentive Program should be more accountable by providing similar reporting.

PA Response

For budget reporting – PAs do make information available to both the public and the CPUC (Energy Division). Below is a summary of the reports:

The “Program Level Budget Summary” is accessible for general user access and provides the incentive funds available for each budget category, which is necessary for an applicant to determine if enough funding is available to submit an SGIP application. It is designed to show available funds for each incentive step to aid developers and customers in developing their projects.

The "Program Metrics" in the Resources page is accessible to general users to provide summary budget information, incentive rates for current steps by PA, and key metrics (i.e. Developer Cap, Residential Storage Soft Target Cap,) to help inform developers and customers looking to develop a project and/or apply for incentives.

The "PA Budget Details" is available to Energy Division Staff at the Commission and other IOU regulatory users and provides a statewide or PA-specific budget-level view that includes authorized collections, reallocations, available funds, and administrative costs (i.e., consultant costs: database, technical, GHG signal, M&E). ED staff has been provided access to this view with the intention of providing detailed budgetary information may be helpful in determining future programmatic changes.

The SGIP reports cover all the available, reserved, and paid funds for tracking funding availability and program spend against the approved program cycle collections. While we do not include an accounting of our balancing account that details the ongoing collection mechanism in the SGIP Database – this is reported to the Commission within each IOU's Cost Allocation Proceeding. This is the regulatory process for identifying how refundable program costs are recovered through rates (how we collect to our balancing accounts).

Update from 2019-20 Examination: The Commission issued Decision 21-12-031. This decision required PAs, starting in 2022, to submit an annual Tier 1 advice letter no later than January 30th of each year containing all budget categories included in Appendix A of D.09-12-047, including any forfeited funds and any accrued interest on SGIP funds.

SGIP Database Management and User Access

The PAs do not have the administrative rights or capabilities to add, delete or manage their staff in the SGIP database.

Recommendation

We recommend that PA Program Managers be given administrative rights to add, delete, and manage their staff in the SGIP database.

Update from 2019-20 Examination: In late 2022 Energy Solutions implemented a new feature to allow PAs to have access to the Account Management function, allowing PAs to add/edit/and deactivate their users.

Coordinated Efforts Between the CPUC and PAs

We observed that there were many changes to the 2020 CPUC Handbook Requirements and changes were mandated by the CPUC in multiple versions of the Handbook. Each change causes the PAs to make not only prospective changes, but retroactive applications may be impacted based on the date applications were received. Constant changes to the Handbook requirements slow down the applications process and make the application process less desirable for the customers. Improved communications between the CPUC and PAs will ensure a more coordinated effort to improve processing applications in the future.

PA Response

In R.20-05-012 Assigned Commissioner's Ruling, the CPUC established the SGIP Process Streamlining Technical Working Group (TWG) to identify process streamlining opportunities pertaining to customer eligibility, incentive application review, approval, and other PA functions. The PAs held monthly Process Streamlining TWG meetings (Nov 2020 – Feb 2021) with interested SGIP parties in order to solicit feedback on how to simplify and streamline the SGIP for customers and applicants, and well as help improve PA application processing. A report was submitted to the CPUC, April 30, 2021 which presented findings and recommendations that can be implemented in a timely manner to improve the program experience, as well as recommendations that require further discussion or direction from the CPUC. These process streamlining efforts will be an ongoing process.

Update: No follow-up required.