**Solar On Multifamily Affordable Housing (SOMAH) Budget Guidance Memo**

**Version 2**

October 2022

# Introduction

This document shows the California Public Utilities Commission’s (CPUC’s) policy and rules for the budgeting mechanisms for the Solar on Multifamily Affordable Housing (SOMAH) program, implemented by AB 693 (Eggman, 2015). This guidance applies to the following investor-owned utilities (IOUs) which are required to contribute funding to the SOMAH program from their greenhouse gas allowance auction revenues:

* Pacific Gas & Electric (PG&E)
* Southern California Edison Company (SCE)
* San Diego Gas & Electric Company (SDG&E)
* Liberty Utilities Corporation (Liberty)
* Pacific Power (PacifiCorp)

This guidance is compiled by Energy Division staff and is not formally adopted by the CPUC. As such, it is a reference only, and is not intended to be exhaustive of all relevant and applicable rules from CPUC decisions and resolutions. The SOMAH program is implemented by a third-party, and while not explicitly referenced here, some of these policies and rules may also apply to their functions as well. It is recommended that program administrators confer with the IOUs whenever necessary.

The SOMAH Budget Guidance Memo is high-level to assist in harmonizing the budgeting process and can be used as a quick reference guide. This Guidance Memo does not cover administrative expenses or other programmatic elements.

# SOMAH Program Budget Funding Source, Timeline, and Limits

**2.1 Source and Timeline**

The SOMAH Budget comes from the IOUs’ greenhouse gas auction allowances and will be collected from January 1, 2016 through June 30, 2026 (per Public Utilities Code 2870, Decision 17-12-022 and Decision 20-04-012).

The IOUs’ Energy Resource Recovery Account (ERRA) or Energy Cost Adjustment Clause (ECAC) applications include submittals of each year’s SOMAH budget and prior-year true-up amounts (Decision 17-12-022). Each IOU’s ERRA and ECAC applications proceed independently of the others.

The SOMAH Budget has two main components within an application’s ERRA/ECAC budget:

* Set-Aside: the funding amount (proposed or transferred) from a given year’s Forecasted Auction Revenue (Section 3). If referring to a previously transferred amount the term “Actual Set-Aside” is often used.
* Prior Year True-up: the funding amount needed (plus or minus) to ensure that the SOMAH allocation to past years is correct given Recorded Auction Revenue values (Section 4)

**2.2 SOMAH Funding Amount Limits**

The Commission will annually authorize up to one hundred million dollars ($100,000,000) or 10 percent of available funds, whichever is less.

Each IOU will either set-aside on a forecast basis:

Option 1: Reserves 10% of their annual revenue for SOMAH until the calendar year (January to December) has closed and the auction revenues can be reviewed collectively (D.17-12-022 Ordering Paragraphs 4, 5 and 6).

Option 2: Set-aside their proportionate share of a $100 million budget for SOMAH, per D.22-09-009 Table 1, if the IOU demonstrates that the IOUs’ collective forecast revenue will equal or exceed $1 billion (D.22-09-009 Ordering Paragraph 3). This amount should match the IOU’s set-aside value in Table 2 of D.22-09-009 so that the collective IOU amounts can equal $100 million; do not round.

If, after the calendar is over, the IOU’s combined greenhouse gas auction revenues **do not** exceed $1 billion dollars, then each IOU will need to provide 10% of their actual revenue for SOMAH, this amount may be higher or lower than the forecast set aside amount and will still need to be trued up.

If, after the calendar year is over, the IOUs’ combined greenhouse gas auction revenues **do** equal or exceed $1 billion dollars, then the SOMAH budget for that calendar year will be capped at $100 million dollars. Each IOU shall only contribute its share based on its fraction of the combined total greenhouse gas auction revenues (D.17-12-022, page 36). Table 2, D.17-12-022 has this illustrative example:

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Typical program and administrative expenses aside, funds cannot be moved from the IOUs’ SOMAH Balancing Accounts without Commission approval (D.20-04-012 at page 11). As such, true-up amounts, whether those be an addition or a subtraction, must be requested in each IOU’s ERRA or ECAC application.

# SOMAH Actual Set-Aside Budget

As is current practice, each ERRA/ECAC Application proposes the next year’s budget for spending greenhouse gas auction revenue. The application’s proposed annual SOMAH budget is part of the IOU’s Forecast Revenue, captured in their Template D-1 of their ERRA/ECAC. Each IOU must clearly show their SOMAH Forecast Set-Aside amount as a separate line item[[1]](#footnote-2).

The SOMAH Forecast Set-Aside Amount is either 1) 10% of the proposed Forecasted total greenhouse gas auction revenue, as per D.17-12-022 Ordering Paragraphs 4 and 5 and reiterated in D.20-04-012 at page 9-10 or 2) Set aside their pre-determined proportionate share of $100 million on a forecast basis, as per D.22-09-009. This approach means that the SOMAH program is less likely to face under-collection, which is important to avoid delays for program incentives to eligible applicants.

In the ERRA/ECAC applications, only the SOMAH Forecast Set-Aside amount (not the prior year true-up) is a portion of the 15% cap on clean energy program spending (per Public Utilities Code 748.5.c).

The SOMAH Forecast Set-Aside amount can change during application review depending on factors like changes in the forecasted total GHG auction revenue or other Commission direction.

Here is a table summarizing the directions in Sections 2 and 3:

|  |  |  |
| --- | --- | --- |
| **SOMAH Forecast Budget Matrix** | If IOU sets aside 10% of revenue based on a Forecast basis… | If IOU sets aside their share of $100 million on a Forecast basis… |
| If final combined actual revenues are under $1 billion, then… | Adjust to 10% of actual revenue for each IOU | Adjust to 10% of actual revenue for each IOU |
| If final combined actual revenues are equal to or more than $1 billion, then… | Adjust to proportionate share of $1 billion based on each IOU’s share (%) of actual revenue | Adjust to proportionate share of $1 billion based on each IOU’s share (%) of actual revenue |

# SOMAH Budget Prior Year True-Up

The Prior Year True-up amount rectifies the previous years’ budgets to the amount needed.

Each program year’s budget is fully balanced and transacted two years after the auction year (calendar year January to December) has ended. Depending on each IOU’s accounting practices, the Prior Year True-up Amount may contain adjustments beyond the year before the application, making the term “Prior Year True-up” nominal.

In the ERRA/ECAC, the SOMAH Prior Year True-up amount is *not* a part of the 15% cap on clean energy program spending.

**4.1 Determining Prior Year True-up Amounts**

After the year’s auction closes, if the IOUs collectively exceeded $1 billion in revenue from the previous calendar year, it triggers the $100 million budget cap for SOMAH.

By March 1st, the IOUs must submit a joint Tier 1 Advice Letter, per D.20-04-012 and D.22-09-009, stating their total revenues from the past year and updating their SOMAH Budgets and true-up amounts. **It is recommended that the IOUs connect and confer with Energy Division prior to their advice letter submission especially when the $100 million budget cap is necessary.** As directed in D.22-09-009, SCE, PGE, or SDG&E will submit the joint true-up advice letter.

In their ERRA or ECAC applications, each IOU must present a summary of their past allocations in a table template in the same format as the untitled table in D.20-02-047 at page 20 (per D.20-04-012). This summary table will show the “Prior Year True-up Amount” necessary and be reflected in their Template D-1.

Below is the D.20-02-047 Untitled Table at Page 20:

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# SOMAH Budget Timeline 2022 through 2030

Each funding year or GHG auction year takes four years to complete its cycle from application request to balanced budget close. Application timelines are not assured, and this table relies on estimates, however the steps occur in the order shown. Follow the columns down to see the funding and balancing steps for each funding program year (PY) over time. SOMAH program funding ends in 2026, the balancing process ends in 2028, and the program ends in 2030.

**Table 1: SOMAH Budget Timeline**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SOMAH** | **Funding Program Year (PY) or GHG Auction Year** | | | | |
| **Calendar Year** | **PY 2022** | **PY 2023** | **PY 2024** | **PY 2025** | **PY 2026** | |
| **2022** | PY 2022 GHG Allowance Auction Market occurs | **PY 2023 ERRA/ECAC Application** |  |  |  | |
| **2023** | PY 2022 March AL w/Summary Table | PY 2023 GHG Allowance Auction Market occurs | **PY 2024 ERRA/ECAC Application** |  |  | |
| **PY 2022 True-up request in PY 2024 ERRA/ECAC** |
| **2024** | PY 2022 True-up amount transfer occurs | PY 2023 March AL w/ Summary Table | PY 2024 GHG Allowance Auction Market occurs | **PY 2025 ERRA/ECAC Application** |  | |
| **PY 2023 True-up request in PY 2025 ERRA/ECAC** |
| **2025** |  | PY 2023 True-up amount transfer occurs | PY 2024 March AL w/Summary Table | PY 2025 GHG Allowance Auction Market occurs | **PY 2026 ERRA/ECAC Application** | |
| **PY 2024 True-up Amount in PY 2026 ERRA/ECAC** |
| **2026**  **(collections end 6/30/26)** |  |  | PY 2024 True-up amount transfer occurs | PY 2025 March AL w/Summary Table | PY 2026 GHG Allowance Auction Marketoccurs | |
| **PY 2025 True-up Amount in PY 2027 ERRA/ECAC** |
| **2027** |  |  |  | PY 2025 True-up amount transfer occurs | PY 2026 March AL w/Summary Table | |
| **PY 2026 True-up Amount in PY 2028 ERRA/ECAC** | |
| **2028** | **PY 2028 ERRA/ECAC Approved, SOMAH Budget is fully trued-up.** | | | | | |

1. “Each utility shall include a SOMAH forecast set-aside amount as a separate line item in its applicable filings [specifically, Template D-1 (originally adopted in D.14-10-033)], distinguished from other programs funded pursuant to Public Utilities Code Section 748.5(c)” D.20-04-012 at page 10 [↑](#footnote-ref-2)