

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

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.

Rulemaking 12-11-005  
(Filed November 8, 2012)

**INFORMAL COMMENTS OF THE CALIFORNIA FARM BUREAU FEDERATION ON  
THE GUIDING PRINCIPLES AND PROGRAM ELEMENTS FOR THE NEM  
SUCCESSOR TARIFF OR CONTRACT OPTIONS**

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## **I. INTRODUCTION**

Pursuant to the schedule established by the Request for Informal Comments, the California Farm Bureau Federation (“Farm Bureau”)<sup>1</sup> provides its responses and input to the possible guiding principles and program elements developed by the Energy Division Staff.<sup>2</sup> Essential to the Commission’s implementation of the requirements of Assembly Bill 327 (Perea, 2013) for the standard contract or tariff pursuant to Public Utilities Code section 2827.1, is formation of a workable structure for framing the discussion of the many variables appropriate for consideration. The staff has developed effective tools for organizing the discussion in order to clarify the various options for consideration. Farm Bureau’s comments respond directly to the questions outlined.

## **II. GUIDING PRINCIPLES SHOULD PROMOTE PRAGMATISM AND CERTAINTY**

The guiding principles enumerated encompass a broad range of concepts and elements, many of which will be subjected to varying interpretations of the implications of the principles. Overlaying the listed guiding principles, of course, are the directives from AB 327, some of which are captured as guiding principles and others that must be addressed as program elements. Farm Bureau would not add any new ones that could be characterized as distinct from those already outlined, but provides its understanding of what the listed guiding principles represent.

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<sup>1</sup> The California Farm Bureau Federation is California’s largest farm organization with approximately 78,000 agricultural and associate members in 53 county Farm Bureaus. California farmers and ranchers sell \$44.7 billion in agricultural products annually, accounting for 9 percent of the gross state product, and hundreds of thousands of jobs in California. Farm Bureau’s members expect to pay in excess of \$850 million for their electric service.

<sup>2</sup> Consistent with the direction of the Request for Informal Comments, these comments have been served, but not filed.

- The legislative goals outlined in AB 327 provide both specific direction to the Commission and discretion to develop a contract or tariff. The statute<sup>3</sup> recognizes the need for the Commission to revise the standard contract or tariff as appropriate to achieve the objectives that are set out. Although the statute provides some important markers for creating a new tariff or contract, only after the opportunity for debate, analysis and presentation of information afforded through the Commission's processes can a full understanding of consistency with AB 327 be determined.
- Certainty about the terms and duration of the contract or tariff will be key to the continued viability of an effective customer-generator program for agricultural customers. Farm Bureau members face significant uncertainty in both the short-term and long-term operation of much of their businesses, which uncertainty prompts a greater focus on the implications of investments and effort to minimize unpredictable results from the investment. The need for certainty associated with the contract or tariff terms is heightened when customers consider facilities for customer generation which are less widespread, such as biogas or small hydro projects.
- Developing the tariff or contract in a way that promotes simplicity and transparency would continue one of the key benefits of the current NEM program. Such elements ensure pragmatic adaption for a wide variety of applications and have been of keen importance to our members. Even as straight-forward as the NEM program is in comparison to other customer

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<sup>3</sup> Public Utilities Code section 2827.1(b).

supported generation, there is room for improvement. This tariff development process provides an important opportunity to further refine the program to ensure complexities on all sides are minimized, thereby optimizing continued use of the program.

- Flexibility and review should be an important element going forward, but must be managed in a way that does not undermine the certainty of the program. The pathway to achieve flexibility may be to build in a process that anticipates adaptation or review without making the framework so flexible that it's hard to rely on its fundamental elements.

### **III. SUSTAINABLE GROWTH**

That the term “sustainable” lends itself to multiple interpretations may be the singular element of agreement about how to address the requirement that the contract or tariff assures sustainable growth. The diversity of viewpoints about appropriate meanings for sustainability is further exacerbated by the broad range of contexts that it is used to define. Such is the case here as well. It is known that the metrics will require a change from the current tariff, since the statute requires new elements for customer generation. In determining whether the contract or tariff is developed properly, it may be necessary to review the metrics differently among regions, generation type or tariff type. The metrics utilized should be flexible enough to fit the diversity of the applications or else the metrics for the applications may need to vary by type.

No matter what construct is used by which to gauge sustainability, the cost and benefit implications for a tariff or contract must be a part of that assessment. Any

customer considering investment in a generation facility must be able to identify substantive value in the investment to move forward with its development.

#### **IV. PROGRAM ELEMENTS**

The framework that has been provided to begin the discussion helps tremendously in isolating the approach for development of the contract or tariff. As with the discussion of the guiding principles, Farm Bureau provides several clarifying comments about its understanding of the elements that have been set out:

- An appropriate first step may be consideration of refining the program elements by adjusting for various customer categories or other appropriate distinctions. As the NEM program has become more fully developed and more is known about the usage and applications, it may be possible to create distinct applications and ensure simplicity as well.
- One of the program element categories, “Possible Program Variants,” references the important concept of offsetting multiple accounts from a single source of generation. Such opportunities have been implemented through virtual net metering and NEM aggregation. This proceeding provides an opportunity to further refine such programs and eliminate artificial barriers. The benefits should be considered of allowing customers who control multiple accounts to strategically locate generation facilities. Such benefits may include effective utilization of the generation, as well as benefits to the local distribution system.
- In an effort to remain consistent with the principle of ensuring simplicity and transparency, due consideration should be given to the construct of the tariff

itself. For instance, the program elements contained in the provided chart represent not only elements that would apply to any type of facility, but also those which might receive additional benefit for unique characteristics – such as local grid benefit adders. One approach to consider is to develop the contract or tariff by providing a “base model” that is self contained, with the additional elements added on separately rather than integrated in a singular tariff that attempts to capture all possible variations. Such an approach may better facilitate the ability to adapt the contract or tariff to changing circumstances and result in clearer understanding of how additional elements affect a particular project.

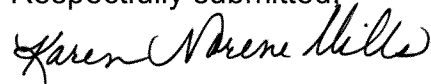
- In considering the effects of projects greater than 1 MW, AB 327 requires consideration of the impacts on the distribution grid. Farm Bureau’s members’ participation in the NEM program is naturally focused in rural areas. As a corollary to effects of the sizes of projects to the grid, consideration should also be given to any potential affects to nearby customers if a deviation from the standard is being allowed.
- The implications to the successor tariff proposals to revise the time-of-use periods currently in place on non-residential schedules may arise in various contexts in this proceeding. As the costs and benefits of customer generation are addressed, certainly the impacts of proposals such as that presented in SDG&E’s Rate Design Window (A.14-01-027) will affect the discussion.

## V. CONCLUSION

Farm Bureau recognizes these comments, and the underlying workshop that gave rise to the request for informal comments represents the very beginning stages of the process for the development of the successor tariffs for customer generation facilities. NEM provides unique opportunities to customers and the electric system as well. We appreciate the groundwork the Energy Staff is developing to ensure a full discussion is conducted in order to address the wide variety of applicable issues.

Dated: May 30, 2014

Respectfully submitted,



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