

June 21, 2019

To the California Public Utilities Commission,

The Disadvantaged Communities Advisory Group (“Advisory Group”) understands that the Self-Generation Incentive Program Residential Equity Budget (SGIP EB) has received zero approved applications to date and requires programmatic changes in an effort to provide storage incentives to the low-income and disadvantaged communities the SGIP EB is intended to serve. Energy storage systems are becoming increasingly needed in order to help alleviate the impacts brought by extended heatwaves, wildfires, and preventative de-energization events.

On April 15, 2019, Commissioner Rechtschaffen released an Assigned Commissioner’s Ruling Seeking Comment on Implementation of Senate Bill 700 and Other Program Modifications (ACR) to solicit stakeholder input on the future direction of the SGIP program. The Advisory Group focuses this comment letter on SGIP EB program modifications that if adopted are designed to meet the objectives of D.17-10-004, *The Decision Establishing Equity Budget for Self-Generation Incentive Program*. The three objectives of the SGIP EB are 1) bring positive economic and workforce development opportunities to the state’s most disadvantaged communities; 2) help reduce or avoid the need to operate conventional gas facilities in these communities, and 3) to ensure that low-income customers or low-income communities have access to energy storage systems incentivized through SGIP.¹

The CPUC should adopt the following recommendations designed to remove barriers to low-income and disadvantaged communities’ access to the SGIP EB:

1) Increase SGIP EB program incentives to spur energy storage investment in low-income and disadvantaged communities

The Advisory Group is aware that the SGIP EB has one pending allocation amount that represents only .004% of the total available funds within the EB category.² This extremely low interest highlights the need to increase the incentive levels for the SGIP EB in order to spur energy storage development in low-income communities across California. The California Energy Commission’s (CEC) Low-Income Barriers Study noted that up-front costs are prohibitive to implementing clean energy projects because up-front costs are not within low-income households’ budgets.³ At the current incentive level for the SGIP EB, there remains a significant cost-gap between what the incentive covers and the total installation and equipment costs which has resulted in zero approved EB projects. A higher incentive will also help

¹ D.17-10-004, Decision Establishing Equity Budget for Self-Generation Incentive Program, p.6, October 13, 2017

² The Residential Storage Equity Budget has one pending reservation amount of \$32,063. This is out of a total budget of \$7,263,754 or .004%, retrieved 30 May 2019,

https://www.selfgenca.com/budget_public/program_level_summary/statewide

³ California Energy Commission, Low-Income Barriers Study, Part A: Overcoming Barriers to Energy Efficiency and Renewable for Low-Income Customers and Small Business Contracting Opportunities in Disadvantaged Communities, p.B-2

overcome the higher implementation costs to serve low-income households, given that those households are more likely to have conditions challenging to installation. This further necessitates the need for an incentive level that will cover the ‘all-in’ cost for low-income customers to participate in the SGIP EB program.

2) The Commission should adopt adders to encourage pairing storage with low-income solar programs and installing storage for customers with the strongest need for resilience

Providing an incentive adder to customers that pair their SGIP EB incented storage system with a low-income incented solar system provides maximum benefit to low-income customers and ensures that total system project costs are full covered. There are a variety of benefits low-income customers would recognize, such as:

- Increased customer bill savings by pairing a SGIP incented storage system with a solar system funded by a low-income solar program. This pairing will likely result in greater bill savings by primarily using solar energy to charge the storage system rather than buying power from the grid to charge the storage system.
- Local pollution reduction potential (greenhouse gas savings) by using solar energy provided through low-income solar programs to charge the on-site storage system instead of charging from the grid which is likely sourced from carbon-based power sources.
- Inclusion of consumer protection measures made possible through low-income solar programs. For example, low-income solar customers must receive at least 50% of the savings as compared to standard utility rates.⁴ If the SGIP EB incented storage systems are paired to low-income solar program incented systems, then the inherent consumer protection measures extend to ensure low-income customers are protected from higher costs.

The Commission should also consider enabling a ‘resilience adder’ that could be layered on top of an increased SGIP EB base incentive amount to further incentivize adoption of energy storage systems to low-income customers located in Tier 3 High Fire Threat Districts⁵ or to customers that require the use of life support equipment. The California Department of Public Health has noted that low-income families, some communities of color, tribal nations, and other vulnerable populations are most exposed to the impacts of climate change.⁶ These vulnerable and disadvantaged communities have the least capacity to adapt to climate change impacts and incorporating resilience elements that SGIP EB incented energy storage systems can provide will be a critical component in ensuring low-income communities have an equitable opportunity to adapt to increased wildfires, more frequent heat waves, and preventative de-energization events.

⁴ D.15-01-027,p52, January 30, 2015,

⁵ The Tier 3 High Fire Threat Districts can be found at the CPUC Fire Map here, <https://ia.cpuc.ca.gov/firemap/>

⁶ California Department of Public Health, Climate Change and Health Equity, Issue Brief, May 2019, https://www.cdph.ca.gov/Programs/OHE/CDPH%20Document%20Library/CCHEP-General/CDPH_CC-and-Health-Equity-Issue-Brief.pdf

3) Additional SGIP EB programmatic barriers need to be addressed if the CPUC wants to see low-income and disadvantaged communities benefit from energy storage systems

In addition to higher incentive levels, there are other program modifications the CPUC can approve to encourage low-income and disadvantaged community participation in accessing energy storage systems. The Advisory Group recognizes the following barriers:

- The CPUC should adopt a steady, secure incentive rate, and remove any automatic ‘step up’ or ‘step down’ mechanisms. A steady, secure incentive is a best practice in low-income clean energy programs that have been successful statewide for decades. The ‘step up’ incentive design may unintentionally motivate developers to wait until a higher incentive rate is available before reserving incentives while a static incentive structure provides financial certainty to interested developers.
- The SGIP EB is currently reliant upon the SGIP Non-Residential general market reaching specific incentive steps before opening. The CPUC should untether the SGIP EB from the non-residential market and immediately open the SGIP EB within PG&E territory and establish a higher base incentive level in all IOU territories.
- The Commission should remove the Developer Cap requirement in the SGIP EB.⁷ The developer cap currently restricts individual developers from accessing more than 20% of the SGIP EB incentive but this requirement is premature in a market that has zero uptake.
- Reduce the annual energy storage system cycling requirements for the SGIP EB track. This should enable more power, on average, to be stored on-site which could be available to power critical services (medical devices) during de-energization events and other climate related emergencies.
- Add a new deemed compliance pathway for residential SGIP EB projects that operate based on a Time-of-Use rate schedule or are paired with a solar system. The deemed compliance pathway will still eliminate greenhouse gas (GHG) emissions as they will avoid the need to utilize diesel backup generators to power critical circuits and life support equipment.
- The current SGIP rule⁸ that reduces the SGIP incentive by either 100% or 50% depending on if the other program incentive is provided by IOU ratepayers or non-IOU ratepayers should be removed for the SGIP EB. The removal of this restriction provides another opportunity to meet the three objectives of D.17-10-004 as highlighted above.

⁷ SGIP Handbook, p.30

⁸ SGIP Program Handbook Rule 3.2.6

4) Leverage SGIP EB and all Commission authorized programs to maximize the impact for pilot communities as referenced in the San Joaquin Valley Proceeding

The Advisory Group strongly supports the SGIP EB fully incenting energy storage systems for the pilot communities as identified in the San Joaquin Valley Proceeding (R.15-03-010). To do so, the Advisory Group recommends the full set-aside amount of \$10 million be allocated from the existing SGIP Non-Residential EB to the SGIP Residential EB. The majority of the pilot communities will undergo in-home retrofits to convert energy sources from propane to all-electric and since these communities have reported a high frequency of power outages, the addition of an energy storage system would have the ability to power the all-electric space conditioning and water heating appliances during grid outages. Powering these all-electric appliances during grid outages helps mitigate negative health, comfort and safety consequences of a power outage while simultaneously reducing the need for local conventional gas plant operation. This allocation will also provide a better understanding of the value proposition of energy storage systems to low-income electrification initiatives more broadly.

The Advisory Group looks forward to working with stakeholders on eliminating barriers to the benefits of energy storage systems for low-income and disadvantaged communities. By adopting the aforementioned recommendations, the CPUC can help bring positive economic and workforce development opportunities to the state's most disadvantaged communities, reduce or avoid the need to operate conventional gas facilities in these communities, and ensure that low-income and disadvantaged communities have access to energy storage systems.

Sincerely,

- The Disadvantaged Communities Advisory Group

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