BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.	Rulemaking 12-11-005 (Filed November 8, 2012)

MOTION OF THE CALIFORNIA ENERGY STORAGE ALLIANCE TO ISSUE A RULING THAT TRANSFERS FUNDS TO THE EQUITY BUDGET

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In accordance with Rule 11.1 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the California Energy Storage Alliance ("CESA") hereby submits this *Motion of the California Energy Storage Alliance to Issue a Ruling that Transfers Funds to the Equity Budget* ("Motion") to transfer funds from the Equity Resiliency Budget and from the General Large Scale Storage Budget to the Non-Residential Storage Equity Budget and the Residential Storage Equity Budget. Recognizing that implementation of Decision ("D.") 20-01-021 via advice letter will have already allocated the funds pursuant to Orders 6, 10 and 13 for the specific budget categories from which fund transfers are requested, CESA is filing this Motion to support the timely implementation of the requested relief that would not otherwise change the determinations made in the decision.

I. <u>INTRODUCTION</u>.

With the passage in 2015 of Senate Bill ("SB") 350, the Clean Energy and Pollution Reduction Act, the Legislature incorporated disadvantaged community ("DAC") and equity considerations in Commission decision-making processes and directed the creation of the DAC Advisory Group to provide subject-matter expertise and accountability to ensure progress toward

DAC-related goals. The DAC Advisory Group subsequently adopted the Environmental and Social Justice Action Plan ("Action Plan") in 2019 that, among other identified goals and actions, directed the Commission to "hasten this transition in communities that bear an unduly high burden from these pollution sources by prioritizing additional investment in the areas of renewable energy, storage, energy efficiency, and electric vehicle infrastructure" in order to support the goal of improving local air quality and public health in DACs. Energy storage resources also enhance climate resiliency in these communities and promote economic and workforce development opportunities – additional goals outlined in the Action Plan.

To the Commission's credit, D.17-10-004 was issued on October 12, 2017 that established a new Equity Budget that set aside 25% of available Self-Generation Incentive Program ("SGIP") funds at the time, thus creating a focus on delivering the benefits that energy storage systems can provide to low-income and DAC customers. In establishing the Equity Budget, even prior to the formal Action Plan adopted by the DAC Advisory Group in 2019, the Commission explained that its creation would increase access to clean energy programs and would advance the following objectives:[1]

- Bring positive economic and workforce development opportunities to the state's most disadvantaged communities
- Held reduce or avoid the need to operate conventional gas in these communities, which are exposed to some of the poorest air quality in the state
- Ensure that non-profit, public sector and small businesses in low-income communities, as well as, low-income residential customers have access to the clean energy resources incentivized through SGIP

Subsequently, D.19-09-027 was issued that identified the gaps in equitable access by modifying the customer eligibility criteria for the Equity Budget and recognized the "largest

[1] D.17-10-004 at Finding of Fact ("FOF") 2.

barrier" in program participation being one of upfront capital and financing to adopt energy storage systems by modifying the Equity incentive rate up to $0.85/Wh.[2] Due to the wildfire events over the last three years and the Public Safety Power Shutoff ("PSPS") events of 2019, the Commission also established a new programmatic focus on resiliency, with most of the funds (63%) authorized under SB 700 being directed to a new Equity Resiliency Budget that "prioritizes customers with the greatest immediate need for on-site storage, provides community benefits, and advances SGIP's goals."[3] At the time of the decisions and now, CESA commends the Commission for its proactive actions to evolve SGIP to ensure that access to funds to support energy storage deployments are dedicated and made available to low-income and DAC customers.

However, since the decisions made to expand equitable access to SGIP funds and to enhance customer resiliency to those most in need, the world has also been shaken with an unprecedented pandemic that has posed public health challenges and risks and precipitated an economic crisis that has caused a surge in unemployment,[4] with clean energy job losses reaching an estimated 447,208 nationwide and 77,860 in California.[5] With the retail and service industries facing the most loss with shelter-in-place orders in place as well as the other inherent risk factors in place, low-income households have suffered the largest brunt of the economic fallout.[6] Beyond the public health and economic impacts, California also faces the additional unique challenge of

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[2] D.19-09-027 at FOF 2-3 and 16 and Conclusion of Law ("COL") 11.

[3] D.20-01-021 at FOF 6.

[4] According to the Department of Labor, the national jobless rate has reached an estimated 23.9%: https://www.dol.gov/ui/data.pdf

[5] *Clean Energy Employment Initial Impacts from the COVID-19 Economic Crisis, April 2020* prepared in memorandum by BW Research Partnership on behalf of E2, E4TheFuture, and ACORE on May 13, 2020: https://e2.org/wp-content/uploads/2020/05/Clean-Energy-Jobs-April-COVID-19-Memo-FINAL.pdf

[6] Parker, Kim, et al. "About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19." Pew Research Center. 2020 Apr 21. https://www.pewsocialtrends.org/2020/04/21/about-half-of-lower-income-americans-report-household-job-or-wage-loss-due-to-covid-19/

preparing for the next wildfire season and possible PSPS events to mitigate wildfire risks, which compounds the safety and economic impacts with the likelihood of the shelter-in-place orders being in place to varying degrees for the foreseeable future.[7] In the backdrop of these urgent crises, the climate crisis also continues to loom large where the state needs to continue to make progress on its decarbonization goals to improve the conditions (*e.g.*, drought, global warming) that have significantly contributed to increased wildfire risks and thus the use of PSPS.

California is thus facing three major crises at once: economic, resiliency and safety, climate change. Fortunately, the state has an opportunity to address all three crises by granting the requested relief in this Petition.

II. **SUMMARY OF REQUESTED RELIEF.**

CESA respectfully requests that the Commission issue a Ruling as soon as possible to:

- Transfer $150 million in funds from the Equity Resiliency Budget to the Non-Residential Storage Equity Budget; and
- Starting with Step 5 and then successively moving to Step 4 and Step 3, transfer $150 million in funds from the General Large-Scale Storage Budget to the Non-Residential Storage Equity Budget and transfer $10 million from the General Large-Scale Storage Budget to the Residential Storage Equity Budget.

Currently, after accounting for existing and imminently allocated funds, the Non-Residential Storage Equity Budget is oversubscribed by over $300 million, as represented by the waitlisted incentive claim trends in Table 1. Meanwhile, after accounting for the already-allocated funds and the additional funds authorized pursuant to D.20-01-021, the Residential Storage Equity Budget is oversubscribed by $8.4 million.

[7] Without taking a position on the matter, CESA points to the *Joint Motion for Emergency Order Regarding De-Energization Protocols During the COVID-19 Pandemic* filed by a coalition of local governments and community choice aggregators on April 13, 2020 in R.18-12-005 as elaborating on these overlapping concerns: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M333/K014/333014736.PDF

Table 1: SGIP Available/Expected Budget & Incentive Claim Trends[8]

	Available Budget ($)[9]	Reserved Incentive Claims ($)[10]	Waitlisted Incentive Claims ($)	Additional Incoming Budget ($)[11]	Net Position After Clearing Waitlist ($)[12]
Equity Resiliency	**100,000,000**	**95,392,358**	**50,254,896**	**512,442,000**	**458,740,728**
CSE	13,000,000	12,652,204	9,001,589	66,617,460	55,260,340
PG&E	44,000,000	43,047,498	36,866,706	225,474,480	186,893,283
SCE	34,000,000	32,855,907	4,386,601	174,230,280	168,304,075
SoCalGas	9,000,000	6,836,749		46,119,780	48,283,031
Non-Res Storage Equity	**52,852,387**	**49,999,032**	**303,428,489**	**0**	**(300,575,133)**
CSE	6,870,810	8,502,850	17,970,449	0	(19,602,489)
PG&E	23,255,050	21,514,403	108,566,198	0	(106,825,551)
SCE	17,969,812	14,218,270	145,959,745	0	(142,208,203)
SoCalGas	4,756,715	5,763,509	30,932,096	0	(31,938,890)
Res Storage Equity	**7,231,691**	**6,959,212**	**32,934,615**	**24,402,000**	**(8,482,932)**
CSE	940,120	899,452	3,853,138	3,172,260	(640,210)
PG&E	3,181,944	2,854,157	21,669,564	10,736,880	(10,612,032)
SCE	2,458,775	2,592,343	7,411,913	8,296,680	739,979
SoCalGas	650,852	613,260		2,196,180	2,029,332
Small Res Storage	**3,086,504**	**13,138,769**	**4,784,047**	**56,938,000**	**41,904,174**
CSE	401,246	3,010,577	619,535	7,401,940	4,138,833
PG&E	1,358,062	4,783,064	4,123,898	25,052,720	17,314,432
SCE	1,049,411	4,235,490	38,516	19,358,920	16,161,241
SoCalGas	277,785	1,109,637	2,099	5,124,420	4,289,668
Large Scale Storage	**216,818,321**	**35,240,229**		**81,340,000**	**262,918,092**
CSE	28,186,382	3,817,922		10,574,200	34,942,660
PG&E	95,400,061	25,704,743		35,789,600	105,484,918
SCE	73,718,229	5,400,050		27,655,600	95,973,779
SoCalGas	19,513,649	317,515		7,320,600	26,516,734
Renewable Generation	**6,760,301**	**2,864,100**		**97,608,000**	**101,504,201**
CSE	878,839			12,689,040	13,567,879
PG&E	2,974,532	1,117,500		42,947,520	44,804,552
SCE	2,298,502	19,800		33,186,720	35,465,422
SoCalGas	608,427	1,726,800		8,784,720	7,666,347

[8] Data was downloaded on June 9, 2020: https://www.selfgenca.com/report/public/.

[9] This budget represents the budget authorized as of September 2019 pursuant to D.19-09-027 and reflected in corrected Table 4 in D.20-02-039. The allocations across PAs are based on Table 1 of D.20-01-021.

[10] The Reserved Incentive Claim data is aggregated from the applications in the RRF stage, excluding those marked as "RRF Rejected" under "Fully Qualified State" in the real-time SGIP report. Projects marked as "RRF Suspended" are included in this statistic because such applications are typically missing required documentation or needs clarification. No discernable trends can be identified regarding project likelihood in looking at suspension rate of applications by category at this time.

[11] This budget represents the adopted allocation of 2020-2024 collections as adopted in D.20-01-021 and corrected in D.20-02-039 at 3. The allocations across PAs are based on Table 1 of D.20-02-021.

[12] Net position is calculated by taking the sum of the available and additional incoming budget and subtracting out the reserved and waitlisted incentive claims. The actual budget levels of the general budget categories may vary because there will likely be projects beyond the RRF stage that have claimed incentive funds, in contrast to the Equity and Equity Resiliency Budget categories that have only recently launched.

By granting the requested relief in this Motion, the Commission will help to "clear" the majority of waitlisted projects in the Non-Residential Storage Equity and Residential Storage Equity budget categories. The net budget levels after the requested fund transfers can be approximated to result in the following budget levels below.

Table 2: SGIP Available/Expected Budget & Net Position Based on CESA Proposal

	Adopted Available & Incoming Budget ($)	Revised Available & Incoming Budget ($)	Net Position After Clearing Waitlist ($)[13]
Equity Resiliency	**612,442,000**	**462,442,000**	**308,740,728**
CSE	79,617,460	60,117,460	40,136,295
PG&E	269,474,480	203,474,480	135,845,920
SCE	208,230,280	157,230,280	104,971,848
SoCalGas	55,119,780	41,619,780	27,786,666
Non-Res Storage Equity	**52,852,387**	**352,852,387**	**(575,134)**
CSE	6,870,810	45,870,810	(74,767)
PG&E	23,255,050	155,255,050	(253,059)
SCE	17,969,812	119,969,812	(195,545)
SoCalGas	4,756,715	31,756,715	(51,762)
Res Storage Equity	**31,633,691**	**41,633,691**	**1,517,068**
CSE	4,112,380	5,412,380	197,219
PG&E	13,918,824	18,318,824	667,510
SCE	10,755,455	14,155,455	515,803
SoCalGas	2,847,032	3,747,032	136,536
Small Res Storage	**60,024,504**	**60,024,504**	**41,904,174**
CSE	7,803,186	7,803,186	4,138,833
PG&E	26,410,782	26,410,782	17,314,432
SCE	20,408,331	20,408,331	16,161,241
SoCalGas	5,402,205	5,402,205	4,289,668
Large Scale Storage	**298,158,321**	**138,158,321**	**102,918,092**
CSE	38,760,582	17,960,582	13,379,352
PG&E	131,189,661	60,789,661	45,283,961
SCE	101,373,829	46,973,829	34,992,151
SoCalGas	26,834,249	12,434,249	9,262,628
Renewable Generation	**104,368,301**	**104,368,301**	**101,504,201**
CSE	13,567,879	13,567,879	13,567,879
PG&E	45,922,052	45,922,052	44,804,552
SCE	35,485,222	35,485,222	35,465,422
SoCalGas	9,393,147	9,393,147	7,666,347

[13] Net position is calculated by taking the sum of the available and additional incoming budget and subtracting out the reserved incentive claims and waitlisted incentive claims.

Undoubtedly, the changes made by the Commission through the issuance of D.19-09-027 has helped to overcome the chief upfront financial barrier for deployment of energy storage systems to support Equity customers' economic and resiliency needs. The Commission should be proud of this outcome, where SGIP is finally experiencing the market transformation and access of energy storage systems for Equity customers, who had largely been unable to take advantage of SGIP funds since the inception of the Equity Budget categories. However, given the significant demand and need to support Equity customers, CESA recommends that the Commission grant the relief requested in this Motion. The requested relief is justified on the following grounds and is detailed further in this Motion:

- Immediate fund transfers to the Equity Budget will support shovel-ready projects that provide economic stimulus and support the Commission's long-held equity goals while addressing gaps in the Equity Resiliency Budget.
- The majority of waitlisted projects in the Non-Residential Equity Budget can be reasonably assumed to support resiliency based on the storage durations in the Reservation Request Form ("RRF") data.
- Potentially sufficient funds are in place are in place in the Equity Resiliency Budget to support many customers in need as well as in the Large-Scale Storage Budget to support general customer needs.

III. IMMEDIATE FUND TRANSFERS TO THE EQUITY BUDGET WILL SUPPORT SHOVEL-READY PROJECTS THAT PROVIDE ECONOMIC STIMULUS AND SUPPORT THE COMMISSION'S LONG-HELD EQUITY GOALS WHILE ADDRESSING GAPS IN THE EQUITY RESILIENCY BUDGET.

In these unprecedented times where California faces overlapping economic, resiliency and safety, and climate change crises, the Commission has the opportunity to address these three-fold challenges by supporting energy storage projects that are currently waitlisted in SGIP under the Non-Residential Equity and Residential Equity Budget categories. These shovel-ready projects have the potential to bring immediate benefits to bring workers back to work using already authorized and allocated funds, support near-term resiliency needs in the face of the upcoming wildfire season, and to advance the state's decarbonization goals with clean resiliency and renewable integration resources.

First, as state political leaders and government officials contemplate economic stimulus measures, the Commission has the opportunity to provide immediate economic benefits with shovel-ready energy storage projects using already authorized and allocated funds, thus not requiring incremental funding from ratepayers or the state to achieve similar ends. By virtue of submitting a completed RRF, applicants effectively have a signed agreement with the host customer and technologies and project design in place, such that the next steps of the project development process are ready to begin upon confirmation of the incentive reservation request[14] – a sign of the potential immediacy of projects being fully developed and deployed to provide resiliency and other customer and grid services and of workers being put back to work to construct and install energy storage systems. Not only would the mobilization of these shovel-ready provide direct benefits to the Equity customer, but it would also provide jobs-related benefits[15] that are increasingly benefiting diverse and low-income worker populations.[16] For non-residential Equity customers who also provide public goods and services to their communities (*e.g.*, local governments, schools), there are multiplier effects in being able to serve their local communities.

[14] See RRF requirements of SGIP Handbook Section 5.4.1.

[15] The current Non-Residential Storage Equity waitlist consists of 129,485 kW of projects, which can help to potentially bring thousands of jobs back into the workforce. See, for example, CESA's white paper on potential energy storage jobs impacts here.

[16] Luke, Nikki, et al. *Diversity in California's Clean Energy Workforce: Access to Jobs for Disadvantaged Workers in Renewable Energy Construction*. University of California, Berkeley Center for Labor Research and Education. August 2017. http://laborcenter.berkeley.edu/pdf/2017/Diversity-in-Californias-Clean-Energy-Workforce.pdf

Second, the Commission has an opportunity to increase access to resiliency technologies and solutions for Equity customers by clearing the waitlist of projects. In R.19-09-009, resiliency strategies to streamline the deployment of energy storage is featured heavily in a Proposed Decision issued on April 29, 2020;[17] other than backup diesel generators, storage and storage paired with solar represents the most immediate form of clean resiliency that can be deployed for Equity customers, with some projects, particularly relatively smaller ones, potentially ready to install for the 2020 wildfire season. Additional discussion is provided in Section IV.

Finally, energy storage represents a greenhouse gas ("GHG") emissions reducing technology that serves as a cleaner resiliency alternative to backup diesel generators and that provides renewable integration and flexibility, especially with the new GHG signals designed to signal marginal emissions and updated time-of-use ("TOU") periods now aligned with current grid conditions. With the new performance and monitoring requirements in place pursuant to D.19-08-001, including for equity-focused projects,[18] energy storage systems have greater assurances of GHG emissions reduction that can be delivered to the Equity customer directly and by reducing the usage of fossil generators proportionately located in DACs. By reducing climate change impacts through energy storage, the Commission will help mitigate longer-term environmental conditions that have contributed to the current wildfire risks.

Altogether, much can be accomplished for Equity customers by immediately transferring funds into the Equity Budget categories. Since the issuance of D.17-10-004, Equity customers had virtually no access to incentive funds, primarily due to the low incentive rate. With the laudable change made to the incentive rate to overcome the chief barrier to access SGIP funds, Equity

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[17] *Proposed Decision Adopting Short-Term Actions to Accelerate Microgrid Deployment and Related Resiliency Solutions* issued on April 29, 2020 in R.19-09-009.

[18] D.19-09-027 at 54.

customers finally have access to energy storage projects that support the above objectives, but the market transformation and momentum is in some ways halted by the lack of additional funds allocated through D.20-01-021. The significant market demand may not have been predictable at the time of D.20-01-021 issuance, but now with real project and market demand data available, CESA believes it is reasonable to grant the fund transfer requested herein to continue to advance the equity goals of the Commission.

IV. THE MAJROITY OF WAITLISTED PROJECTS IN THE NON-RESIDENTIAL EQUITY BUDGET CAN BE REASONABLY ASSUMED TO SUPPORT RESILIENCY BASED ON THE STORAGE DURATIONS IN THE RESERVATION REQUEST DATA.

The Commission could meet the intent of the establishment and prioritization of the Equity Resiliency Budget through the support of Equity Budget projects through the requested transfer. The waitlist data suggests that a large portion of these projects will likely be providing resiliency based on the percentage of storage projects with longer than two-hour discharge duration as a proxy for resiliency projects, given that such projects require a demonstration of resiliency capabilities.[19]

Table 3: SGIP Non-Residential Storage Equity Waitlisted Incentive Claims

	Incentive Claims for Storage with 2 or Less Hours of Duration ($)	Incentive Claims for Storage with Greater than 2 Hours of Duration ($)	% Potential Resiliency Project Incentive Claims of Total Waitlisted Incentive Claims
CSE	203,310	17,767,139	98.9%
PG&E	23,810,304	84,755,895	78.1%
SCE	10,480,788	135,478,957	92.8%
SoCalGas	4,438,867	26,493,229	85.6%

[19] D.20-01-021 at Order 28.

While not a perfect proxy, the 87% of total waitlisted Non-Residential Storage Equity projects with greater than two hours of storage duration may indicate the level of the additional resiliency that could be supported, even as the Commission would be transferring a portion of funds from the Equity Resiliency Budget into the Equity Budget, where resiliency service is an option, not a requirement.[20]

Anecdotally, CESA has heard from storage project developers regarding the types of Equity projects that have been waitlisted despite the potential to deliver the aforementioned three-pronged benefits. For example, one developer described a university hospital in Southern California that meets the Equity customer criteria but is located less than one mile from a Tier 3 HFTD and has (fortunately) not yet experienced a PSPS event, thus foreclosing them from Equity Resiliency funds but currently sitting waitlisted despite being the primary critical medical facility for all nearby HFTD customers. As an additional example, another developer is working with a wastewater treatment facility that meets the Equity customer criteria and is defined as an eligible "critical facility" but also does not reside in in a Tier 2 or 3 HFTD or has experienced a PSPS event, yet provides critical services to nearby HFTD customers located just miles from the facility. Moreover, many of Equity projects, such as schools, are located in qualifying HFTDs and have experienced multiple PSPS, causing these customers to cancel school days and associated funding last year, yet are unable to access Equity Resiliency Budget incentives because schools do not qualify as an eligible critical facility, unless designated as a community resource or cooling center. Such customers are blocked out of Equity Resiliency funds and sit waitlisted even though they

[20] On this note, resiliency should be a priority and an option, but not a universal requirement outside of the Equity Resiliency Budget given customer preferences, customer decisions made based on the rules at the time of application, the added cost of resiliency, and/or the multitude of benefits that storage can provide beyond resiliency. See *Response of the California Energy Storage Alliance to California Solar & Storage Association's Petition for Modification of Decision 19-09-027 and Decision 20-01-021.* https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M336/K138/336138409.PDF

have the potential to serve Equity customers and be ensured of resiliency to continue their critical services. Such projects represent the very type of priority projects that the Commission envisioned as prioritizing in adopting D.19-09-027 and D.20-01-021. These projects can be immediately supported through the requested funds transfer. It is important to point out that the completion of these projects is not about the developer but rather the end customer who desires these solutions. These customers often selected a specific developer after weighing their options and specific needs with many in a competitive market

At the time of the filing of this Motion, CESA recognizes that not all of the projects will be fully built for the 2020 wildfire season but some could be, and it is crucial to get as many down the path to completion as is possible. Many larger non-residential projects will be positioned to support customers for the 2021 wildfire season while a larger portion of residential projects and smaller (*e.g.*, using less than 30-kW storage) non-residential projects have a greater chance of being deployed and installed before the end of the year. However, efforts to support 2021 wildfire resiliency need to begin in Summer 2020 due to the 12- to 18-month timelines typical of larger storage interconnections with microgrid/resiliency capabilities. Furthermore, while a priority, resiliency is also one of the many benefits (*e.g.*, economic stimulus, GHG reductions) that could be provided, as discussed in Section III above.

V. POTENTIALLY SUFFICIENT FUNDS ARE IN PLACE IN THE EQUITY RESILIENCY BUDGET TO SUPPORT MANY CUSTOMERS IN NEED AS WELL AS IN THE LARGE-SCALE STORAGE BUDGET TO SUPPORT GENERAL CUSTOMER NEEDS.

In D.19-09-027 and D.20-01-021, the Commission has emphasized the goal of prioritizing overall available SGIP funds to the most vulnerable customer in most need of resiliency, manifested through the majority allocation to the Equity Resiliency Budget.[21] CESA agrees with the Commission's prioritization. However, despite incremental improvements to expand the eligibility criteria in D.20-01-021 to include customers who experienced two or more PSPS events, eligibility for the Equity Resiliency Budget still remains narrowly defined, such that there may a smaller addressable market as compared to the size of the funding allocation. Though the size of the market for Equity Resiliency Budget funds is not entirely clear due to the addition of the PSPS experience criteria (*i.e.*, customer who have experienced two or more PSPS events), where customer data is not readily available at this time, the relative volume of the waitlist for the Equity Resiliency Budget ($58 million) and the Non-Residential Equity Budget ($303 million) suggest that there may not be as significant demand for the former, such that the $308 million left after granting the requested transfer may be sufficient to address Equity Resiliency customer needs. By contrast, the waitlist for the Non-Residential Equity Budget is eight times larger than the available funding. This budget ran out of money on the first day that it was available and was not reinforced with further allocations from D.20-01-021.

There is no science or rigorous quantitative method to arrive at a funding level that will ensure the Equity Budget's waitlists are cleared or reduced and the maximum amount of Equity Resiliency Budget funds are made available to the full base of eligible customers. CESA also understands that there is a level of uncertainty related to the early market uptake data since Equity Resiliency projects may take a relatively longer time to identify and acquire such customers and to develop and interconnect such projects. CESA recognizes that marketing, education, and outreach activities have just formally begun in some cases for the Equity Resiliency Budget, and some developers may have prioritized Equity project development given the smaller pool of

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[21] D.19-09-027 at FOF 10, 12, and 19 and D.20-01-021 at FOF 1, 17, and 23

available funds. As a result, the Commission is faced with balancing the certainty of supporting some or all of the waitlisted Equity projects, many of which are likely to include resiliency service as indicated in the section above, versus the uncertainty of supporting the full range of Equity Resiliency projects. In these times, however, CESA believes that it is reasonable for the Commission to support the immediate benefits to economic recovery, customer resiliency, and decarbonization that can be achieved by supporting the shovel-ready projects by granting the requested funds transfer. Though it is difficult to know for certainty, there should be sufficient funds leftover ($308 million) through the requested funds transfer.

Meanwhile, CESA continues to support the General Large-Scale Storage Budget since such storage projects continue to need market transformation and can provide GHG reductions as well as advanced grid services. With a $0.15/Wh resiliency adder adopted in D.20-01-021, such projects can also be positioned to provide resiliency for customers who seek it. However, the current applicable incentive rate ($0.35/Wh) is insufficient to drive significant market activity at this time. The costs for storage project development may not be falling as quickly as incentive rate step downs. With the base cost of storage not being supported by the current incentive rate, the addition of a resiliency adder would only cover the incremental resiliency-related costs and thus not economically drive market uptake. With incentive claims unlikely to occur based on current incentive rates, CESA believes it is reasonable to shift some portion of funds from the General Large-Scale Storage Budget to other budget categories where the funds can be more used and useful at present until barriers to this budget category are addressed at a later date, especially given other Commission priorities and the near-term opportunity presented by the long waitlist of projects in these difficult times. At the same time, sufficient funds (over $100 million) are still leftover to support this customer segment in granting this request.

Specifically, in shifting funds from the General Large-Scale Storage Budget, CESA recommends that the Commission begin with the funds available in Step 5, then Step 4, and finally Step 5. According to the total funding allocation detailed in Table 4 of D.20-02-029 and the equal allocation across Steps 3 to 5,[22] in addition to the total funds made previously available pursuant to D.17-10-017,[23] CESA estimates that granting the request in this Motion would primarily leave funds in Step 3 and some incremental funds in Step 4.

Table 4: SGIP General Large-Scale Storage Budget by Steps[24]

	Step 3	**Step 4**	**Step 5**
Funds per D.17-10-017	92,905,884	92,905,884	34,446,038
Funds per D.20-02-029	27,113,333	27,113,333	27,113,333
Total Funds Available	**120,019,217**	**120,019,217**	**61,559,371**
Net Funds Available if Motion is Granted	***120,019,217***	***31,578,588***	***0***

Along the same lines of preserving market demand in this budget category and in ensuring funds are used and useful, CESA believes this specific recommendation is reasonable since projects are unlikely to be developed at the $0.30/Wh Step 4 or $0.25/Wh Step 5 incentive rate, especially if the market is currently not experiencing meaningful uptake at the current Step 3 rates. By maintaining the budget for Step 3, the Commission will also be providing assurances to this market segment of continued market activity at an incentive rate that would at least drive some level of project development and incentive claims.

Finally, while not stated explicitly in a Commission Decision or Ruling, the Commission has favored transferring available funds if the demand for SGIP funds in one market segment can

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[22] D.20-02-029 at 3 and D.20-01-021 at 32.

[23] D.17-10-017 at 4.

[24] This is based on total funds allocated, but the actual budget available will likely differ based on the incentive reservations and claims data, such as those presented in Table 1-3 above.

be utilized without negatively impacting another market segment. Most recently, in a Non-Standard Disposition Letter issued on January 2, 2020, the Commission Energy Division justified the Program Administrators' transfer of funds from the General Large Scale Storage Budget to the General Residential Storage Budget since the PAs "demonstrated that the transfer of funding should not negatively impact the large energy storage market since demand has slowed and considerable funding remains in that budget category in each PA's service territory."[25] Unfortunately, since D.20-01-021 only authorized the PAs to make fund transfer requests between budget categories after December 31, 2022 in order to ensure that the budget allocations "remain stable for several years to clearly signal available funding to developers," this path cannot be pursued except through a Commission Ruling. The same logic, however, should still apply, where program data clearly shows significant market demand for the Equity Budget categories that still align with the Commission's priorities and program objectives while not negatively impacting the budget categories from which funds are being transferred away from.

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[25] Non-Standard Disposition Letter issued by Edward Randolph, Director, Energy Division on January 2, 2020 regarding *Center for Sustainable Energy Advice Letter (AL) 97-E/E-A, Pacific Gas and Electric Company AL 4187-G/5699-E, Southern California Edison Company AL 4114-E, and Southern California Gas Company AL 5548-G, Request to Transfer Funds to Step 5 Small Residential Energy Storage under the Self-Generation Incentive Program* at 5.

VI. CONCLUSION.

CESA appreciates the opportunity to submit this Motion and respectfully requests that the Commission grant the requested relief in this Motion.

Respectfully submitted,

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Executive Director
CALIFORNIA ENERGY STORAGE ALLIANCE

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