



## MEMORANDUM

**To:** LGSEC Distributed Generation Committee and LGSEC Board

**From:** Jody London, Regulatory Consultant

**SUBJECT:** Dialogue with Solar City on Distributed Generation

**DATE:** September 12, 2014

This memo summarizes a call that occurred yesterday afternoon between members of the LGSEC Distributed Generation Committee (Aaron Klemm, Tim Anderson, Jerry Lahr, Cal Broomhead, Susan Munves) and Solar City (Andy Schwartz and Sanjay Ranchod). The purpose of the call was to better understand each other's perspectives on options for increasing the deployment of renewable distributed generation. Clearly, Solar City has a perspective focused on rooftop solar PV.

The big takeaway is that we are pretty close on most issues, with the exception of the usefulness of a feed-in tariff ("FiT"). The LGSEC took a position in comments last month that the CPUC should move away from net energy metering ("NEM") toward a FiT. Solar City wants to preserve NEM as an option because they have found it to be successful for residential customers across the country.

We will be connecting again with Solar City the week of 9/22, after we've had a chance internally to contemplate their opinions and also look at the Ruling regarding the "Public Tool" under development by the CPUC for evaluating net energy metering tariff options (see below). Comments on the Public Tool are due September 30.

### **Discussion with Solar City**

Solar City aligns itself with the Alliance for Solar Choice, and wants to see the current net energy metering ("NEM") regime maintained. They believe that NEM is very successful behind the meter. Solar City strongly advocates for recognizing the full costs and benefits of distributed generation. Their goal is to position the California Public Utilities Commission ("CPUC") to continue existing NEM projects.

Solar City appreciates there are differences between residential and commercial customers. They point out that the E3 study on which the CPUC is relying for its information on cost shifting showed that commercial customers are not contributing to any cost shifting that may be occurring. Solar City thinks that cost shifting is a rate design issue, which can be addressed in

the ongoing proceeding related to residential rate re-design (R.12-06-015). They also believe there are many other errors in the E3 study, particularly that it does not value societal benefits. I believe the LGSEC agrees with this last point.

Solar City's experience nationally is that feed-in tariffs are not as successful as NEM. They note that utility companies uniformly oppose NEM, an issue Solar City tracks in about 30 states. They are concerned that PG&E is looking to establish an exorbitant fixed charge, in the neighborhood of \$50 - \$60/month. They point out the irony that a high fixed charge would only encourage customers to defect from utility service. Solar City as a company supports the idea that there are good reasons for customers to remain connected to the grid, and customers should get value from investments they make in distributed generation. They believe there are several options right now to make NEM more workable, such as the AB 920 excess sales option (which they acknowledge may be priced too low to be meaningful currently), and the NEM aggregation tariff approved recently in CPUC Resolution [E-4665](#).

We concluded the call by agreeing to talk again the week of September 22. At that time we will discuss our thinking, whether there are opportunities to collaborate, and comments on the initial CPUC staff proposal for the Public Tool (see below).

#### **CPUC "Public Tool"**

On September 5, the CPUC issued a [Ruling](#) that calls for comment on different aspects of the Public Tool for evaluating NEM tariff options, which is still being developed. Parties are asked to comment on 11 pages of questions attached to the Ruling. The deadline to submit Opening Comments (50 page limit) is September 30, and the deadline to submit Reply Comments (20 page limit) is October 10.

The LGSEC intends to be involved in this proceeding, given the importance of distributed generation to local governments on sustainability issues. I realize it is a lengthy set of questions, however it would be very helpful if you could review the questions in the Ruling over the next week, and provide me with your ideas on any aspect of them by COB on Friday, September 19. That will allow me to compile our ideas, and also allow us to better engage when we next connect with Solar City.

Please contact me with any questions or comments.