

Application No.: A.20-04-014  
Exhibit No.: \_\_\_\_\_  
Witness: Stefan Covic

**PREPARED SUPPLEMENTAL TESTIMONY OF STEFAN COVIC**  
**RE SOLAR ON MULTIFAMILY AFFORDABLE**  
**HOUSING PROGRAM FUNDING ON BEHALF OF**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION**  
**OF THE STATE OF CALIFORNIA**



**August 14, 2020**

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5   **I.       INTRODUCTION**

6           My supplemental testimony provides information that supports SDG&E witness Ms.  
7   Fuhrer’s development of the greenhouse gas (“GHG”) allowance revenue return allocation and  
8   the volumetric revenue return for small business and residential customers. At the request of the  
9   California Public Utilities Commission’s (“Commission”) Energy Division (“ED”), I am  
10   submitting this supplemental testimony to update SDG&E’s 2021 forecast of GHG allowance  
11   revenues set aside for the Solar on Multifamily Affordable Housing (“SOMAH”) Program.<sup>1</sup> At  
12   the time SDG&E filed its 2021 Energy Resource Recovery Account (“ERRA”) Forecast  
13   Application,<sup>2</sup> it was not able to include the SOMAH funding request as the Commission had not  
14   yet issued its decision for Rulemaking 14-07-002 and Application 16-07-015 extending the  
15   SOMAH program funding. The Commission issued its decision on April 23, 2020.<sup>3</sup> ED has  
16   requested that SDG&E submit this supplemental testimony to update its SOMAH funding  
17   request prior to its November Update to allow for additional time to review.

18           **A.       Summary of Testimony**

19           In Section II of my supplemental testimony, I provide the same forecast of GHG  
20   allowance auction revenues as presented in my Prepared Direct Testimony submitted with  
21   SDG&E’s 2021 ERRA Forecast Application and provide an updated true-up funding amount for

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<sup>1</sup> Decision (“D.”)20-04-012, issued on April 23, 2020, continues authorization of allocation of funds to the SOMAH program through June 30, 2026.

<sup>2</sup> SDG&E filed its 2021 ERRA Forecast Application (“A.”) 20-04-014 on April 15, 2020, with an amended application filed on April 20, 2020.

<sup>3</sup> D.20-04-012.

1 the SOMAH program for July 1, 2020 through December 31, 2020 using 2021 allowance  
2 revenues.<sup>4</sup> I also provide an updated funding amount for 2021 for the SOMAH program.

### 3 **II. 2021 ALLOWANCE AUCTION REVENUES**

4 The Air Resources Board (“ARB”) allocates cap-and-trade allowances to SDG&E for  
5 2021. SDG&E is required to place all these allowances for sale in ARB’s 2021 quarterly  
6 auctions. I developed the forecast of allowance revenues by multiplying the total number of  
7 allowances allocated to SDG&E for consignment by a forecast price for the allowances.<sup>5</sup>

8 The total allowances that will be allocated to SDG&E for 2021 is expected to be  
9 6,766,147 MT. The allowance price is the same proxy price as used in the calculation of GHG  
10 costs, which is \$17.90/MT. The allowance auction revenue forecast is the allowances allocated  
11 times the allowance price or \$121.1 million.<sup>6</sup>

12 The available funds for the clean energy and energy efficiency programs are equal to 15  
13 percent of the forecasted 2021 allowance auction revenue amount or \$18.2 million.

14 A portion of the allowance auction revenue is reserved for clean energy and energy  
15 efficiency projects initiated by the SOMAH Program.<sup>7</sup> This program provides financial  
16 incentives for installation of solar energy systems on multifamily affordable housing properties,  
17 as specified in the statute. The required funding set aside for the SOMAH Program was

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<sup>4</sup> D.20-04-012, Ordering Paragraph (“OP”) 5.

<sup>5</sup> I assumed all allowances are sold in the auction process, which is consistent with the assumption that the market-clearing price is above the price floor.

<sup>6</sup> This amount does not include Franchise Fees and Uncollectible (“FF&U”), nor do any of the other figures in my testimony.

<sup>7</sup> D.17-12-022, OP4, at p. 69, states that the IOUs “each shall reserve 10% of the proceeds from the sale of greenhouse gas allowances defined in Public Utilities Code Section 748.5 through its annual Energy Resource Recover Account (ERRA) proceedings for use in the Solar on Multifamily Affordable Housing Program, starting with its ongoing 2018 ERRA forecast proceeding.”

1 extended through June 30, 2026.<sup>8</sup> To comply with recent CPUC directives, this supplemental  
2 testimony addresses the extension of the funding for the SOMAH program to the entire calendar  
3 year 2020.<sup>9</sup> The amount that needs to be trued-up for July 1, 2020 through December 31, 2020 is  
4 \$5.619 million and the amount set aside for 2021 is \$12.111 million. Therefore, the total funding  
5 set aside for SOMAH in this application is \$17.730 million.

6 D.18-06-027 (issued on June 22, 2018), adopted three new programs to promote the  
7 installation of renewable generation among residential customers in disadvantaged communities  
8 (“DACs”): the DAC - Single-family Solar Homes (“DAC-SASH”), the DAC – Green Tariff  
9 (“DAC-GT”) and the Community Solar Green Tariff (“CSGT”).<sup>10</sup> SDG&E shall fund these  
10 programs first through available GHG allowance revenues proceeds and if such funds are  
11 exhausted, the programs will be funded through public purpose program (“PPP”) funds. These  
12 three programs would only be funded from PPP funds once the allocated GHG allowances  
13 auction revenues are exhausted. Under no circumstance would SOMAH be funded from PPP and  
14 would exclusively be run with funds from the GHG allowances auction revenues. The DAC-  
15 SASH program funding for 2021 is estimated to be \$1.03 million. The amount of GHG  
16 allowance revenues set aside to fund the DAC-SASH program is estimated to be \$0.437 million.  
17 The remaining \$0.593 million will be funded through PPP as stated in the Prepared  
18 Supplemental Testimony of SDG&E witness Khoang Ngo. The previously requested and

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<sup>8</sup> D.20-04-012, issued on April 23, 2020, continues authorization of allocation of funds to the SOMAH program through June 30, 2026.

<sup>9</sup> D.20-04-012 OP5 requires the IOUs to provide July 1 through December 31, 2020 SOMAH funding as a true-up value in their applicable ERRRA forecast proceeding.

<sup>10</sup> D.18-06-027 at OPs 1, 11 and 12.

1 available funding for DAC-GT and CSGT is expected to cover all 2021 program related  
2 expenses. Therefore, SDG&E is not requesting any additional funding at this time.<sup>11</sup>

3 This concludes my prepared supplemental testimony.

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<sup>11</sup> On August 2, 2019, SDG&E filed AL 3412-E and separately on January 31, 2020 SDG&E filed AL 3501-E. SDG&E is waiting for approval of AL 3412-E, currently suspended by the Commission, and AL 3501-E is contingent on the approval of 3412-E.