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

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| 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<br>(Filed June 21, 2012) |

# COMMENTS OF THE INTERSTATE RENEWABLE ENERGY COUNCIL, INC. ON THE ENERGY DIVISION'S PHASE 1 PROPOSAL


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# COMMENTS OF THE INTERSTATE RENEWABLE ENERGY COUNCIL, INC. ON THE ENERGY DIVISION'S PHASE 1 PROPOSAL

Pursuant to the January 6, 2014 *Amended Scoping Memo and Ruling of Assigned Commissioner* ("Ruling") and Administrative Law Judge McKinney's January 10, 2014 email modifying the due date, the Interstate Renewable Energy Council, Inc. ("IREC") respectfully submits these comments to suggest specific corrections to the Energy Division's *Staff Proposal for Residential Rate Reform in Compliance with R.12-06-013 and Assembly 327* (January 3, 2014) ("ED Proposal"). The purpose of these revisions is to clarify IREC's position in regard to net energy metering ("NEM") issues. The Ruling allows parties to submit comments to correct characterizations of parties' positions and factual or typographical errors.

## I. Proposed Revisions to ED Proposal

Though IREC did not submit a full rate proposal, IREC submitted comments and contributed to the record with its quantitative analysis showing how changes to specific rate design components would likely impact NEM customers. Currently, the ED Proposal omits reference to IREC's positions and the results of IREC's quantification of other parties' proposals.

While IREC understands that there would be little value in having the ED Proposal exhaustively recite every parties' positions on every issue, IREC does believe that there is value in linking its analytical contributions to the record to the corresponding party positions described by the ED Proposal. To provide the context of IREC's contribution to the record on these net metering issues—the bill impacts of various parties' proposals in NEM customers—IREC respectfully proposes the following three modest edits to the ED Proposal to reflect IREC's core positions:

**1. Impact of fixed charges on NEM customers (ED Proposal at p.68)**

IREC's position in Phase I is that monthly customer charges tend to reduce the value of NEM. IREC's analysis showed that the IOUs' specific proposals would cause bill increases for nearly all NEM customers. IREC's analysis showed that customer charges have the most pronounced impacts on customers with large solar facilities (i.e., serve 80% of load with onsite solar).[1] The ED proposal notes that "[n]early all other parties opposed the use of fixed or demand-based charges for residential customers, in part due to the reduction in value of NEM."[2] IREC proposes the following modification to this sentence in order to reference its analysis:

> Nearly all other parties opposed the use of fixed or demand-based charges for residential customers, in part due to the reduction in value of NEM<u>, with IREC providing a detailed analysis by climate zone and PV system size.</u>" [insert footnote: *See* IREC's Comments, 7/12/13, at 11].

**2. Impact of TOU rates on NEM customers (ED Proposal at p. 68)**

IREC's comments emphasized an important consideration for NEM customers regarding the switch to default TOU rates that is absent from the ED Proposal: the TOU period definitions have a substantial impact on the value of NEM. As IREC noted, PG&E's winter part-peak period

[1] *See* IREC's Comment at p. 11 (7/12/13).
[2] ED Proposal at p. 68.

definition (5 pm to 8 pm on weekdays) excluded almost 99% of all solar generation during that period.[3] IREC's analysis demonstrated this stark example of how the value of NEM to customers depends on TOU period definitions.

IREC proposes that the ED Proposal add the following sentence directly after the indented quote attributed to EDF:

> <u>Additionally, IREC states that TOU period definitions should be made static for a certain period of time, as EDF proposed, to provide NEM customers more stable assumptions on which to base an invest in a NEM system. [insert footnote to IREC Comments, 7/12/13, at 14-15].</u>

**3. Importance of gradual transition to new rate design framework for NEM customers**

IREC's position throughout Phase 1 has been that the Commission should adopt "a measured transition period that will allow residential customers to adopt to new rate structures."[4] IREC supported the Office of Ratepayer Advocate's introductory TOU rate as a suitable bridge to help ease customers to new rate structures, noting that the bill impacts with this proposal were modest (within 10% of current customer bills). The ED Proposal notes that "SEIA/Vote Solar state that any transition to a new default rate design should occur gradually in order to minimize detrimental impacts on the value of existing NEM facilities."[5] Given the overlap of IREC's position here, IREC merely request that the ED Proposal give the following attribution:

> "SEIA/Vote Solar <u>and IREC</u> state that any transition to a new default rate design should occur gradually in order to minimize detrimental impacts on the value of existing NEM facilities."[127] [fn[127] SIEA/Vote Solar proposal , 5/29/13 at 21<u>; IREC Comments, 7/12/13 at 15</u>]

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[3] IREC Comments at p. 15.
[4] IREC Comments at p. 15.
[5] ED Proposal at p. 67.

## II. Proposed Correction to ED Proposal Discussion of the Income-Usage Correlation

IREC did not take a position on the correlation between income and electricity usage, but generally supports the comments of TURN that there is a strong correlation. The ED Proposal states that "[i]n the staff's opinion, the correlation of income with usage is not strong enough to support the generalized argument that low-income households are harmed by default TOU."[6]

The relationship between income and consumption in California is necessarily impacted by the utilities' tiered rate structures and the CARE discounts. As CARE discounts decline, low-income customers with modest consumption will face higher rates, which economic theory tells us will lead to reduced consumption by those customers. Likewise, "rate relief" in the higher tiers for non-CARE customers can be expected to lead to increased consumption. The data indicates that low income customers tend to use less, meaning that they are more likely to face marginal rates in the first or second tiers, so higher rates in those tiers will lead to lower usage. In short, without steep tiers and with more modest CARE discounts, the relationship between income and consumption will be stronger, and that should be acknowledged.

## III. CONCLUSION

IREC appreciates the Energy Division's work in producing this substantial work product to memorialize the valuable input of parties in Phase I and the Energy Division's evaluation of the best and most appropriate approaches. IREC respectfully requests that the ED Proposal incorporate references to IREC's core positions on the impact of rate design changes on NEM customers according to the modest modifications proposed above.

[6] ED Proposal at 37.

Respectfully submitted at San Francisco, California on January 31, 2014,

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