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September 9, 2013

Gabriel Petlin
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Reply Comments of San Diego Gas & Electric Company on Draft Resolution E-4610

Dear Mr. Petlin:

In accordance with the August 27, 2013 email of the Energy Division of the California Public Utilities Commission (Commission), San Diego Gas & Electric Company (SDG&E) submits the following reply comments regarding Draft Resolution E-4610 (DR), issued pursuant to Senate Bill ("SB") 594 (Wolk, 2012). On September 5, 2013, opening comments were filed by SDG&E, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), the City of San Diego, California Energy Storage Alliance (CESA), Joint Agricultural Parties, Division of Ratepayer Advocates (DRA), El Dorado Irrigation District (EID), Vote Solar Initiative (Vote Solar), Solar Energy Industries Association (SEIA), and Interstate Renewable Energy Counsel, Inc. (IREC). The reply comments of SDG&E respond to those opening comments.

Cost-Effectiveness Arguments Demonstrate that Meter Aggregation Would Shift Costs to Non-Participants.

SDG&E agrees with PG&E's observation that "...any increased efficiency and lower installed costs will benefit participants, not ratepayers."¹ Any claims of benefits from the improved cost-effectiveness of Net Energy Metering (NEM) meter aggregation will come at the expense of non-NEM aggregation participants. Not only are these said benefits unsupported and misplaced, but also cost shifts will result from participants' greater ability to bypass Public Participation Program (PPP) and other non-commodity charges since that bypass would no longer be limited to the single meter with the generation facility. Accordingly, NEM meter aggregation has the potential to further exacerbate this problem above and beyond that of the existing NEM programs.

¹ PG&E Comments at p. 4.

In addition, many of these conclusions are based on the Commission’s 2010 NEM Cost-Effectiveness Evaluation, which is outdated.² Several parties cite improved cost-effectiveness that would result from aggregation as a primary reason for approving the draft resolution.³ IREC recommends “that it is important that the Commission clarify or acknowledge that its reliance on the 2010 NEM Cost-Effectiveness Evaluation (E3 Study) is illustrative and that current rate structures and alternate valuation methodologies might create an even more compelling case that NEM aggregation will not impose new costs beyond the current NEM program.”⁴ and argues for using the results of a 2012 study published by Crossborder Energy.⁵ SCE recommends that the Commission use data from the 2013 NEM Cost-Effectiveness Study (scheduled to be completed by October 1, 2013) to update this key finding in the DR.⁶ Similarly, the City of San Diego recommends that in the context of the results due in less than a month for the Commission’s updated NEM Cost-Effectiveness Evaluation “the Draft Resolution draw no conclusion regarding overall cost-effectiveness of NEM in advance of the release of the Commission’s updated NEM Cost-Effectiveness Evaluation....”⁷

SDG&E agrees with IREC’s recommendation that the Commission clarify or acknowledge that its reliance on the 2010 NEM Cost-Effectiveness Evaluation (E3 Study) is illustrative and disagrees with IREC’s recommendation to use the 2012 Crossborder Energy study, particularly given the soon to be available 2013 results. SDG&E disagrees with IREC’s speculation that more recent studies could “create an even more compelling case that NEM aggregation will not impose new costs beyond the current NEM program,” and agrees with SCE and the City of San Diego that the Commission should draw no conclusions until the pending 2013 results are available.

SDG&E Agrees with Parties’ Recommendations that the Draft Resolution State Assumptions and Recognize Speculation.

In opening comments, SDG&E identified with certainty the types of expected cost increases if meter aggregation is implemented. SDG&E agrees, however, that the full impact of such cost increases are not yet known. SDG&E agrees with DRA’s recommendation that “the Commission modify Resolution E-4610 to explicitly state that its determination is based on a number of assumptions and to clearly state the inherent uncertainty about the magnitude of future costs under this new type of arrangement.”⁸ SDG&E further recommends that the uncertainty associated with the future of the cap and the proportion of residential to non-residential adoption under that cap should also be noted.

² SDG&E Comments at p. 1.

³ Comments of City of San Diego at p. 1; Vote Solar at p. 2; EID at p. 1; SEIA at p. 1 (“[T]he Commission will open up the net metering program to new customers who previously found the program to be not cost-effective.”); and IREC at pp. 2-3.

⁴ IREC Comments at p. 1.

⁵ *Id.* at p. 4.

⁶ SCE Comments at p. 3.

⁷ City of San Diego Comments at p. 2.

⁸ DRA Comments at pp. 2-3.

SDG&E agrees with IREC that the Commission is not expected “to predict the future or to speculate on whether NEM will be a capped or uncapped at some time in the future” as part of this Resolution.⁹ However, with these points, IREC argues that the findings in this Resolution should be based on the implications of aggregation on current cost shifts and not based on the expected future of NEM and NEM aggregation. As PG&E stated, “the legislature did not ask the CPUC to determine if costs would shift in the years 2020 to 2022, when the current NEM cap as interpreted by the CPUC is expected to be reached by PG&E. The legislature asked the CPUC to make such a determination now.”¹⁰

Because the DR is based on outdated assumptions and speculation, it overlooks the fact that NEM aggregation allows for greater ability to bypass PPP and other non-commodity charges for existing customers and, therefore, would increase the cost-shift to non-participating customers. EID provides one example of where a NEM system is sized with excess generation and currently receives the net surplus compensation determined appropriate by the Commission for that excess generation.¹¹ In EID’s example, NEM meter aggregation would result in increased ability to bypass charges and would result in cost-shifts to other ratepayers.

The Conclusions of the Draft Resolution Regarding the Proportion of Residential to Non-residential Adoption is Speculative.

PG&E identified five reasons why the DR’s statements that non-residential NEM customers have a lower cost shift than residential participants and, due to the existence of the NEM cap, increased non-residential participation in NEM means that overall, the DR’s claimed cost shift decreases is inaccurate.¹²

SDG&E agrees with PG&E’s statements and adds that there is inherent uncertainty in the assumed impact NEM meter aggregation will have on the relative proportion of residential to non-residential adoption. While parties agree that aggregation will increase the cost-effectiveness of installations to individual participating customers, this does not address the threshold issue before the Commission – whether NEM meter aggregation will increase cost subsidies by non-participating customers.

This is a concern for SDG&E as SDG&E’s residential NEM adoption has consistently increased year-to-year and the DR fails to recognize the role of the current tiered residential rate design in driving residential NEM adoption. In 2012, SDG&E authorized 5,261 new NEM customers. At the end of August 2013, SDG&E already authorized 5,908 new NEM customers, an increase of 93% from 2012. With the steep adoption of NEM in SDG&E’s service territory, the question of incremental costs associated with meter aggregation should not be ignored by the Commission.

⁹ IREC Comments at p. 2.

¹⁰ PG&E Comments at p. 2.

¹¹ EID Comments at pp. 1-2.

¹² PG&E at pp. 2-3.

Further, SDG&E agrees with PG&E's comment that "more and more residential customers will install the combination of PV, and electric vehicles (EV) (including charging facilities)..."¹³ and those customers may explore meter aggregation. As NEM penetration increases, history supports PG&E's statement that "every time the penetration of PV in the market nears the NEM cap, the cap is raised."¹⁴ Conversely, IREC's claim that "the assumption that the NEM cap is in place and is still effective as of September 30, 2013 is a valid assumption"¹⁵ is not supported by history.

Energy Storage Is Out of Scope And Should Be Rejected.

CESA asks that the same aggregation be applied to energy storage. The Commission should reject this request as outside of the scope of this resolution.

Respectfully Submitted,

/s/ Clay Faber

Clay Faber
Director, Regulatory Affairs

cc: President Michael R. Peevey
Commissioner Mark J. Ferron
Commissioner Michel P. Florio
Commissioner Catherine J.K. Sandoval
Commissioner Carla J. Peterman
Edward Randolph, Director, Energy Division
Karen Clopton, Chief Administrative Law Judge
Frank Lindh, General Counsel
Gabe Petlin, Energy Division
ED Tariff Unit
Service List attached to DR E-4610

¹³ PG&E at p. 3.

¹⁴ *Id.* at p. 3.

¹⁵ IREC at p. 2.