SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Josh Becker, Chair
2025 - 2026 Regular

Bill No:	SB 453	**Hearing Date:**	4/29/2025
Author:	Stern		
Version:	3/26/2025 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Nidia Bautista		

SUBJECT: Self-generation incentive program: microgrid incentive program

DIGEST: This bill would repurpose funds collected from utility ratepayers, in lieu of returning unallocated funds to ratepayers, in order to fund distributed energy resources for specified populations.

ANALYSIS:

Existing law:

1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical corporations. (Article XII of the California Constitution)

2) States the intent of the Legislature that the Self-Generation Incentive Program (SGIP) increase the deployment of distributed generation and energy storage systems to facilitate, among other things, the integration of those resources into the electrical grid. Authorizes the CPUC, in consultation with the State Energy Resources Conservation and Development Commission (California Energy Commission (CEC)) and until December 31, 2024, to authorize the annual collection of not more than double the amount authorized for the SGIP in 2008. Requires the CPUC to administer the SGIP until January 1, 2026. Requires the CPUC, on January 1, 2026, to provide repayment of all unallocated funds collected to reduce ratepayer costs. (Public Utilities Code §379.6)

3) Requires the CPUC, in consultation with the CEC and the California Independent System Operator (CAISO), to take specified actions by December 1, 2020, to facilitate the commercialization of microgrids for distribution customers of large electrical corporations, including, among other actions, by, without shifting costs between ratepayers, developing methods to reduce barriers for microgrid deployment. (Public Utilities Code §8371)

This bill:

1) Extends the operation of the SGIP until January 1, 2028, and requires the CPUC, on and after January 1, 2026, to allocate all unallocated funds for the program to areas that have experienced two or more deenergization events, prioritizing vulnerable communities, including access and functional needs populations, and prioritizing customers that operate critical community infrastructure that support resiliency during a deenergization event, as specified.

2) Requires the CPUC, on January 1, 2028, to provide repayment of all unallocated funds collected for purposes of the program to reduce ratepayer costs.

3) Requires, on and after January 1, 2026, any unallocated funds collected for purposes of the Microgrid Incentive Program to be allocated to areas that have experienced two or more deenergization events, prioritizing vulnerable communities, including access and functional needs populations, and prioritizing customers that operate critical community infrastructure that supports resiliency during a deenergization event.

Background

SGIP. SGIP provides incentives for distributed energy resources on the customer's side of the meter, including battery energy storage systems (the primary technology funded by the program), fuel cells, waste heat capture, wind turbines. Pursuant to statute, the program is funded by $166 million annual collection from investor-owned utility (IOU) ratepayers that is scheduled to sunset at the end of this year. The CPUC estimates there is roughly $68 million remaining that has not been committed. Additionally, non-ratepayer funding was appropriated from the Greenhouse Gas Reduction Fund (GGRF), specifically $280 million from the 2022 California State Budget to fund solar and battery energy storage for low-income residents for a related program. The proposed bill would not impact the GGRF appropriated funding.

Microgrid Incentive Program. SB 1339 (Stern, Chapter 566, Statutes of 2018) required the CPUC and CEC to facilitate the commercialization of microgrids. Since September 2019, the CPUC has held an open and active proceeding (R. 19-09-009) with various decisions, and tracks. Under Track 2 of the proceeding, via CPUC Decision (D. 20-06-017), the CPUC directed PG&E, SDG&E, and SCE to jointly develop a statewide microgrid incentive program (Microgrid Incentive Program or MIP) with a $200 million budget to fund clean energy microgrids to support the critical needs of vulnerable communities impacted by grid outages and test new technologies or regulatory approaches to inform future action. The $200 million budget authorized for the MIP by D.21-01-018 should be appropriated as follows: (1) $79,200,000 for Pacific Gas & Electric (PG&E); (2) $83,340,000 for Southern California Edison (SCE); and (3) $17,460,000 for San Diego Gas & Electric (SDG&E). Subsequent decisions developed parameters for the program and a handbook. SDG&E has reported they have fully subscribed their funding. PG&E has reported they have awarded nine projects ($43 million). SCE has reported they are reviewing one application.

Comments

Continuing the SGIP program? This bill would reallocate dollars scheduled to be returned to customers, per current statute, from the SGIP funding. As noted above there is roughly $68 million remaining. Per AB 3121 (Petrie Norris, 2024), uncommitted funds would have been returned to utility customers as a credit on their bills in order to offset the increasing costs of utility bills. The bill was held by the author in this committee. On the one hand, a $68 million return to customer may not amount to much of a credit for individual customers. However, to the extent members are concerned about utility bill affordability, they may desire any unallocated funds to be returned to help offset the increasing costs of utility bills. *Given that affordability remains top of mind for the Legislature and utility customers, the author and committee may wish to amend this bill to remove the language related to the SGIP program.*

MIP need to encourage its deployment. As noted above, both SDG&E and PG&E have deployed their allocated funding for the MIP. The author expresses frustration that SCE has not awarded any projects. He and the supporters of this bill would like to ensure these funds are available to help vulnerable populations who experience repeated deenergization events. However, as currently written, this bill could impede the current efforts to award projects, including by the other utilities. *As such, in order to provide oversight and encourage all the utilities are advancing the efforts to deploy the MIP funding for projects per the CPUC order, the author and committee may wish to recast the language related to the MIP:*

- *Require the CPUC to require each utility, by January 15, 2026, to provide a status update on the projects and dollars awarded within the proceeding.*
- *Require the CPUC to direct the utilities, if they are found to not have awarded a significant amount of the MIP funds, to consider a third-party administrator for any significant funds that a utility has not awarded in order to meet the requirements of the MIP, as well as, ensure these projects support vulnerable communities, as characterized in this bill.*

Prior/Related Legislation

AB 3121 (Petrie Norris) of 2024, proposed to require the CPUC to return specified funds to utility ratepayers from three existing utility ratepayer-funded programs, including SGIP. The bill died in this committee.

SB 700 (Wiener, Chapter 839, Statutes of 2018) authorized the CPUC to extend collections up to $166 million in ratepayer funds annually for the SGIP to December 31, 2024.

AB 1144 (Friedman, Chapter 934, Statutes of 2019) required that 10% of SGIP was directed to energy storage and other distributed energy resources for customers that operate critical facilities or critical infrastructure serving communities in high fire threat districts.

SB 1339 (Stern, Chapter 566, Statutes of 2018) required the CPUC and CEC to facilitate the commercialization of microgrids.

AB 1637 (Low, Chapter 658, Statutes of 2016) doubled the annual funding authorization for SGIP and revised and extended the net energy metering program for fuel cells by five years.

AB 1478 (Committee on Budget, Chapter 664, Statutes of 2014) extended the sunset to collect SGIP funds through 2019 and extended the program's sunset to 2021.

SB 861 (Committee on Budget and Fiscal Review, Chapter 35, Statutes of 2014) established SGIP eligibility restrictions for distributed generation resources and required the CPUC to establish a capacity factor for distributed energy resource technologies.

AB 970 (Ducheny, Chapter 329, Statutes of 2000) enacted the California Energy Security and Reliability Act of 2000 to expedite siting of certain power plants and implement new energy conservation and demand management programs. The bill required the CPUC to establish incentives for distributed generation resources.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

California Association of Recreation & Park Districts
City of Moorpark

City of Thousand Oaks
Coalition of Small and Disabled Veteran Businesses
Las Virgenes Municipal Water District

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the City of Thousand Oaks:

> Senate Bill 453 offers a potential solution by providing cities and public agencies with access to resources for distributed generation and storage projects, enabling them to fortify infrastructure against the detrimental effects of PSPS. Targeted infrastructure may include drinking and wastewater infrastructure, emergency shelters, communication and warning systems, evacuation routes, emergency power and public medical facilities, schools, town halls, hospitals, health clinics, community centers, community nonprofit facilities providing essential services, libraries, homeless shelters, senior and youth centers, childcare facilities, food banks, and parks and recreation sites.

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