CALIFORNIA
PUBLIC UTILITIES COMMISSION

Self-Generation Incentive Program

External Compliance Examination Program Years 2023 & 2024

KR CONSULTING

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Independent Accountant's Report

California Public Utilities Commission
San Francisco, CA

We have examined the California Self-Generation Incentive Program (SGIP) for 2023 and 2024 program years for compliance with the requirements set by the California Public Utilities Commission in the California SGIP Handbook, dated June 24, 2024. 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.

We are required to be independent of the Program Administrators, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the Program Administrators complied, in all material respects, with the SGIP Handbook requirements during the 2023 and 2024 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.

JKR Consulting

Sacramento, CA
June 13, 2025

Introduction and Executive Summary

This report fulfills the biennial fiscal audit requirement established by the California Public Utilities Commission (CPUC) Decision 16-06-055, issued on June 23, 2016. The decision mandates regular external examinations of the Self-Generation Incentive Program (SGIP) to ensure compliance with administrative and financial guidelines.
The primary objectives of this examination were to:

- Assess whether Program Administrators (PAs) complied with the administrative requirements outlined in the SGIP Handbook.
- Evaluate how PAs account for and manage SGIP funds.
- Confirm that internal safeguards are in place to ensure SGIP funds are distributed in accordance with CPUC rules and SGIP Handbook guidelines.

Scope of Examination

This examination covers SGIP activities during Program Years 2023 and 2024 and includes a review of the program as administered by the following PAs:

- Pacific Gas and Electric Company (PG&E)
- Southern California Edison Company (SCE)
- Southern California Gas Company (SCG)
- Center for Sustainable Energy (CSE), acting as Program Administrator in the San Diego Gas & Electric Company (SDG&E) territory

Key Findings

- No material instances of noncompliance were identified during the examination period.
- SGIP expenditures were found to be reasonable and consistent with CPUC decisions and SGIP Handbook requirements.
- The PAs demonstrated effective administrative practices and financial controls in managing SGIP funds.

Report Structure

- A Summary of Results of Procedures and Recommendations is provided on page 25.
- Detailed findings and recommendations for each PA are presented in their respective sections, beginning on page 25.

Background

The Self-Generation Incentive Program (SGIP) is a long-standing initiative in California that provides financial incentives for the installation of qualifying distributed generation (DG) and energy storage technologies located on the customer side of the electric meter. These technologies help offset a customer's electric load by either generating electricity or storing energy for later use.

Funded by California ratepayers and overseen by the California Public Utilities Commission (CPUC), SGIP is administered by Program Administrators (PAs) representing the state's major investor-owned utilities (IOUs). The program's primary goals include:

- Reducing greenhouse gas (GHG) emissions
- Lowering electricity demand
- Enhancing electric system reliability
- Supporting market transformation for distributed energy resources (DERs)

Program Origins and Evolution

SGIP was established in 2001 in response to the California energy crisis of 2000–2001. It was created under Assembly Bill 970, which directed the CPUC to offer incentives for on-site DG technologies to reduce peak electricity demand.

Over time, SGIP has evolved significantly:

- 2011 – Senate Bill 412: Extended SGIP through 2016 and shifted its focus from peak load reduction to GHG emissions reduction. Eligible technologies were expanded to include advanced energy storage, wind turbines, fuel cells, waste heat recovery, and more.

- 2014 – Senate Bill 861: Extended SGIP administration through 2020 and led to major program reforms under CPUC Decision 16-06-055, including a new program structure and incentive rates. Notably, 75% of the incentive budget was allocated to energy storage technologies.

- 2016 – Assembly Bill 1637: Authorized the CPUC to increase SGIP funding and extended net energy metering for electric fuel cell systems.

- 2017 – CPUC Decision 17-04-017: Increased SGIP collections for 2017–2019 to the statutory maximum under Public Utilities Code §379.6(a)(2).

- 2018 – Senate Bill 700: Extended SGIP collections through December 31, 2024, and program administration through January 1, 2026. It also required energy storage systems to demonstrate GHG reductions and disqualified nonrenewable generation technologies from receiving incentives after January 1, 2020.

Recent Developments

In March 2024, the CPUC issued Decision 24-03-071, allocating $280 million from the State's Greenhouse Gas Reduction Fund to SGIP under the Residential Solar and Storage Equity Budget, as directed by Assembly Bill 209.[1] This funding supplements the 2020–2024 budget established by Decision 20-01-021 and aims to:

- Expand access to clean energy for low-income Californians
- Improve equity in SGIP participation

Additionally, the CPUC designated a new Program Administrator to serve customers of the Los Angeles Department of Water and Power (LADWP), expanding the existing group of Program Administrators. The PAs will begin approving and distributing AB 209 funds beginning in 2025.

[1] AB 209 is not included in the 2023–24 SGIP Audit. The information is unaudited and for informational purposes only.

Statewide Authorized Incentive Collections and Administrator Allocations

The CPUC authorized incentive collections for the period 2020 to 2024 to total $813,400,000 because 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 2020 to 2024

Program Administrator	2020 to 2024
Pacific Gas & Electric	
Incentives	$360,000,000
Administration	$0
Southern California Edison Company	
Incentives	280,000,000
Administration	0
Southern California Gas Company	
Incentives	74,400,000
Administration	5,600,000(a)
Center For Sustainable Energy (b)	
Incentives	99,000,000
Administration	11,000,000(a)
Totals:	
Incentives	**$813,400,000**
Administration	**$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, returned funds from project attrition, funds collected from canceled projects, application fee forfeitures, and accrued interest. Program Administrators will issue incentive reservations until all incentive funds have been fully distributed. Program Administrators will issue incentive reservations for any budget with available funds through December 31, 2025. Should it appear likely that funds are still unspent, the PAs may transfer funds between budgets prior to December 31, 2025. A budget overview, including funding availability and current incentive rates, can be found at *www.selfgenca.com/home/program_metrics/*.

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%[2]
- Equity Resiliency (residential and non-residential) – 63%
- Heat Pump Water Heaters (general) – 5%[3]
- San Joaquin Valley Pilot Budget – 0%[4]

Generation Technologies: 12% of funds

Energy Storage General Budget[5]

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

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[6]

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

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[2] 2020-24 authorized collections suspend further collections for non-residential equity storage once existing carryover is exhausted
[3] D.22-04-036, Ordering Paragraph 8, authorized an additional collection of $40M from 2023 Cap-and-Trade Program allowance auction funds from SCG, PG&E, and SDG&E for the HPWH subprogram
[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
[5] Implemented pursuant to Ordering Paragraph 34 in D.20-01-021.
[6] Implemented pursuant to Ordering Paragraph 34 in D.20-01-021.

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, 2024, if it is likely that funds will remain unspent, allowing PAs the flexibility to better respond to market demands in SGIP.[7]

[7] Implemented pursuant to Ordering Paragraph 34 in D.20-01-021.

Table 2 - Unaudited Ratepayer SGIP Available Balances as of December 31, 2024

BUDGET DETAILS	PG&E	SCE	SCG	CSE
Large-Scale Storage	$8,330,925	$991,251	$3,774	$473,347
Small Residential Storage	$3,400,756	$1,877,078	$1,165,828	$145,270
Residential Storage Equity	$12,501,025	$4,557,198	$2,347,942	$110,405
Non-Residential Storage Equity	$1,292,235	$3,938,276	$1,214,893	$1,168,673
Equity Resiliency	$23,148	$35,576	$615,629	$17,180
San Joaquin Valley Residential	$735,200	$4,589,600	-	-
San Joaquin Valley Non- Residential	-	$120,000	-	-
Generation	$18,488,938	$36,688,483	$12,284,568	$1,600,884
Administration and M&E	$9,859,184	$7,196,789	$7,139,897	$5,173,721
TOTAL	**$54,631,411**[8]	**$59,994,251**	**$24,772,531**	**$8,689,480**
Pre-2017 Reserved	$1,229,614	$1,111,494	$1,097,980	$470,282
Unallocated Accrued Interest	$15,615,821	$14,995,409	$4,398,961	$10,201,897

Source: PA's Advice Letter Submissions in compliance with CPUC Decision 21-12-031 and Decision 24-03-071.

[8] PG&E's total was reduced by $18 million reported in its Advice Letter.

Table 3 - Unaudited AB 209 SGIP Available Balances as of December 31, 2024[9]

On March 22, 2024, the CPUC issued Decision 24-03-071 that allocated $280 million from the Greenhouse Gas Reduction Fund to the Self-Generation Incentive Program (SGIP) Residential Solar and Storage Equity budget and made programmatic changes to improve SGIP and provide the framework for the new budget category, eligibility requirements, and administration. The Commission allocated funds to the existing SGIP program administrators (PAs) and one new PA to serve customers of Los Angeles Department of Power and Water (LADWP). LADWP is not part of the 2023-24 SGIP examination and is not included in Table 3.

BUDGET	PGE	SCE	SCG	CSE
Residential Solar and Energy Equity	$97,020,000	$85,544,000	$13,230,000	$19,404,000
Tribal Allocation	$1,980,000	$1,746,000	$270,000	$396,000
Administration	$5,500,000	$4,487,282	$585,269	$1,078,213
Measurement & Evaluation and Marketing, Education & Outreach	$5,122,360	$4,850,000	$750,000	$1,079,219
TOTAL	$109,622,360	$96,637,282	$14,835,269	$21,957,432
Estimated Unallocated Accrued Interest	$4,011,423	$3,090,040	$476,450	$700,796

Source: PA's Advice Letter Submissions in compliance with CPUC Decision 21-12-031 and Decision 24-03-071.

[9] This table does not include the Los Angeles Department of Water and Power as it was not included in the 2023-24 audit.

Changes Made to SGIP Over the Years
Equity Resiliency

The Equity Resiliency budget is a 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 projects:

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 projects:

1. Are 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 projects:

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,
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 projects:

1. Are 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 must now 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, 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 Resiliency 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 more 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 part 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 must also 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.

Table 4 - SGIP Number of Applications Completed in Program Years 2023 and 2024

Program Administrator	Program Year 2023	Program Year 2024	Total
Pacific Gas & Electric			
Residential	2,781	2,943	5,724
Non-Residential	203	51	254
Southern California Edison			
Residential	3,459	2,572	6,031
Non-Residential	82	150	232
Southern California Gas			
Residential	652	796	1,448
Non-Residential	18	14	32
Centers For Sustainable Energy			
Residential	1,674	394	2,068
Non-Residential	37	34	71

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.

The scope of our review encompassed program years 2023 and 2024, 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.

JKR 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 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 2023 and 2024 and to determine that administrative costs and expenditures were properly charged against SGIP funds.

JKR selected samples using a judgmental (non-statistical) approach based on professional expertise and knowledge of 30 SGIP projects each from PG&E, SCE, SCG, and 36 SGIP projects for CSE, to test for Program Years 2023 and 2024. In total, we reviewed 45 non-residential projects with higher incentive values and 81 residential projects. The vast majority of SGIP incentives paid during 2023–2024 were allocated to storage projects. For larger projects there is typically a 12 to 18-month payment cycle, 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 2023–24, projects generally required several additional months to reach completion and payment compared to previous years. A major factor was the implementation of the CPUC's new net metering policy (NEM 3.0) in April 2023, which significantly reduced the export value of solar energy and made battery storage a critical component for new solar installations. This shift drove a surge in SGIP applications—particularly for residential storage—placing additional workloads on Program Administrators (PAs) and utility interconnection teams. Demand for the high-value Equity Resiliency Budget was especially strong, often exhausting available funds quickly and resulting in longer wait times as projects were placed on waitlists until the next budget step opened.

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, JKR used the last revision of the 2024 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, JKR 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, JKR tested 126 projects valued at $42,712,698 spread out over four entities as shown in Table 5 below:

TABLE 5 – SGIP PROJECT INCENTIVE PAYMENTS TESTED BY LOCATION

Program Administrator	2023	2024
PG&E Non-residential Residential	 $5,535,540 $90,390	 $7,834,273 $507,808
SCE Non-residential Residential	 $8,557,677 $61,583	 $9,944,336 $322,639
SCG Non-residential Residential	 $2,283,257 $105,600	 $1,957,532 $719,119
CSE Non-residential Residential	 $2,162,536 $218,007	 $2,107,767 $304,634
Total Examined Non-residential Residential Total	 **$18,539,010** **$475,580** **$19,014,590**	 **$21,843,908** **$1,854,200** **$23,698,108**

SGIP Application Process

Application Submission and Review

All SGIP applications must be submitted through the official online portal at www.selfgenca.com. Submissions via mail, email, fax, or in-person delivery are not accepted.

To request an incentive, an online reservation request form (RRF) must be submitted with all required documents. Projects that include multiple SGIP eligible technologies must submit separate applications for each technology.

Completed RRF and all required documents are submitted to the Program Administrator. Once a project is assigned funding in each step (on either a first-come or lottery basis), the Program Administrator reviews the Reservation Request and supporting documents. Once the documentation has been approved and eligibility requirements have been met, a Conditional Reservation Letter is issued for 3-step applications and Confirmed Reservation Letter is issued for 2-step applications.

3-Step Applications

Upon approval of the Reservation Request Package, a Conditional Reservation Letter will be issued to show that a specific incentive amount is conditionally reserved for the project. The letter will list the Proof of Project Milestone (PPM) due date, Request for Proposal (RFP) due date (public entity projects), and the Reservation Expiration date (18 months after the date of the Conditional Reservation Letter). All reservations are conditional until the Program Administrator reviews and approves the PPM documentation (to be received on or before the PPM due date).

2-Step Applications

Upon approval of the Reservation Request package, a Confirmed Reservation Letter will be issued. The Confirmed Reservation Letter will list the reserved incentive amount and the Reservation Expiration date (12 months after the date of the Confirmed Reservation Letter). Upon project completion and prior to the Reservation Expiration date, the completed Incentive Claim Form (ICF) must be submitted along with all the required documentation to request an incentive payment.

Application Pathways

There are two distinct application processes based on project size and type:

- **Three-Step Process (for large non-residential projects ≥10kW**):

    1. Reservation Request Form (RRF)
    2. Proof of Project Milestone (PPM)
    3. Incentive Claim Form (ICF)

- **Two-Step Process (for residential and small non-residential projects ≤10kW):**

    1. Reservation Request Form (RRF)
    2. Incentive Claim Form (ICF)

The three-step process requires more extensive documentation and technical review.

Incentive Payment Compliance Testing

JKR tested compliance with SGIP Handbook guidelines by reviewing the following (as applicable):

- Submission and completeness of RRF, PPM, and ICF documentation
- Use of technical reviewers (in-house or third-party) to validate equipment specifications
- Field inspections conducted to verify project completion prior to incentive disbursement

SGIP Application Process Overview

The SGIP application process is divided into three main steps for large non-residential projects (≥10kW) and two steps for residential and small non-residential projects (≤10kW). Each step requires specific documentation to ensure eligibility and compliance with the SGIP Handbook.

Step 1: Reservation Request

To reserve an incentive amount, applicants must submit a Reservation Request Form (RRF) along with required documentation. Non-residential projects must also submit an application fee.

Required Materials:

- Online Reservation Request Form (all projects)
- Application fee (non-residential only)
- Equipment specifications (if not on SGIP list)
- Proof of utility service (all projects)
- Copy of executed contract or installment agreement
- Load documentation (for projects >10kW)
- Preliminary monitoring plan (for paired renewables, PBI, or ≥30kW)
- Minimum Operating Efficiency Worksheet with backup documentation (generation projects)
- Proof of adequate fuel or waste energy resource (generation projects)
- Proof of Equity Budget eligibility (energy storage projects applying for Equity or Equity Resiliency budget)
- Proof of Resiliency Eligibility (Equity Resiliency projects, Adder projects, and projects opting into resiliency)
- Customer resiliency attestation (for backup-capable or resiliency projects)
- Certification of coordination with local government and Cal OES (non-residential resiliency projects)
- Proof of Coordination with Local Government and California Office of Emergency Services (non-residential Resiliency Adder and Equity Resiliency projects)
- Proof of electric pump well at primary residence (Equity Resiliency)
- Proof of medical baseline and self-certification (Equity Resiliency)

Step 2: Proof of Project Milestone (PPM)

Required for non-residential projects ≥10kW. Smaller projects submit applicable PPM documents during the RRF stage.

Required Materials – 3-Step Projects:

- Online Proof of Project Milestone form
- Copy of RFP or equivalent (public entities only)
- Copy of executed contract or agreement for system installation

- Proposed Monitoring Plan (generation projects ≥30kW)
- Proof of fuel contract and documentation (generation projects)

Step 3: Incentive Claim Form (ICF)

Submitted once the project is fully installed, interconnected, and permitted. Incentive payments are issued after verification by a field inspector.

Required Materials:

- Completed and signed Incentive Claim Form (all projects)
- Proof of authorization to interconnect (all projects)
- Building permit inspection report (required for CSE and SCG projects
- Additional Authorities Having Jurisdiction (AHJ) Grid Islanding Plan (Projects applying for Resiliency Adder, Equity Resiliency and Projects Opting into Resiliency)
- Substantiation Documentation
- Planned Maintenance Coordination Letter (≥ 200 kW CHP Generation Systems Only)
- Final Monitoring Schematic (SCE, CSE, and SCG project applications)

Methodology for Testing

JKR conducted a comprehensive review of 126 SGIP projects, selecting 30 projects from each Program Administrator (PA), with an additional 6 projects tested for CSE due to multiple incentive claims ledgers submitted. The review confirmed that the PAs adhered to the administrative and technical requirements outlined in the SGIP Handbook for the applicable program year.

Testing Approach:

- Projects were judgmentally selected for testing.
- JKR reviewed scanned documentation downloaded by the PAs from the Energy Solutions database.
- On a sample basis, technical reviews were conducted by either third-party or in-house engineers to verify equipment specifications and compliance.

Key Findings:

JKR determined that the PAs:

- Completed the RRF (Reservation Request Form) process, including technical reviews.
- Completed the PPM (Proof of Project Milestone) process, with appropriate technical validation.
- Collected all required ICF (Incentive Claim Form) documentation from applicants.
- Conducted field inspections as part of the ICF process to verify project completion and authorize incentive payments.

SGIP IT Environment: Processes and Controls

Overview:

In 2011, the PAs partnered with Cohen Ventures, Inc. (dba Energy Solutions) to develop and maintain the SGIP website (www.selfgenca.com) and its supporting database. The Center for Sustainable Energy (CSE) holds the master contract, with co-funding from the other PAs. Weekly meetings are held between PAs and Energy Solutions to manage development, maintenance, and issue resolution.

System Functionality:

- The platform supports application tracking, document management, and workflow validation for SGIP processes.
- The database includes automated data validation layers to minimize common errors.
- Hosting is provided via Amazon Web Services (AWS), with Mendix used for software development and maintenance.

Security and Compliance:

- JKR reviewed Energy Solutions' SOC 2 Report (January 2023), conducted by A-Lign, which found no issues with internal controls related to security, availability, or confidentiality.
- JKR also reviewed 10 information security policy documents and the SGIP Database User Access Control Process.
- Policies reflect adaptations to remote work environments, including secure device use and internet safety.

User Access Controls:

- JKR reviewed user access lists from all PAs and Energy Solutions, including active users and those removed or transferred.
- No concerns were identified regarding data access or security practices.

Notable System Enhancements:

1. Real-Time Access Management:
   PAs can now directly manage user access to the database, improving responsiveness and security.
2. Session Timeout Implementation:
   In 2023, a vulnerability was identified where inactive sessions remained open indefinitely. This was resolved by implementing an automatic logout after 8 hours of inactivity, with the option for future adjustments.
3. Planned enhancements to the SGIP database and website:
   SGIP PA 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 are a custom application, so changes to the SGIP program require changes to the software program's code. 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.

   - Administering approval and payment of the SGIP funds with both rate payer and the AB209 (state funded) funds.

   - Inclusion of Public Owned Utility (POU) participants outside the service area of the four PAs as the Los Angeles Department of Water and Power will be added as a fifth PA for its service territory.

   - Addition of the Los Angeles Department of Water and Power as a fifth PA for its service territory.

- The reintegration of photovoltaic solar technologies, specifically in paired solar and storage systems
- Combining two technologies in one application, such as solar + battery storage installations.

Measurement & Evaluation and Program Administration.

For non-incentive payments, JKR 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, JKR (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, JKR 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, Observation and Recommendations

1. Inclusion of SGIP O&M Expenses in SDG&E's General Rate Case

Finding 1:

JKR's 2023-24 examination confirmed that SDG&E continues to include Operations & Maintenance (O&M) expenses related to the Self-Generation Incentive Program (SGIP) in its General Rate Case (GRC). SDG&E staff explained that, unlike other Investor-Owned Utilities (IOUs), SDG&E is not the SGIP Program Administrator (PA) for its territory—the Center for Sustainable Energy (CSE) is. As a result, SDG&E incurs SGIP support costs (e.g., reporting, advice letters, invoice processing, and program updates) that are not recoverable through SGIP ratepayer funds.

Observation:

JKR found no California Public Utilities Commission (CPUC) rulings prohibiting SDG&E from recovering such costs through the GRC.

2. SDG&E and Energy Solutions Are Not a Party to the SGIP Examination Contract

Finding 2:

SDG&E and Energy Solutions are not listed as a contracted party in the SGIP examination agreement. Both SDG&E and Energy Solutions play a key role in the SGIP and should be included as parties are essential in assessing the adherence to SGIP policies, guidelines and fiscal oversight. JKR had a more difficult time in accessing information and scheduling interviews as both parties are not obligated to respond to the auditor's inquiries and requests.

Recommendation:

In the future, the CPUC and the contract administrator for SGIP audits should include SDG&E and Energy Solutions as parties to the SGIP examination contract. This inclusion would ensure external auditors have the necessary access to perform their duties effectively.

Program-Wide Observations and Recommendations

1. SGIP Administration Could Incorporate Automation and AI Driven Tools

Observation:
Excluding SCG, our review of 136 SGIP projects revealed instances of human and clerical errors during the processing, approval, and payment phases. While these errors did not constitute material compliance issues, they highlight the limitations of the current SGIP application and approval process, which relies heavily on manual review. This manual approach increases the risk of errors and imposes a significant administrative burden.

Recommendation:

To enhance operational efficiency and minimize the risk of human error, we recommend that the CPUC encourage SGIP Program Administrators (PAs) to explore the integration of automation and AI-driven technologies into the SGIP application review and approval process. These tools can streamline workflows, improve consistency in documentation and approvals, and reduce processing time.

AI-powered document recognition and data extraction technologies can automatically verify applicant-submitted materials against SGIP eligibility criteria, flagging incomplete or non-compliant applications for human review only when necessary. This targeted approach reduces manual workload while maintaining accuracy.

Furthermore, automation can strengthen compliance by ensuring all applications are evaluated using standardized criteria. AI systems can generate audit trails and decision logs automatically, enhancing transparency and accountability.

Specifically, AI-powered optical character recognition (OCR) can extract and validate data from submitted documents, automatically identifying missing or inconsistent information for further review. Additionally, AI-based audit tools can provide real-time validation of application data against SGIP rules and CPUC directives, while also improving the accuracy of publicly available information on the SGIP website.

2. CPUC Is Not Involved in Setting the Audit Requirements

Observation:

The SGIP audit fulfills the biennial fiscal audit requirement established by CPUC Decision 16-06-055, which mandates regular external reviews to ensure compliance with SGIP's administrative and financial guidelines. During our entrance conference, CPUC staff expressed interest in including specific tasks in the audit; however, we clarified that the auditor's scope is defined through the Request for Proposal (RFP) process.

Recommendation:

For future SGIP audits, the contract administrator and CPUC staff should coordinate early in the RFP process to align audit priorities and ensure relevant items are incorporated into the auditor's scope of work.

3. Consider reducing session timeout duration

Observation:

In 2023, SGIP implemented a system enhancement introducing automatic logoff after 8 hours of inactivity.

Recommendation:

Consider reducing the session timeout duration to enhance system security.

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 6 – TOTAL SGIP EXPENDITURES BY TYPE INCURRED: PG&E

CATEGORY	2023	2024
Administration	$3,470,322	$2,940,010
M&O	$10,389	$25,376
M&E	$545,515	$822,551
Incentives Paid	$75,363,532	$57,372,181
TOTAL EXPENDITURES	**$79,389,768**	**$61,160,118**
% of Administration, M&O, M&E to Total Expenditures	5.07%	6.19%
% of Incentive Payments to Total Expenditures	94.93%	93.81%

Source: Pacific Gas & Electric

Findings and Recommendations

Finding 1: Missing Signature on Equipment Contract

In one of the 30 projects reviewed, the equipment contract included in the documentation was not signed by the customer. PG&E attributed this to a clerical error. However, per the SGIP Handbook, an executed contract is a mandatory requirement for incentive approval.

Recommendation:

PG&E's SGIP staff should implement a more rigorous review process to ensure compliance with all SGIP Handbook requirements, including the collection of signed contracts

PG&E Management Response:

PG&E (or the “SGIP Team”) is adding further information in its process guides to make sure its application and quality control processors are looking for the host customer and installer signatures for each executed contract.

Finding 2: No Material Compliance Issues Identified, but Documentation Gaps Noted

In our review of 30 individual SGIP projects, we found no material compliance issues or errors. Many supporting documents were not included in the original submission of requested items and had to be requested separately during the review process.

Recommendation:

To improve efficiency and transparency in future reviews, PGE should improve its organization of the 2-Step and 3-Step SGIP requirements to ensure that all required documentation is complete. Implementing a checklist or automated validation process prior to approving SGIP payments could ensure improved organization and compliance with the SGIP Handbook requirements.

PG&E Management Response:

PG&E (or the “SGIP Team”) has many process guides on where to find information pertinent to the SGIP application, such as PG&E’s billing system, interconnection system, etc. PG&E clarifies that the individual gathering the information and documents for the external fiscal audit was a new hire to the SGIP Team and not an individual that processes applications, and that was the reason for the confusion on some of the requested information.

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 7 – TOTAL SGIP EXPENDITURES BY TYPE INCURRED: SCE

Category	2023	2024
Administration	$4,038,971	$3,300,121
M&O	$8,795	$6,686
M&E	$473,172	$664,047
Incentives	$62,274,220	$70,664,971
Total Expenditures	**$66,795,158**	**$74,635,825**
% of Administration, M&O, M&E to Total Expenditures	6.77%	5.32%
% of Incentive Payments to Total Expenditures	93.23%	94.68%

Source: Southern California Edison

Finding 1: Duplicate Payments to the Same Payee

Observation:

The audit identified two instances of duplicate payments issued to the same payee, indicating a lapse in payment validation controls. These errors were identified through SCE's reconciliation process. One overpayment has been recovered, and the other is currently being resolved.

Recommendation:

SCE should enhance its internal controls to detect and prevent duplicate payments, ensuring the accurate disbursement of SGIP funds.

SCE Management Response:

In each of these cases, the customer requested a replacement check. For replacement checks, SCE's accounting department must cancel the SAP Document number and void the check. In both cases, only the checks were voided, but the SAP document numbers remained active. Because the SAP Documents remained active, the system automatically generated a new check. At the same time, the SGIP team processed a new check under the assumption that both tasks, cancelling the SAP Documents and voiding the previous checks, had been completed.

The error was caught once a reconciliation report was run the following month. The SGIP team will receive accounting reports and reconcile all processed payments against those reports. SCE identified the issue once that reconciliation was completed. For both of these instances, the SGIP team determined there was an issue two weeks after the manual duplicate was released, which was in normal alignment with monthly
reconciliations at that time.

SCE’s SGIP team has since revised its procedures for replacement checks. In addition to receiving confirmation from Accounts Payable that a Document Number has been cancelled and that a check has been voided, the SGIP team now directly runs a report to verify that both tasks have been completed before proceeding. The SGIP team will then wait at least two business days after the check void date to manually process a replacement.

Results of Procedures

Southern California Gas Company

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

TABLE 8 – TOTAL SGIP EXPENDITURES BY TYPE INCURRED: SCG

Category	2023	2024
Administration	$979,531	$790,235
M&O	-	-
M&E	$150,947	$149,260
Incentives	$20,815,366	$19,382,389
Total Expenditures	**$21,945,844**	**$20,321,884**
% of Administration, M&O, M&E to Total Expenditures	5.15%	4.62%
% of Incentive Payments to Total Expenditures	94.85%	95.38%

Source: Southern California Gas

General Observation

1. **Expenditure testing**

We identified no compliance issues or errors in our sample of 30 individual projects tested, nor in the Administration and Measurement & Evaluation items reviewed.

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 9 – TOTAL SGIP EXPENDITURES BY TYPE INCURRED: CSE

Category	2023	2024
Administration	$1,876,945	$1,389,508
M&O	$18,844	$22,665
M&E	$172,412	$220,795
Incentives	$24,487,349	$11,560,293
Total Expenditures	**$26,555,550**	**$28,581,818**
% of Administration, M&O, M&E to Total Expenditures	7.79%	12.38%
% of Incentive Payments to Total Expenditures	92.21%	87.62%

Source: Center for Sustainable Energy

Finding 1: Uncashed Check

Observation:

In one of the 36 projects selected for testing, we identified a check issued to a customer on October 24, 2024, that remained uncashed as of May 25, 2025. The project file contained all required documentation, and the payment amount was accurate. However, the prolonged delay in cashing the check raises concerns about payment follow-up procedures.

Recommendation:

CSE should proactively follow up with the customer to confirm the status of the payment and reissue the check if necessary. Additionally, implementing a periodic review process for outstanding checks will help ensure timely resolution of uncashed payments and improve financial oversight.

CSE Management Response:

As of May 2025, CSE has begun bi-annual stale check reports for any outstanding SGIP checks. Previously, CSE's accounting team would reach out to the SGIP to enquire about stale checks about once a year. However, the SGIP team has now taken this task upon themselves and increased the rate at which this takes place. During this process, the SGIP team reaches out to the Host Customer and Applicant using the most recent contact information provided and confirms (1) if the check cashed, (2) the payee's name and address so that we may reissue a check when necessary.

Finding 2: Duplicate Payments Due to Reissued Checks

Observation:

During the review for duplicate payments, we identified instances where two checks were issued to the same payee due to reissuance. However, the original checks were not removed from the Energy Solutions database, resulting in duplicate entries and inflated reported payment totals in the database and website.

Recommendation:

PAs should ensure that original checks are promptly removed from the database upon reissuance. Establishing a reconciliation process to flag and verify reissued payments will help maintain accurate financial records and prevent discrepancies in reporting to the totals reported on the website.

CSE Management Response:

The explanation provided does not apply to the instance of duplicate check numbers to the same payee. We observed two instances of duplicated check numbers to two different payees where the duplication was due to typos and incorrect entries into the database. However, instances where two checks were issued to the same payee are not errors. There are a handful of projects that receive two PBI payments in a single year. In most cases, this is due to missing data or data with errors that the PDP had resolved, causing a delay in payment. For example, for one project, payment for Year 3 was due at the same time as Year 2 because an error in Year 2 data was not resolved until Year 3 data was complete. Accordingly, we issued one check that contained payments for both years. They are entered into the database as two separate payments, but with the same single check number.

Finding 3: High Administrative, M&O, and M&E Expenditures Relative to Incentives Paid

Observation:

In 2024, CSE disbursed $11,560,293 in SGIP incentives but incurred $1,632,968 in administrative costs—about 12.38% of total SGIP incentive claims disbursed. This rate is significantly higher than that of other Program Administrators. Additionally, SDG&E records SGIP related O&M costs separately in its General

Rate Case; and if SDG&E's O&M costs were included in CSE's total, its administrative costs would be even higher.

Although no compliance issues were identified in the Administrative, M&O, and M&E expenses tested, the relatively high administrative cost ratio at CSE raises concerns about cost efficiency and consistency in reporting practices across PAs.

Recommendation:

CSE should evaluate its administrative cost structure and explore opportunities to improve cost efficiency. Additionally, the CPUC may consider standardizing cost reporting practices across all PAs to ensure comparability and transparency in SGIP expenditure reporting.

CSE Management Response:

The incentives incurred only reflect the amount of funding that was paid out in 2024. This does not accurately reflect the amount of administrative labor needed in that year. There is a significant amount of labor in reviewing application documents and coordinating with contractors and the other PAs that are not directly tied to incentive payments. Additionally, there is administrative time spent on reviewing and following up with applications that are ultimately cancelled and do not result in payment.

CPUC Response:

The CPUC may consider evaluating whether it is more cost effective for SDG&E to use a third-party administrator as compared to PG&E, SCE, and SCG as the administrator.

Follow-Up To Prior Year Finding

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, we were 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.

The difference noted in the prior year led the Center for Sustainable Energy (CSE)to file a motion on October 9, 2023, requesting the California Public Utilities Commission (CPUC) to require San Diego Gas & Electric (SDG&E) to fully fund the Self-Generation Incentive Program (SGIP) in its service territory.

CSE claimed SDG&E failed to collect the full authorized SGIP budgets for:

- 2001–2005: $38.2 million shortfall
- 2012–2019: $1.2 million shortfall

CPUC Ruling Summary

1. Denial of CSE’s Motion

- The CPUC denied CSE’s request to require SDG&E to retroactively collect the alleged shortfalls.
- The Commission found no legal or regulatory basis requiring SDG&E to collect the full authorized budget for 2001–2005.
- For 2012–2019, SDG&E’s collections were consistent with its 13% allocation of the total SGIP budget, as per CPUC decisions.

2. Treatment of Carryover Funds

- The CPUC acknowledged past ambiguity in how utilities handled SGIP collections and carryovers.
- SDG&E’s treatment of carryover funds was found to be consistent with Commission decisions, including:
    - Filing advice letters when needed
    - Not collecting additional funds when over-collections existed

3. Coordination and Accountability

- The CPUC emphasized that both CSE and SDG&E share responsibility for the budget dispute due to poor coordination and inconsistent accounting.

The ruling encourages:

- Improved collaboration between CSE, SDG&E, and the CPUC’s Energy Division
- Joint submission of annual Tier 1 budget update advice letters
- Monthly tracking and reconciliation of SGIP accounts
- Transparency in reporting collections, expenditures, and interest income