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ED Tariff Unit
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California Public Utilities Commission
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Re: City of San Diego's Comments on Draft Resolution E-4610, Commission Determination Authorizing Investor Owned Utilities To Implement Net Energy Metering (NEM) Aggregation Pursuant To Senate Bill 594 (Wolk, 2012)

Dear Energy Division:

The City of San Diego (City) is pleased to provide these comments on Draft Resolution E-4610 (Draft Resolution), authorizing California's investor owned electric utilities to implement net energy metering (NEM) aggregation pursuant to Senate Bill 594 (Wolk, 2012).

The City is pleased that the Draft Resolution finds that allowing eligible customer-generators to aggregate their loads from multiple meters under California's Net Energy Metering (NEM) rules, pursuant to Senate Bill 594, will not result in an increase in the expected revenue obligations of customers who are not eligible customer-generators. The three broad reasons¹ supporting this conclusion are sound:

1. The aggregation of accounts eligible for NEM pursuant to SB 594 will not increase and may, in fact, reduce costs of the NEM program on customers not participating in the NEM program;
2. Aggregation of multiple meters behind large DG systems will improve the cost-effectiveness of NEM by enabling larger and more efficient installations with a lower cost per kWh exported, which would result in a lower cost to ratepayers; and
3. Any revenue loss resulting from allowing aggregation will be less than in the case in which aggregation is not allowed.

¹ Draft Resolution, p. 7.

As clearly stated in the Draft Resolution, it is reasonable to expect that non-residential customers will make up the vast majority of entities that choose to aggregate their meters under the program authorized under SB 594.² These customers almost always have lower rates than residential customers, meaning that any potential revenue loss under the proposed program would likely be less than under the NEM program as it currently exists. Also, protections exist in SB 594 to ensure that customers with mixed use facilities (e.g., combined residential and commercial accounts at the same location), will only be able to assign a *pro rata* portion of the electric generation from the customer-owned generation. These protections ensure that commercial, industrial, and agricultural customers would be the main participants in the meter aggregation program.

While the City concurs with the conclusions of the Draft Resolution, the City wishes to point out that the Draft Resolution makes assertions regarding the cost-effectiveness of NEM that may prove to be inaccurate. In particular, the City is concerned that the Draft Resolution relies on the Commission's NEM Cost-Effectiveness Evaluation, published in March 2010, to conclude that NEM has a net cost to ratepayers.³ As noted in the Draft Resolution, the Commission's update to that 2010 study is due in less than one month.⁴ The results of the upcoming study may reach completely different conclusions regarding any net costs of NEM. In fact, the City suspects that the study may well find that NEM is net beneficial to non-participating customers.

The question of whether the overall NEM program provides a net benefit or places a net cost on non-participants is irrelevant to whether customers are better off by allowing a relatively larger number of non-residential customer-generators to aggregate meters under SB 594. The only question, and one that the Draft Resolution answers correctly, is whether aggregation will result in greater or lesser revenue requirements because of the likely customers that would use NEM to serve aggregated meters under SB 594. Because commercial, industrial, and agricultural customers generally have rates that are lower than residential customers, an increase in the proportion of non-residential customers in the NEM program relative to the *status quo* would, by definition, result in less revenue loss if the NEM program had a greater percentage of non-residential customers and, as a result, lower net costs to non-participants. The City recommends that page 5 of the Draft Resolution be revised as shown in Attachment 1 to these comments.⁵

The City's proposed changes to the Draft Resolution draw no conclusions regarding the overall cost-effectiveness of NEM in advance of the release of the Commission's updated NEM Cost-Effectiveness Evaluation, but do not affect the Draft Resolution's correct conclusion about the net benefit of meter aggregation resulting from SB 594.

² Draft Resolution, p. 4.

³ Draft Resolution, p. 5.

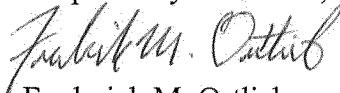
⁴ Draft Resolution, p. 7.

⁵ Note that the City does not recommend changes to the Findings and Conclusions of the Draft Resolution.

Conclusion

The City of San Diego recommends that the Commission approve the Draft Resolution after making the changes to the Draft Resolution recommended above.

Respectfully submitted,



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Attachment

ATTACHMENT 1

PROPOSED CHANGES TO DRAFT RESOLUTION E-4610

The City of San Diego recommends the following changes to page 5 of Draft Resolution E-4610.

Energy Division drew upon the CPUC's previous Cost-Effectiveness Evaluation of NEM, which analyzed the net cost of the NEM program to ratepayers in March 2010.

Energy Division reviewed the findings of the 2010 NEM Cost-Effectiveness Evaluation as a primary source of information on the relative costs of NEM for different customer classes. Several findings from the 2010 study are relevant to this Resolution:

- 1) Due to lower non-residential rates, non-residential NEM projects cost non-participating ratepayers comparatively less per kWh of exported generation than residential customers.
- 2) As of 2008, NEM solar non-residential generators supplied approximately 56% of the capacity enrolled in the NEM program, but accounted for just 10% of the total cost of the solar NEM program.

A key conclusion can be drawn from the 2010 study results.

Through SB 594 implementation, the NEM program is likely to be more frequently subscribed by larger DG resources with a lower cost per kWh exported, which result in a lower cost to ratepayers. Therefore, meter aggregation of larger DG systems will likely improve the cost-effectiveness of NEM and lower its overall impact on non-participating ratepayers.

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Deleted: 1) NEM costs ratepayers approximately \$20 million per year on a 20-year annualized basis for the fleet of solar PV installed through the end of 2008. ¶
2

Deleted: : the levelized net total cost of non-residential NEM facilities averages \$0.03 per kWh-exported, compared to an average \$0.19 per kWh-exported for residential facilities.

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