

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

Order Instituting Rulemaking on the Commission's
Own Motion to Conduct a Comprehensive
Examination of Investor Owned Electric Utilities'
Residential Rate Structures, the Transition to Time
Varying and Dynamic Rates, and Other Statutory
Obligations.

Rulemaking 12-06-013
(Filed June 21, 2012)

**COMMENTS OF THE INTERSTATE RENEWABLE
ENERGY COUNCIL, INC. ON THE ADMINISTRATIVE
LAW JUDGES' RULING ON WORKSHOP**

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Pursuant to the Administrative Law Judges' January 31, 2013 Ruling on Workshop (Ruling), the Interstate Renewable Energy Council, Inc. (IREC) respectfully submits these comments to seek further clarification of the scope of consideration of net energy metering (NEM) within this proceeding.

IREC suggests that the Ruling is not sufficiently clear in regards to how the Commission intends to consider NEM issues in this proceeding. On the one hand, the Ruling states that the Commission does not intend to "address NEM directly."¹ But the Commission also recognizes "that it will be important for this OIR to not prematurely limit the future structure of the residential NEM program."² IREC requests further clarification of the Commission's intent. As currently framed, it is unclear how it can be determined that this OIR will not "prematurely limit the future structure of residential NEM program" without addressing NEM directly.

IREC proposes that it would be consistent with the intent of this proceeding to consider the impact of any rate design proposals put forward by parties on the ability of residential customers to invest in on-site generation and participate in NEM. In the Order Instituting Rulemaking (OIR), the Commission noted that modifications to rate design might address "cost

¹ Ruling at 8.

² Ruling at 9.

causation issues in a fairer manner, and in a way that does not harm solar investments.”³ Based on the OIR, IREC intervened with the understanding that NEM issues would still be relevant to the extent that they are an element of the “rate designs currently in place for all residential customers.”⁴ This understanding is at the heart of IREC’s expected contributions to this proceeding and speaks to the value that IREC and other intervenors can provide in developing a full record on the impact of various rate proposals on NEM customers.

In a general rate case, intervenors have the opportunity to demonstrate the impact of adverse utility rate proposals on existing and prospective NEM customers, as such matters are typically within the scope of those proceedings. IREC suggests that the impact on NEM customers here is as relevant a concern, reflected by the participation of many parties that have been active on residential NEM issues in general rate cases.⁵ The utilities’ recent rate cases show a consistent movement to limit reliance on volumetric rate components because those components can be avoided by customer-generators. As the Commission noted in the OIR, such a shift from volumetric rates toward fixed customer or demand charges may run counter to Commission goals.⁶ Accordingly, IREC suggests that it is important to encourage participation by parties that are able to illustrate and quantify the impact of rate design proposals on NEM customers.

IREC, in particular, anticipates that its participation in this proceeding will demonstrate how time-of-use rates, dynamic pricing, flat rate structures, and increased reliance on mechanisms for non-volumetric cost recovery (e.g., a fixed monthly customer charge) would each impact the value of NEM to solar customers. The statements in the Ruling leave some ambiguity as to the Commission’s intent to consider these impacts. At the very least, it appears that the Ruling anticipates that parties will review rate design proposals to determine whether

³ *Order Instituting Rulemaking on the Commission’s own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities’ Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations*, at 18 (Issued June 28, 2012).

⁴ *Id.*, footnote 25 (noting that the OIR would not address issues related to the NEM, but would address general residential rate issues that apply to all customers).

⁵ The Vote Solar Initiative, the Solar Energy Industries Association, and the Sierra Club, for example, have been actively involved in residential NEM and rate design issues in several recent Phase 2 general rate cases.

⁶ OIR at 16 (noting that reducing volumetric rates through demand or customer charges “may run counter to the Commission’s goals of promoting conservation and self-generation.”)

those proposals will “prematurely limit the future structure of the residential NEM program.” Unfortunately such a standard leaves parties such as IREC in the position of guarding against possible negative outcomes, making it difficult for IREC to participate with the confidence that its expected contributions to the proceeding will be recognizably germane to the final outcome of the proceeding.

IREC suggests that NEM issues, while not a central focus of this OIR, should still be considered. IREC respectfully requests that the Commission acknowledge that rate impacts on existing and potential NEM customers will be substantively considered by the Commission in weighing the future of residential rate design in California and clarify the January 31 ruling accordingly. A simple modification would be to add a sentence on page 9 of the Ruling, as follows:

"However, we realize that it will be important for this OIR to not prematurely limit the future structure of the residential NEM program. Therefore, we solicit evidence from parties that demonstrates whether or not specific rate design proposals considered in this OIR will or will not have the effect of imposing such limits on future NEM programs."

Respectfully submitted at San Francisco, California on February 14, 2013,

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