

**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  
(Filed July 10, 2014)

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**CITY OF SAN DIEGO COMMENTS ON PARTY PROPOSALS FOR  
THE NET ENERGY METERING SUCCESSOR TARIFF OR CONTRACT**

Pursuant to the ruling of Administrative Law Judge Anne E. Simon on June 4, 2015 (ALJ Ruling)<sup>1</sup>, and the June 23, 2015 ruling of Assigned Commissioner Picker setting a schedule for the submission of proposals by parties for a Net Energy Metering (NEM) successor tariff or contract by August 3, 2015, and for the submission of party comments on those proposals by September 1, 2015, the of the City of San Diego (CSD) hereby files these comments on the proposals of other parties submitted in this docket on or before August 3, 2015.

**INTRODUCTION**

Cities like CSD have a unique perspective on this matter. CSD has renewable Distributed Energy Resource (DER) systems large and small serving its own accounts, many of which take service under SDG&E's NEM tariff. CSD also has plans to install additional behind-the-meter on-site or over-the-fence renewable DER facilities in the future, and expects that these installations would be subject to the NEM successor tariff adopted by the Commission. In addition to being a participant in the NEM program for its own accounts, with both established and planned

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<sup>1</sup> A subsequent ALJ ruling was issued on July 20, 2015 updating and revising the prior June 4, 2015 ruling in light of the Assigned Commissioner's ruling on June 23, 2015 adjusting the schedule based on the motion by The Alliance for Solar Choice (TASC), the residential rates decision D.15-07-001, and changes to the Public Tool made by Energy Division. The July 20, 2015 update ruling is included in CSD's references to the "ALJ Ruling."

facilities, the City also has a strong interest in maintaining the ability of citizens and businesses within its jurisdiction to cost effectively choose renewable DER (solar, but also other renewable fuel technologies) to meet their electric demand. CSD has concerns about the availability of renewable DER to disadvantaged communities. CSD has a vital interest the continuing development of small and large NEM systems and is concerned about how the NEM successor tariff will affect the viability of those systems in the future.

CSD believes that the NEM successor tariff will be of critical importance in the attainment of the City's greenhouse gas (GHG) reduction objectives. In July 2015 CSD issued a draft Climate Action Plan (CAP), now circulating for public comment, which outlines a strategy toward reduction of GHG emissions and emphasizes the continuing development of renewable generation resources in San Diego. Driven by the Global Warming Solutions Act of 2006 (AB 32) and other legislation<sup>2</sup>, the City's draft CAP includes a quantitative inventory of GHG emissions (baseline), a projection of emissions for 2020 and 2035 (business-as-usual scenarios), and City-specific targets to reduce GHGs by 2020 and 2035. The draft CAP recognizes the importance of on-site renewable generation to these goals:

“Clean, renewable energy is essential to achieving the GHG reduction targets. A combination of on-site generation and large-scale renewables will assist the City in meeting its GHG reduction targets in the most efficient way. The City aims to facilitate installation of renewable energy locally, and support local job creation as part of this strategy.<sup>3</sup>

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<sup>2</sup> For example, Senate Bill (SB) 97, adopted in 2007, addresses climate change by requiring lead agencies to analyze GHGs under the California Environmental Quality Act. The Sustainable Communities and Climate Protection Act of 2008 (SB 375) requires each Metropolitan Planning Organization to prepare a Sustainable Communities Strategy as part of its Regional Transportation Plan that includes land use, transportation, and housing policies to reduce regional GHG emissions.

<sup>3</sup> City of San Diego Draft Climate Action Plan, page 23.

[http://www.sandiego.gov/planning/genplan/cap/pdf/draft\\_cap\\_july\\_2015.pdf](http://www.sandiego.gov/planning/genplan/cap/pdf/draft_cap_july_2015.pdf)

In addition to managing its own demand for electricity through renewable DER, and planning for growing development of renewable DER for all other electric consumers as a means toward meeting GHG reduction objectives, CSD has a substantial interest in the important role that the renewable distributed generation industry plays in the San Diego economy. An onerous and unreasonable NEM tariff that undermines sustained growth of the renewable distributed generation market would be clearly counter to CSD's objectives.

CSD appreciates that the basis of this proceeding is AB 327, which provided both direction and discretion to the Commission to set the tariffs in this proceeding. AB 327 contains California Public Utility Code Section 2827.1<sup>4</sup>, which among other requirements, sets forth several guiding principles to which the successor tariffs must adhere. Foremost among these principles, from the perspective of CSD, is that the tariffs must “[e]nsure that customer-sited renewable distributed generation continues to grow sustainably.”<sup>5</sup> In CSD's view this is the highest priority criteria of Section 2827.1. If a party's NEM successor tariff proposal fails to demonstrably support the primacy of this point, and fails to demonstrably reflect a high probability of yielding the intended result of long-term sustainable *growth* of customer-sited renewable DER, then that proposal should be rejected by the Commission even if other requirements of Section 2827.1 are met. The statute does not merely require the tariff to ensure sustainability of renewable DER, it requires assurance of sustainable *growth* of this resource.

CSD understands that there is a balance to be struck with other requirements of Section 2827.1, including those that require the tariffs to “[e]nsure that the successor tariff is based on the costs and benefits of the renewable electrical generation facility” and “[e]nsure that the total

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<sup>4</sup> All statutory citations are to the Public Utilities Code unless otherwise indicated.

<sup>5</sup> Section 2827.1(b)(1)

benefits of the tariff to all customers and the electrical system are approximately equal to the total costs.”<sup>6</sup> Some of the proposals submitted – particularly the proposals of the Investor Owned Utilities (IOUs)<sup>7</sup> - stress these factors more heavily, and they do so by undermining the prospects of sustainable growth of customer owned renewable DER. Other proposals from Solar Parties<sup>8</sup> properly place more emphasis on maintaining the sustained growth of renewable DER and CSD favors these proposals over those of the IOUs.

### COMMENTS

CSD commends Energy Division staff and the E3 firm for creating the Public Tool and for making adjustments to it to accommodate, such as possible, the results of the residential rates decision in D.15-07-001. CSD understands the difficulty of the task and the many considerations that must be balanced in light of that decision. Given the schedule mandates of AB 327 the Public Tool provides a framework for the proposals, and CSD accepts that it is the accepted fulcrum of analysis in this proceeding.<sup>9</sup> Still, the complexity of the Public Tool makes clear that this proceeding is about policy and cost distribution. By its very purpose the Public Tool invites parties to propose a bridge between formulaic boundaries and fluid inputs. The wide and disparate set of proposals submitted suggests the significance of the inputs to the outcomes as they relate to the various assumed scenarios for “high” and “low” policy dispositions toward renewable DER and the various Time of Use (TOU) rate scenarios. Without knowing exactly what inputs and assumptions were used by each submitting party in their Public Tool modeling,

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<sup>6</sup> Section 2827.1(b)(3) and (4).

<sup>7</sup> San Diego Gas & Electric Company, Southern California Edison, Pacific Gas & Electric Company. For purposes of these comments “IOUs” means all three utilities unless otherwise specified. CSD understands the proposals of the utilities differ in some respects but in view of common themes within them it uses the term “IOUs” when commenting on a general classification of party positions.

<sup>8</sup> CSD uses the term “Solar Parties” to broadly categorize proposals from California Solar Energy Industries Association, Solar Energy Industries Association/Vote Solar, and The Alliance for Solar Choice. CSD understands the proposals of these parties differ in some respects but in view of common themes within them it uses the term “Solar Parties” when commenting on a general classification of party positions.

<sup>9</sup> ALJ Ruling June 4, 2015.

CSD has been only able to glean enough from the proposal results to comment on them generally as set forth below.

**A. CSD Agrees With the Federal Executive Agencies and the Solar Parties**

CSD has reviewed the proposals, and after evaluating themes in them in light of the balancing of principles that is inherent in AB 327, it finds itself in strong agreement with the summary statement in the proposal of the Federal Executive Agencies (FEA) submitted through the U.S. Navy:

To avoid creating new barriers to the growth of on-site renewable generation in California, and to be consistent with the goal of AB 327, interconnection fees, new fixed grid charges, standby charges, and new nonbypassable charges should not be imposed on eligible customer-generators, irrespective of the size of the on-site renewable system. If the California Public Utilities Commission (“CPUC”) nevertheless determines that new nonbypassable charges, fixed charges or standby charges should be applied to eligible customer-generators under the NEM successor tariff, any such charges should be phased in on a very gradual basis (e.g., over 10 to 15 years).<sup>10</sup>

The first element of this position in this is that there should be no new fixed grid charges, no new standby charges, and no new nonbypassable charges imposed on renewable DER eligible customer-generators, irrespective of the size of the on-site renewable system. CSD strongly agrees with this principle which is in alignment with the positions of the Solar Parties. All of the IOU proposals contain such new charge elements and for this reason CSD does not support them. SDG&E proposes things like a “System Access Fee” and a “Grid Use Charge”; PG&E proposes

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<sup>10</sup> Proposal of Federal Executive Agencies via U.S. Navy, Executive Summary pp. 1-2

new demand charges on small commercial and residential customers; SCE proposes a “Grid Access Charge” or “Minimum Bill.”<sup>11</sup> Because these new charges are antithetical to sustained growth of renewable DER, these IOU proposals should be disfavored. The proposals of the Solar Parties do not contain these new charges and should be favored.

The secondary and contingent element of FEA’s summary position is that if the Commission finds that such new charges should be applied to eligible customer-generators under the NEM successor tariff, any such charges should be phased in on a very gradual basis. CSD concurs.

## **B. Proposals Viewed In Reference to ALJ Ruling Test Questions**

Pursuant to the ALJ Ruling, the City’s comments generally follow the order of issues or test questions identified in the ruling.<sup>12</sup>

### **1. Does proposal provide for “sustainable growth?” per Section 2827.1(b)(1)?**

All of the proposals submitted claim that they allow for “sustainable growth” of the rooftop solar market. However, it is clear that the radical proposals by the IOUs would severely hamper that growth of the rooftop solar market relative to proposals by others (e.g., TASC, Cal-SEIA, others). The IOU proposals overemphasize the shifting of costs to non-participants and underemphasize the societal cost benefits of renewable DER. To the extent that the Commission finds that new charges on renewable DER are necessary to meet the requirements of Section 2827.1(b)(3) and (b)(4), CSD believes that Office of Ratepayer Advocates’ (ORA) proposed approach with its Installed Capacity Fee (ICF)<sup>13</sup>, if modified consistent with these comments, would allow for long-term, sustainable growth.

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<sup>11</sup> SDG&E Proposal p. 5; PG&E Proposal, Summary p. i; SCE Proposal p. 26

<sup>12</sup> If the City does not comment on a given proposal or on an issue in a proposal upon which it is commenting about other matters, it should not be assumed that the City necessarily agrees or disagrees with the various proposals or issues not discussed.

<sup>13</sup> ORA Proposal pp. A-1, A-2.

**2. Does proposal demonstrate that it is “based on the costs and benefits of the renewable electrical generation facility” per Section 2827.1(b)(3)?**

No comments on this test.

**3. Does proposal demonstrate that the “total benefits of the standard contract or tariff to all customers and the electrical system are approximately equal to total costs” per Section 2827.1(b)(4)?**

The proposals approach this question from different perspectives. The IOUs tend to rely on the impact of the proposals from the perspective of non-participating customers by using the Rate Impact Measure (RIM).<sup>14</sup> However, this perspective does not examine the total benefits and costs of the proposal. The more appropriate perspective is to rely primarily on the Total Resource Cost test or the Societal Test as recommended by CalSEIA, the Sierra Club, Natural Resources Defense Council (NRDC).<sup>15</sup> To do otherwise would ignore the benefits that participating customers would receive from the NEM program.

**4. Which is better: fixed charge or no fixed charge? Bill credits vs. payments for generated energy? Credit for all generation or just what is delivered to grid?**

Based on the Energy Division’s Staff Paper and the positions of the IOUs, the City recognizes that the Commission may find that there are certain distribution-related costs that are unavoidable and that participants in the new NEM program should pay. If this is the case, however, in order to not undermine the market for rooftop solar, it is necessary to phase in the recovery of these costs from participants. Using an ICF approach as recommended by ORA is reasonable. However, the City believes that with each incremental percentage of solar penetration the ORA’s proposed stepping up of the ICF is far too steep and becomes exponentially inhibitive to further DER installations. CSD believes the stepping up of the ICF should be more gradual. There should be four steps instead of three and the terminal value should be lower. This would result in a more gradual phasing in of the recovery of these

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<sup>14</sup> e.g. SDG&E Proposal p. A-57; PG&E Proposal, Summary p. iii

<sup>15</sup> CalSEIA Proposal p.13; Sierra Club Proposal p. 2; NRDC Proposal



unavoidable costs and would also ensure robust future growth of the rooftop solar market. To modify ORA's proposal CSD recommends the following:

- Below 5%, no ICF (i.e., maintain status quo)
- For 5%-6%, ICF of \$1.00 per installed kW-mo
- For 6%-7%, ICF of \$2.00 per installed kW-mo
- For 7%-8%, ICF of \$4.00 per installed kW-mo
- Above 8%, ICF of \$6.00 per installed kW-mo.

CSD would also modify ORA's proposal such that customers would have their ICF held constant for 15 years instead of 10 years as proposed by ORA. This would ensure that customers receive the benefit of the bargain associated with their solar systems.<sup>16</sup>

**5. Should a proposal allow for projects greater than 1 MW per Section 2827.1(b)(5) that “do not have a significant impact on the distribution grid to be built to the size of the onsite load if the projects with a capacity of more than one megawatt are subject to reasonable interconnection charges established pursuant to the commission’s Electric Rule 21 and applicable state and federal requirements”?**

Absolutely yes. CSD supports allowing projects greater than 1 MW and fully supports the position of FEA on this subject.

**6. Should RECs be used for RPS compliance?**

CSD supports the use of RECs from customers under the new NEM tariff provided that they can be accounted for at reasonable costs.

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<sup>16</sup> CSD is uncertain about the allocation of the revenue collected through the ICF to customer classes in ORA's proposal. ORA appears to imply that this revenue would flow to residential customers. The City believes that revenue collected from the ICF should flow back to the customer class from which it was collected and not only to the residential customer class.

### **C. NEM Aggregation and Virtual NEM**

CSD supports the positions of the California Farm Bureau Federation, FEA, and CalSEIA with respect to the topic of NEM Aggregation and Virtual NEM.

### **CONCLUSION**

Respectfully Submitted,

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