

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

Order Instituting Rulemaking to Develop a  
Successor to Existing Net Energy Metering  
Tariffs Pursuant to Public Utilities Code  
Section 2827.1, and to Address Other Issues  
Related to Net Energy Metering.

Rulemaking 14-07-002

**COMMENTS OF  
THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION  
ON OIR PERTAINING TO NET ENERGY METERING SUCCESSOR TARIFF**

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FOR Local Government Sustainable Energy  
Coalition

August 18, 2014

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## I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission” or “CPUC”) and the Order Instituting Rulemaking issued July 17, 2014, the Local Government Sustainable Energy Coalition (“LGSEC”)<sup>1</sup> submits these Comments. Given the importance of distributed generation to local governments for numerous reasons, outlined below, these comments are focused on what a successor tariff to the net energy metering (“NEM”) tariff for the government sector should include in order to generate the most participation in the program, as anticipated in AB 327. The LGSEC also is mindful that distributed generation has applications across customer classes, and we encourage the Commission to be creative in developing a simple successor tariff – potentially with options for different customer classes. We note that the emphasis for us is on opportunities afforded by distributed generation. NEM is one tool for deploying distributed generation.

Specifically, the LGSEC recommends:

- The Commission consider the best tariff mechanism for deploying more distributed generation; we believe this to be a simple feed-in tariff;
- Barring adoption of a true feed-in tariff, any successor tariff should include an option specifically for local governments;
- A simple evaluation tool that incorporates costs and benefits, both the traditional utility metrics and others such as local job creation;
- Opportunity for local governments to develop projects up to 5 MW; and

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<sup>1</sup> Across California, cities, counties, associations and councils of government, special districts, and non-profit organizations that support government entities are members of the LGSEC. Each of these organizations may have different views on elements of these comments, which were approved by the LGSEC’s Board.

- Learning from ongoing work in other states, particularly around microgrids, monthly fixed charge options, and utilities as distribution system platform providers.

## **II. DISTRIBUTED GENERATION IS IMPORTANT TO LOCAL GOVERNMENTS FOR MULTIPLE REASONS**

As the Commission is aware, distributed generation is important for local governments for several reasons. First, as a threshold matter, local governments are responsible for the health, safety, and welfare of their citizens under the federal and California Constitutions. As such, local governments have an obligation to maintain a clean, safe, and sustainable environment for their constituents. Distributed generation constitutes a critical tool that helps local governments satisfy this obligation. Similarly, distributed generation enables local governments to bolster their micro-grids to be more resilient, which will protect the public in cases of natural or man-made emergencies. Second, distributed generation helps local governments meet the statutory climate planning mandates set forth in AB 32 and SB 375. Third, many local governments have invested significantly in existing photovoltaic solar systems and did so based upon the assumption that they would receive appropriate returns on their investments. The successor tariff adopted in D.14-03-041 protects these investments and must be maintained. Fourth, several Community Choice Aggregators have expressed a strong interest in expanding distributed generation as a source for local power and jobs. As noted below, they are using feed-in tariffs, rather than net energy metering, as one way to achieve this purpose. Lastly, distributed generation equips local governments with a viable means to control rising utility costs, thereby allowing funds to be directed to core local government functions, including public safety and social welfare.

As the Commission is also aware, local governments create and implement climate action and community development plans, to which distributed generation is often central. Because local governments make decisions about capital investments twelve to twenty-four months in advance of project implementation, they must know rates of return for distributed generation projects prior to deciding whether and to what extent to adopt distributed generation measures. Accordingly, the LGSEC emphasizes that adherence to the procedural schedule set forth in the Rulemaking is paramount for local government planning purposes.

### **III. COMMENTS ON TOPICS IDENTIFIED IN THE OIR**

#### ***A. Guiding principles, or goals, to assist in the development and evaluation of different tariff or contract options for the NEM successor tariff.***

The LGSEC agrees that it is valuable to establish principles and goals that will guide development of the NEM successor tariff. The LGSEC espouses the following broad goals:

##### **1. Keep the Tariff Simple**

A successful distributed generation program will be simple and clear program for customers to access. The current rulemaking should not procedurally muddy or unnecessarily complicate the tariff. The LGSEC recommends that:

- The Commission identify how to insulate the adopted tariff from programmatic changes every time that rates change;
- The presentation from the August 11, 2014 workshop, on p. 76 proposes that the rate structure options identified there should apply to “transitioning NEM systems as well as new systems.” In accordance with D.14-03-041, no rate structures should be applied to transitioning systems covered under the current NEM tariff until they have reached the 20 year transition period limit authorized in the Decision; and
- The Commission keep residential, commercial/industrial, and governmental rates distinct. The Commission should note that many local governments pay both a KW/hr and demand charge for their projects; they should not be charged for any offset recovered from a NEM tariff that might be adopted.

This last point bears additional explanation. Local governments do not take service on the same tariff schedule as residential customers. Most of the tariffs on which we take service include demand charges. In PG&E's service territory, for example, in addition to NEM energy charges, customers taking service on A-10, E-19, and E-20 are also billed for demand (kW) charges. Maximum demand is classified as the highest number of kW used during any recorded 15-minute interval during the billing period. Credit from kWh generation may not be used to offset credit for demand charges. If there is a 15-minute interval during a billing period where the generation from the photovoltaic system does not meet customer load or if customer load is not coincident with generation from the photovoltaic system, demand charges will apply. Similarly, customers taking service on E-19 and E-20 are also charged for max peak and max part-peak demand as well. Max peak and max part-peak demands are calculated using the highest number of kW used during any recorded 15-minute interval during the applicable TOU period.

## **2. Keep the Tariff Flexible**

The LGSEC recommends that the Commission preserve end-user options regarding cost-effective and emerging solar, wind, plug-in electric vehicle ("PEV"), and biomass systems. A distributed generation tariff should provide meaningful incentives to include these types of technologies within the ambit of distributed generation.

### ***B. Program Elements or specific features to include in a successor tariff or contract.***

The LGSEC agrees that certain program elements and/or features will make the successor to the NEM tariff more attractive to local governments. While the LGSEC recommends that the successor tariff include the following programmatic elements/features, it reserves the right to adjust, expand upon, or refine these suggestions in future iterations of this rulemaking.

## **1. Pricing Options**

### **a) *Feed-in Tariff***

Ultimately, the LGSEC believes that the best way to facilitate widespread adoption of distributed generation will be a feed-in-tariff (“FiT”) pricing approach with a 25 year minimum term for all customer segments in lieu of a NEM pricing approach. This is attractive to customers because it would promote certainty and consistency, traits which would address local governments’ financial and funding constraints discussed above. Other customer segments would also find this attractive.

We note that in California municipal utilities and community choice aggregators are offering feed-in tariffs with great success. The Los Angeles Department of Water and Power on August 5 revised its feed-in tariff and on track to procure 100 MW of distributed generation through this mechanism.<sup>2</sup> The City of Palo Alto’s municipal utility in February raised the amount of capacity to be accepted to its feed-in tariff, and eliminated any minimum or maximum project size.<sup>3</sup> Marin Clean Energy reports that it has 5.8 MW of distributed generation providing power under its feed-in tariff, or in queue.<sup>4</sup> Sonoma Clean Power on August 4 announced a feed-in tariff for projects within its jurisdiction. The Sonoma Clean Power feed-in tariff offers 10 year contracts for baseload facilities and 20 year contracts for other generating facilities.<sup>5</sup>

### **b) *NEM-GOV Tariff***

If the CPUC does not pursue a feed-in tariff to succeed the NEM tariff, and instead opts to modify the current NEM tariff, it should have a distinct option for local governments. As indicated above, local governments take service currently under different tariffs than residential

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<sup>2</sup> *California Energy Markets*, “LADWP Aims for 15 Percent Energy Savings from Efficiency Programs,” August 8, 2014, p. 9.

<sup>3</sup> See <http://www.cityofpaloalto.org/gov/depts/utl/business/sustainability/clean.asp>

<sup>4</sup> *California Energy Markets*, “Marin Clean Energy Amassing Pipeline of Local Renewables Projects,” July 3, 2014, p. 9.

<sup>5</sup> See <https://sonomacleanpower.org/profit/>

customers. Local governments have different financial obligations and opportunities for projects under their direct control than other customer groups. In R.12-11-005, as the Commission was developing the transition NEM tariff approved in Decision 14-03-041, the LGSEC provided information on the planning horizons and commitments by which local governments consider physical plant investments, such as distributed generation.

## **2. Encourage Comprehensive Energy Management**

The LGSEC recommends that the Commission create incentives for customers, including local governments, to act in an environmentally sustainable manner. The successor tariff should create incentives for local governments (and other customers) to implement distributed generation technologies in addition to solar, and should encourage the integration of distributed generation, demand-respond, energy efficiency measures, and storage. Moreover, the Commission should direct the investor-owned utilities to allow local governments to develop projects up to 5 MW.

### ***C. Tool for estimating the costs and benefits of various NEM successor tariff options or rate scenarios***

As the Commission is aware, its Energy Division contracted with E3 to replace the calculator historically used to evaluate tariff options with a “Public Tool” that will evaluate the costs and benefits of a successor NEM tariff. The LGSEC applauds the transparent manner in which the Commission and E3 have engaged with interested stakeholders to guide the development of this Public Tool. The LGSEC urges the Commission to heed a few broad points.

#### **1. Make the Tool Simple**

The final product – the Public Tool – must be understandable and easily accessible to local governments (and their constituents) when they consider whether to implement distributed generation, energy storage, vehicle-to-grid, and/or PEV installations. To the extent possible, it should include anticipated costs and benefits that will affect project viability.

## **2. Make the Tool Accurate**

The Public Tool should award the full value to distributed generation systems for avoided transmission and distribution infrastructure costs, mitigation of localized distribution and transmission constraints/bottlenecks, and greenhouse gas emissions reductions. For the Public Tool to generate meaningful and accurate project appraisals under a successor tariff, it must account for these cost savings. Additionally, the Tool should look at co-benefits that distributed generation provides. In particular, the LGSEC is mindful of local job creation and the ability to site distributed generation in economically disadvantaged communities.

## **3. Acknowledge the Tool's Limitations**

The proposed Public Tool will offer complex analysis of costs and benefits, yet the results will still be highly dependent upon presuppositions about future rates, distribution system needs, etc. There is a tension here because these currently unknown costs and benefits make it difficult to use the Tool for investment-grade decision making.

Additionally, the LGSEC reminds the Commission of programs already in existence for disadvantaged communities such as the California Solar Initiative SASH and MASH. The Public Tool should complement these programs, not try to capture and recreate them within a single tool.

### ***D. Development of a variety of possible options for a NEM successor tariff or contract***

In other parts of the country, regulators and utilities are taking new approaches to increase distributed generation. In New York, the Governor has called on utilities to become Distribution System Platform Providers.<sup>6</sup> It is worth noting that one of the policy objectives behind New York's action is to reduce carbon emissions. One New York utility in late July filed

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<sup>6</sup> See <http://www.greentechmedia.com/articles/read/new-york-launches-major-regulatory-reform-for-utilities>.

an application that includes new distribution automation systems, community solar, expanded demand response, and a microgrid-as-a-service program.<sup>7</sup>

In Massachusetts, legislators are considering adopting a minimum bill for NEM customers, and in eliminating the cap on NEM enrollment. The minimum bill is intended to help utilities cover fixed transmission and distribution costs.<sup>8</sup> As indicated above, local governments are already paying these charges under their current tariffs, sometimes to excess. (For example, one LGSEC member reports that one of its small wastewater plants pays \$3000 per year as a demand charge whether it uses power or not.) The Commission should consider whether a reasonable minimum bill would lead to greater deployment of distributed generation and highly efficient mechanical and lighting systems. Reduced average demand on the grid can come from a variety of causal factors, including highly efficiency operations and vacant buildings, not just from distributed generation.

The Commission should be looking outside the usual confines for tariff options that will encourage greater deployment of distributed generation. Perhaps the Commission should encourage pilots with these and similar concepts, with an eye to both urban areas with peak demand issues, and to less populated areas where distributed generation could yield system reliability benefits and diminish the need for new central plant and transmission infrastructure. Local governments are present in every part of California, and stand as ready partners to assist the Commission and the utilities in looking at new options.

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<sup>7</sup> See <http://www.greentechmedia.com/articles/read/new-york-utility-proposes-community-solar-microgrid-as-a-service>.

<sup>8</sup> See <http://www.greentechmedia.com/articles/read/why-the-massachusetts-net-metering-compromise-could-be-a-model-for-other-st> and <http://www.greentechmedia.com/articles/read/Massachusetts-Solar-Industry-Utilities-and-Regulators-Reach-a-Deal-on-Sola>.

***E. Elements of a potential NEM successor tariff or contract***

As discussed above, the LGSEC agrees that it will be important to link tariff or contract options to NEM program goals and the larger goals that the NEM program supports, namely reducing greenhouse gas emissions and climate resilience/microgrid projects.

**IV. COMMENTS ON PROCEEDING CATEGORIZATION AND PROPOSED SCHEDULE**

The LGSEC does not have an issue with the categorization of this proceeding as “ratesetting.” Because the CPUC adopted a process for transitioning to the successor tariff in D.14-03-041, and because there is a tariff in place now, the LGSEC accepts the schedule as set forth in the Proposed Decision. However, the LGSEC reiterates that adherence to this schedule is crucial, not only for local planning purposes, but to comply with AB 327’s statutory deadline.

**V. CONCLUSION**

The Commission has an opportunity to develop tools that customers can use to evaluate distributed generation options. The tool must be easy to understand and use and it should incorporate benefits that go beyond the traditional transmission and distribution benefits. We encourage the CPUC to move toward a feed-in tariff. And we request that the Commission adopt a government option in whatever final tariff is approved. Finally, there is a great opportunity to learn from ongoing work in other states. The Commission should look at pilots to test some of these new models.

August 18, 2014

Respectfully submitted,



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