

SCE has three core recommendations for limiting cost and rate increases consistent with the State's energy and environmental goals.

1. **CPUC should clearly state that Public Purpose Programs (PPP) are best funded by the state budget, not by electric customers through rates.** PPP costs account for roughly 5-8% of a monthly residential electric bill. This would be a meaningful affordability action. As you know, the Legislature appropriates funding from the state budget and other funds like the GGRF. Strong and clear guidance from the CPUC and Governor's Office that they endorse state funding for these programs through a more progressive means (CA tax base vs rate base) is important. This would especially benefit low-income households. Budget years may be tight or there may be surpluses ahead, but either way this important guidance is needed now.
2. **CPUC should immediately eliminate some costly customer programs and open a regulatory process to consider how best to consolidate the broad swath of existing programs into a more rationalized portfolio of offerings, specifically energy efficiency.** There are a number of programs the Governor's Office has considered sunsetting and SCE supports those, such as SGIP and CalShape. Doing this now would result in significant and immediate customer savings. But beyond those near-term affordability opportunities, SCE thinks the Commission should signal its intent to go further and consolidate a number of overlapping customer programs and areas. The ripest area for this sort of portfolio consolidation is in energy efficiency – where cost effectiveness, reporting and compliance costs, and the need for continued regulatory oversight have become serious challenges for the IOUs and our regulator.
3. **CPUC should immediately eliminate costly procurement mandates and open a regulatory process to consolidate the numerous procurement directives into one focused procurement effort – the IRP.** There are numerous costly procurement mandates, often directed by statute. To achieve the state's clean energy and decarbonization goals in an affordable manner, the State should sunset and eliminate many of these expensive procurement carveouts (e.g., BioMAT, ReMAT, BioRAM) and allow load-serving entities to focus on procuring the least-cost, best-fit clean energy projects to serve their load.

In addition to targeting some technology-specific mandates for elimination, the CPUC should determine how to consolidate the RPS program and other procurement programs to ensure that load-serving entities are able to optimize their portfolios to accommodate both clean energy and reliability needs. Doing so will not only promote affordability but will also help to streamline the many compliance and progress filings. The current complex web of overlapping programs, filings, and requirements are ripe for streamlining, and would benefit all stakeholders (i.e., LSEs, regulators, customers), while making it easier for the public to understand progress toward SB 100.

The following pages offer additional details on each of these core recommendations.

ADDITIONAL DETAIL #1: CPUC should clearly state that Public Purpose Programs (PPP) are best funded by the state budget, not by electric customers through rates.

What are the Public Purpose Programs that would be moved to the General fund or GGRF?

- **Low-Income:** CARE Subsidy, CARE and FERA Admin, ESAP, CARE Balancing Account
- **Energy Efficiency (EE):** All EE Programs

- **PPP Balancing Account + Uncollectibles:** PPPAM Balancing Account, CIA ERRA Forecast (Fuel and Purchased Power (F&PP)/Clean Energy Programs), F&PP for TMNBC, BMNBC, PPP
- **Other:** EPIC, SGIP, Summer Reliability OIR

What would be the State budget impact of doing this? Customer savings?

Would require roughly \$2B in state funds to cover current suite of Public Purpose Programs. Funding all of these programs through the state budget would result in a 5-8% monthly bill decreases for electric customers across the IOUs.

In addition to the \$2B statewide PPP Revenue Requirement, the CARE and FERA program discounts (for SCE only) are expected to approach \$1B in subsidies paid for by non-CARE/FERA participants in 2025. Funding the subsidies through state budget would result in another 4% off overall customers' bills for non-CARE program participants.

Table 1.5: Electric PPP Revenue Requirement Comparison (\$000)

Utility	2023
PG&E	878,915
SCE	728,767
SDG&E	499,337
Total	2,107,020

Table 2: Electric IOU PPP Costs in Estimated Monthly Customer Bills⁷

Utility	Total PPP Portion of Estimated 2022 Monthly Bill	Total Estimated Customer 2022 Monthly Bill	PPP % of Total
PG&E	\$9.75	\$165	6%
SCE	\$11.83	\$149	8%
SDG&E	\$8.35	\$158	5%

What if there was a budget shortfall in future years?

SCE would be open to a catch-up mechanism if the Legislature did not fully appropriate funding to core affordability programs such as CARE/FERA. That way the discounts would keep flowing even if there is a tough budget year.

Why is the tax base more progressive than the ratebase? Why is this good for low-income Californians?

"Analysis of the survey data from the US Bureau of Labor Statistics (BLS) suggests that using revenue raised from sales or income taxes would be much more progressive than the current scheme of covering residual costs above marginal cost by increasing volumetric electricity prices. (...) Thus, raising electricity system revenue through the sales tax would recover far more of the costs from richer households than does the current scheme. The distribution of income rises even faster than do taxable expenditures—which means that paying for some system costs through additional revenue raised via the income tax in California would be even more progressive." Next 10/Berkeley Report

How does rooftop solar impact rates and bills?

While not an explicit Public Purpose Program, a significant subsidy from those that do not have distributed generation (rooftop solar), is paid to those that do have these systems. The CPUC acknowledged this subsidy and created reforms to the previous NEM program on a going forward basis as of April 2023, but the large recurring subsidy from customers on legacy NEM 1.0 and 2.0 remains. If removed from customer rates, the Public Advocates Office estimated bills could be **decreased by over 20% across the state.**

This represents \$8.5 billion annually in 2024, more than double the \$3.4 billion reported in 2021, disproportionately affecting non-solar customers, especially those with lower incomes, renters, and residents of disadvantaged communities.

The growth of rooftop solar continues to increase the cost shift, and solar customers do not export energy when the grid needs it most. The new NBT/SBP program helps mitigate these problems by attempting to more fairly value rooftop solar compensation and incentivize customers to install systems with paired storage.

The adoption of customer-owned battery storage systems has increased from 11% (before the April 2023 shift away from NEM) to 68% (as of Jan. 2025). For the past six months, 82% of all SCE solar applications have included paired storage.

Have solar sales declined?

California's rooftop solar industry has rebounded after the temporary dip that followed an unsustainable peak generated by marketing efforts in advance of NBT/SBP implementation in April 2023. Rooftop solar interconnection applications in SCE's service area averaged 4,812 per month in 2024 – similar to the three-year period after previously established incentives were adjusted in 2017.

Do we have too much solar?

No, we need more. In SCE's *Countdown to 2045*, to meet California's net-zero goal, SCE calls for a doubling of rooftop solar, from approximately 15 GW today to 30 GW in 2045.

Countdown details the increasing importance of customer-sited distributed energy resources (DERs), such as Demand Response, Energy Efficiency, behind-the-meter rooftop solar, and paired energy storage in decarbonizing California's economy and mitigating expected climate change impacts.

Recent [news reports](#) of a 'solar glut' is a signal that we need more storage, transmission and market integration. This is not unexpected and an important signal that one piece of the clean energy transition (renewables) is moving faster than others (storage, transmission and market integration). California's total amount of curtailed electricity is [a fraction](#) of what's produced; [CAISO's 2023 annual report](#) shows less than 5% of total wind and solar was curtailed that year.

ADDITIONAL DETAIL #2: CPUC should immediately eliminate some costly customer programs, and open a regulatory process to consider how best to consolidate the broad swath of existing programs into a more rationalized portfolio of offerings, specifically including energy efficiency.

Cancel immediately:

- **CalShape:** The California Schools Healthy Air, Plumbing, and Efficiency Program (CalSHAPE) that is no longer accepting new applicants. This program provides funding to upgrade heating, air conditioning, and ventilation (HVAC) systems in public schools and replaces noncompliant plumbing fixtures and appliances that fail to meet water efficiency standards. Through 2023, CEC awarded ~50% of the program funds to schools. Uncommitted funding should be returned to IOUs to be refunded to ratepayers as soon as possible.
- **CalMTA:** The statewide Market Transformation Administrator (CalMTA) oversees a framework for managing California market transformation initiatives. These initiatives aim to achieve lasting market changes for technologies until they become standard. CalMTA is not stood up just yet. SCE believes it need not be because it is duplicative of EE activities that address Market Transformation already. Additional oversight or reporting could be applied to EE MT programs if there are any additional information needs Ratepayer benefit: Return of approximately \$250M statewide.
- **Evaluation, Measurement, and Verification (EM&V) unspent funds:** Within Energy Efficiency, Demand Response, and the Income Qualified Programs there are unspent funds. Approximately 4% of program funds are arbitrarily allocated to EM&V activities of which 60% is distributed to the CPUC and 40% to the Utilities. Unused funding is rolled over to the following year and currently there is a large bank of unspent and unallocated funding. Ratepayer benefit: Return of approximately \$5-\$15M from SCE.

Proposed Consolidation and Efficiencies:

- **Energy Efficiency:**
 - **REN Programs:** Address the overlap between Regional Energy Networks (RENS) and funding from Equitable Building Decarbonization (EBD), and Inflation Reduction Act (IRA) - RENs are local government program administrators that deliver EE programs using utility ratepayer funds. These programs do not follow cost-effectiveness. The RENs have expanded in scope and their portfolio of offerings have grown large. CPUC should conduct a thorough assessment of these programs, and if there is a desire to keep them the state should find alternate funding sources. The assessment should also take into account other funding through the IRA and CEC.
 - **Consolidate EE Equity Programs w/ Energy Savings Assistance:** EE Equity Programs are those with a primary purpose of providing energy efficiency to customers that qualify and are not currently eligible for ESA. Consolidating these programs can help with operational and ultimately cost efficiencies.
- **Transportation Electrification (TE) Framework:** Utilize Low Carbon Fuel Standard or Greenhouse Gas Reduction Fund for Funding. Funding Cycle 1 within the Transportation Electrification (TE) Framework has been paused within the TE Policy OIR. This program would provide incentives for Multi Family chargers. Recommend that the TE Framework be funded through LCFS or GGRF instead of by ratepayers. Ratepayer benefit: Avoid future expenditures of approximately \$1B across all IOUs (Subject to a mid-cycle review).

ADDITIONAL DETAIL #3: CPUC should eliminate costly procurement mandates and open a regulatory process to consider how best to consolidate the numerous procurement directives into one focused procurement effort – the IRP.

1) Cancel immediately: BioMAT, ReMAT, BioRAM

- These programs have much higher costs relative to other least-cost, best-fit procurement options, impose an unnecessary administrative burden on the load-serving entities and the CPUC staff who oversee compliance of these programs, and have limited benefit towards California’s clean energy and reliability goals, partly due to small size of the programs, the niche nature of the technology-specific carve-out, and the limited subscription and interest on the part of market participants.
 - It has not been proven that programs such as BioRAM and BioMAT provide social and environmental benefits that outweigh the cost burden on customers and the administrative burden on the CPUC and IOUs to administer them.
- Annual ratepayer savings: The annual ratepayer savings are significant when comparing a BioMAT contract price of up to \$199/MWh to a solar PV contract with an average price of approximately \$60/MWh, based on Lazard’s LCOE+ 2024 Report issued in June 2024.
- Eliminating or sunseting each of these programs would require statutory change.

2) Combine regulatory processes related to IRP and RPS under the IRP umbrella and adopt only one set of procurement requirements that allow the state to achieve its reliability and clean energy goals

- Integrating these programs would enable i) a more holistic approach to energy procurement, ii) the optimization of best-fit, least-cost procurement to meet reliability, clean energy, and greenhouse gas reduction goals, iii) cost savings by eliminating redundant processes and leveraging co-optimized procurement, iv) better visibility regarding progress towards mandated targets, and v) elimination of some of the onerous and unnecessary reporting requirements in the current RPS program. The CPUC should prioritize and accelerate the consolidation of clean energy procurement into the IRP program as part of the RCPPP development.
- **Legislative change likely necessary, could be accomplished in budget trailer bill.** RPS was established via a series of legislation [SB 1078 (2002), SB 107 (2006), SB 2 (1X) (2011), SB 350 (2015), SB 100 (2018)]. It is conceivable that new legislation amending one or more of the existing statutes might be required in order to scale back some of the costly and unnecessary aspects of the legacy RPS program.
- **Significant Ratepayer Benefits:** For example, SCE’s 2022 IRP filing estimated that the annual system-level procurement cost for a 25MMT emission portfolio is roughly \$4 billion in 2030 and then increasing to roughly \$5 billion annually in 2035. Therefore, any savings by allowing LSEs to optimally procure toward SB100 (e.g., no other procurement standards, no technology carveouts, optimizing reliability and clean energy procurements) can result in large savings for customers. Even a 1% savings will result in \$40 million annually in 2030 and \$50 million in 2035. However, the savings will likely be greater if LSEs are only procuring to one target and not forced to procure for out-of-market technologies.