

Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs Pursuant to Decision 16-01-044 and to Address Other Issues Related to Net Energy Metering, R.20-08-020

Local Government Sustainable Energy Coalition Public Comment

The Local Government Sustainable Energy Coalition (LGSEC) represents 14 cities and 23 counties, jurisdictions that govern almost three-quarters of the state's population, and close to two-thirds of California's electricity demands. LGSEC members serve as administrators, designers and lead implementers of a host of energy efficiency, demand response, building decarbonization, transportation electrification and other energy management programs.

LGSEC is acutely aware of the complex tradeoffs policymakers must weigh to determine how best to foster a sustainable future while addressing immediate needs to safeguard energy reliability and the financial integrity of the energy system. However, the Proposed Decision (PD) in the above-cited proceeding does a poor job of balancing the need for the state's investor-owned utilities (IOUs) to collect sufficient revenue to pay for distribution-related fixed costs with energy users' ability to determine how best to invest in environmentally-friendly distributed generation (DG) that create wider social benefits.

Properly account for DG and storage's ability to provide multi-faceted benefits to the IOUs and beyond. The imbalance between the imperative of IOU revenue collection and customers' ability to install and create benefits from DG is evidenced by the fact that the PD fails to acknowledge that at certain times and grid locations the addition of renewable DG and renewable DG plus storage could serve to reduce distribution costs by relieving coincident demand. Customer-owned DG and storage's ability to dramatically lower the greenhouse gas (GHG) content of California's electricity supply, lessen procurement and associated rate of return costs to IOUs, ratepayers, and Community Choice Aggregators (CCA), avoid new expensive centralized generation facilities, and enhance regional, local, and critical facility resiliency is likewise not properly valued in the PD. Fundamentally, the PD does not create pathways that would enable diverse, dispersed DG to financially interact with the monopoly distribution system in a way that right-sizes fixed costs over time.

Include a geographic adder to the NEM tariff. Geographic incentives could be layered into Net Energy Metering (NEM) compensation that reflect the value the state places on fostering equity and deferring or avoiding distribution costs. To address equity issues, additional incentives could be offered in disadvantaged communities or other underserved regions with low solar penetration, with enhanced compensation provided to solar plus storage installations located in high fire threat or grid-constrained zones. Such an approach could serve as a cost-effective alternative to expensively undergrounding the existing distribution system.

Eliminate the Grid Participation Charge. The bias towards protecting IOU distribution investment, now and in the future, is starkly demonstrated by the Grid Participation Charge, a burdensome fixed rate component that should more aptly be considered in a general rate case than in this proceeding. The PD concludes that a Grid Participation Charge would help develop a

“reasonable outcome for all ratepayers, participants, and non-participants alike”.¹ However, the GPC smacks of a discriminatory fixed charge on customers who install solar panels. Nationally, less than two percent of IOUs - only three out of 172 - impose monthly fixed charges paid exclusively by solar customers. Over the past decade, IOU have proposed solar-specific charges on residential customers at least 27 times, nearly every one of which has been rejected, withdrawn by the utility, or subsequently overridden through legislative or judicial action.^{2,3}

In this context, at minimum LGSEC recommends that the California Public Utilities Commission (CPUC) reject the following Joint IOU proposal:

If the Commission is not inclined to adopt the Joint IOUs’ methodology, at a minimum, small commercial rates without any demand charges (such as PG&E’s B1/B6, SCE’s TOU-GS-1-E, and SDG&E’s TOU-A) should be subject to a GPC, as those rates result in similar cost shifting per kWh as non-CARE/FERA residential tariffs.⁴

Grandfather, without amendment, existing NEM agreements. Even when solar-specific fixed charges have been imposed, they have not been retroactively applied. The PD goes a step further by proposing to enact these fees on existing NEM customers 15 years after they were given permission to operate. This is without precedent and jeopardizes trust between solar customers and the state. It is also further evidence of the non-commensurate treatment between IOU-owned assets and customer-owned DG; the former would never be subject to such a punitive change made after the fact that was firmly motivated by prior CPUC policies.

The PD’s proposed rate structures and fees are so complex that they would disrupt community energy planning and retard further progress towards local government adoption of rooftop solar and storage, thereby undermining achievement of California’s environmental and equity policy goals.⁵⁶ This is not a direction the state should take during a critical period in its efforts to reduce GHG emissions.

¹ PD, page 126

² Most recently, the Arizona Corporation Commission struck down Arizona Public Service’s \$0.93 per kilowatt, less than \$6 solar specific fee per month for an average sized system, solar capacity charge at an October 2021 hearing in the utility’s rate case.

³ Ahmad Faruqui, Notice of Ex Parte Communication by Ahmad Faruqui on the Proposed Decision Revising Net Energy Metering Tariff and Subtariffs, January 7, 2022.

⁴ Joint IOUs’ Comments on the NEM PD, Page 7.

⁵ These elements are especially timely since January 1, 2022 was the deadline for municipalities to comply with Senate Bill 379 climate adaptation and resilience requirements.

⁶ LGSEC agrees with other parties that there are factual errors in the analyses on which the PD is based related to the installed cost of solar, which is roughly 70 percent less than the U.S. Department of Energy’s flagship database, Tracking the Sun. There is also an absence of consideration of how the PD could impact California Energy Commission requirements to demonstrate the cost effectiveness of energy codes and standards, particularly for rooftop solar in new construction.