

**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)

**REPLY COMMENTS OF SOLARCITY CORPORATION ON THE
PROPOSED DECISION REGARDING NET ENERGY METERING
INTERCONNECTION ELIGIBILITY FOR STORAGE DEVICES
PAIRED WITH NET ENERGY METERING GENERATION FACILITIES**

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I. Introduction

Pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice Procedure, SolarCity Corporation (SolarCity) submits these comments in reply to the opening comments of May 5, 2014 in this docket filed by San Diego Gas & Electric (SDG&E), Pacific Gas & Electric (PG&E) and The Utility Reform Network (TURN).

II. The Final Decision Should Ensure That Systems May Continue To Interconnect Without Disruption While The Utilities Develop Their Advice Letter Filings

To ensure there is no further market disruption, the final decision should clearly state that net energy metering (NEM) systems with storage may continue to submit interconnection requests to utilities under the existing NEM-MT approach, and the utilities should continue to process those requests while they develop their advice letters pursuant to the Commission's final order. Absent this directive, SolarCity is concerned that the utilities will delay projects and/or continue to impose costs the Proposed Decision (PD) has found inapplicable while they develop their advice letters.

III. SDG&E's Arguments That All Storage Should Be Treated As A "Modification" Pursuant To D.14-03-041 Should Be Rejected

SDG&E argues that D.14-03-041 requires that a storage system paired with on-site renewables be treated as a "modification" to the renewable facility with which it is paired, and as such, appears to suggest that should a storage system exceed the greater of 10% of the system capacity or 1 kW that the storage system and/or the entire system would be subject to different NEM transition rules. This argument should be rejected. SDG&E fails to provide any logical basis for its view that if a storage system is an "addition or enhancement" that it is then, necessarily, a "modification" to a renewable facility. These terms are not synonymous and there is nothing in D.14-03-041 to suggest the Commission intended for them to be treated as such. A modification, as presented in D.14-03-041, appears to be any material change to a NEM-eligible facility after the successor tariff to NEM goes into effect that impacts the capacity of the facility.

With respect to the issue as hand, the renewable facility is both the renewable generator plus a storage system where that storage system meets the California Energy Commission's (CEC) definition of an addition or enhancement. Thus, even if the Commission believes a storage system should be viewed as additive to the capacity of the renewable generation with which it is paired, the capacity thresholds and eligibility for the NEM transition period identified in D.14-03-041 would only apply in circumstances where the storage system is added to an existing NEM-eligible facility that is subject to the 20-year transition period, after the NEM successor tariff goes into effect.

IV. SDG&E’S Additive Approach For Counting Paired Storage Systems Toward The 5% NEM Cap And For Assessing Project Size Relative To The 1 MW Per Project Size Limit Should Be Rejected

SDG&E argues that storage should be treated as additive to the generation with which it is paired both for purposes of counting the capacity of the system toward the 5% NEM cap and for purposes of assessing the size of the system relative to the 1 MW project size limit. In both cases, SolarCity believes this approach should be rejected.

The 5% NEM cap limits the total capacity of systems that interconnect under the current NEM tariff. This limits revenue loss to the utilities from the current NEM program, and thus serves to bound the extent of any potential “cost-shift” to non-participating ratepayers associated with the current NEM program. As found by E3, the vast majority of any such cost-shift, as found by E3 is associated with the NEM credits customers receive for energy exported to the grid.¹ (SolarCity disputes E3’s cost-shift conclusions for the reasons stated in comments submitted to the Commission by TASC.²) Importantly, whether storage systems interconnect under the NEM-MT methodology, or under the alternative approach proposed for systems less than or equal to 10 kW, no NEM credits will be provided for exports from a storage system. As such, the contribution to the alleged cost shift from NEM systems that can be attributed to storage is limited to the costs associated with exemptions from interconnection application fees, supplemental review costs, standby charges and distribution upgrade costs.

Although SolarCity was not able to separately identify the share of the overall cost shift that E3 found in its 2013 study attributable to exemptions from interconnection application fees, standby charges, supplemental review costs, etc., SolarCity believes there is a rebuttable presumption that these exemptions contribute a very small amount to the overall cost shift found by E3. For these reasons, it does not make sense to count storage systems toward the NEM cap since any contribution to the overall cost shift from these systems is negligible.

Regarding SDG&E’s proposal to count storage as additive to the capacity of the renewable system with which it is paired for purposes of assessing whether a project falls below the NEM 1 MW per project cap, SolarCity again believes this approach is misguided. As SDG&E notes, the 1

¹ *California Net Energy Metering Ratepayer Impacts Evaluation*, Energy and Environmental Economics, Inc., October, 2013.

² Comments of The Alliance for Solar Choice on the E3 Draft Net Energy Metering Cost-Effectiveness Study, Oct. 10, 2013, available at <http://www.cpuc.ca.gov/NR/rdonlyres/70ED3AE8-38AA-486D-8D21-53601FDCF59B/0/TASC.pdf>

MW project cap is intended to bound the extent to which non-participating ratepayers would bear the costs associated with distribution system upgrades resulting from a NEM project. As a practical matter, customers with storage systems currently have no economic incentive to export to the grid. As such, the practical impact of storage systems on the distribution system appears limited. It therefore would be unreasonable to count the capacity of the storage system toward a project cap that is intended to mitigate cost exposure when storage will not contribute toward those costs. If and when the market rules change to create incentives for storage systems to export beyond the customer's meter, this issue could be revisited.

V. The Utilities' Concerns Regarding The Accuracy And Validity Of Customer Metering Should Be Assessed Via A Sampling Methodology and Evaluation

Throughout this proceeding, numerous parties have provided evidence regarding the absence of incentives for customers to engage in NEM gaming. In light of the low risk of this activity occurring, as the PD recognizes, imposing revenue-grade metering requirements would be excessive. However, despite the low risk, the utilities object to the use of customer-owned meters to provide data in lieu of utility-owned, revenue grade meters. Rather than back away from the sensible approach adopted in the PD, the Commission should allow the utilities to develop a sampling methodology, if they wish, to assess the accuracy of device internal meters and other customer-owned data acquisition systems (DAS) as they are deployed and submit a report that details the accuracy of these meters relative to revenue grade metering.

In the event the Commission decides not to rely on customer-owned metering or DAS to provide the data used to cap NEM credits, the Commission could instead base the cap on a modeling estimate of the maximum output a renewable generating system produces. In Opening Comments, SolarCity suggested retaining the NEM-MT methodology whereby the NEM credits a solar system receives are based on the lesser of the output of the solar system or the export to the grid, but in lieu of net generation output metering (NGOM), allow the use of device internal meters to collect the solar production data. If the Commission determines that customer-owned metering or DAS should not be relied upon, then the Commission could instead cap the NEM credits to the lesser of a modeled estimate of solar output or the export to the grid.

VI. PG&E's Proposal To Reduce The Size Threshold Below Which Additional Sizing Criteria Would Not Apply Should Be Rejected

SolarCity appreciates the PD's adoption of a system sizing threshold of 10 kW below which additional sizing criteria do not apply. This is vitally important because of the modular nature of

battery technologies – the imposition of additional sizing criteria to storage systems below a certain size would likely have the de facto effect of prohibiting some customers that wish to pursue storage from being able to do so owing to structural or other practical factors that may, for example, limit the size of the renewable facility with which the storage system is paired. The PD’s 10 kW threshold is reasonable and while SolarCity does not oppose increasing this threshold, we do not believe reducing it is warranted. PG&E points to the size of current storage systems seeking interconnection with the utility and the size of typical residential solar energy systems as the basis for arguing for a reduction in the system size threshold. However, to rely on this data as the basis for the storage sizing threshold implies that these projects are representative of the storage market. However, given the nascent state of the market, we believe additional flexibility is warranted beyond what PG&E’s 6 kW limit would allow.

VII. PG&E’s Request to Raise the Metering Cost Cap to \$600 Should Be Rejected

PG&E argues that the \$500 cap in the PD should be increased to \$600. Given that both SCE and SDG&E charge less than \$500 for the NGOM they require under NEM-MT, SolarCity opposes PG&E’s request. There is no reason that PG&E should not be able to provide metering at a similar cost, nor has PG&E demonstrated why it cannot.

VIII. PG&E’s Suggestion That NEM-Eligible Storage Systems Should Not Be Exempt From Distribution Systems Costs Violates The NEM Statute

PG&E’s arguments that NEM-eligible storage systems should not be exempt from distribution system upgrade costs is legally flawed. As SolarCity has explained in prior comments submitted in this proceeding, with the determination by the CEC that storage systems configured in certain ways (including the configurations deployed by SolarCity) constitute an addition or enhancement to a renewable generating facility, the exemptions afforded NEM systems generally must, as a matter of law, be extended to NEM systems with storage systems as additions or enhancements. The statutorily required exemptions, provided for in Public Utilities Code Section 2827(g) clearly encompass distribution system upgrade costs.

IX. TURN’s Argument That Exempting NEM-Eligible Storage Systems From Certain Costs Is a Matter of Policy and Not Law Are Without Merit

TURN seeks to create some light between the definition of “Renewable Electrical Generation Facility” as that term is defined in the Public Utilities Code and the exact same term in the Public Resources Code, by focusing on the word “sources” as used in the Public Utilities Code.

In defining "Renewable Electrical Generation Facility," the Public Utilities Code points to any "source" listed in section 25741 of the Public Resources Code,³ specifically to section (a)(1):

(a) "Renewable electrical generation facility" means a facility that meets all of the following criteria:

(1) The facility uses biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts or less, digester gas, municipal solid waste conversion, landfill gas, ocean wave, ocean thermal, or tidal current, and any additions or enhancements to the facility using that technology.

TURN appears to believe that the "additions or enhancements" are not part of this Public Utilities Code definition because TURN believes that an addition or enhancement does not constitute a "source." That view is highly contentious and TURN offers nothing to support its views other than its own highly questionable interpretation. A far more straightforward understanding is that the Legislature intended for the term "Renewable Electrical Generation Facility" in the Public Utilities Code to be synonymous with the definition, in its entirety, of that term as detailed in the section in the Public Resources Code to which it points. It strains credulity to suggest that the intent was instead to define "Renewable Electrical Generation Facility" as potentially including an addition or enhancement in the Public Resources Code, while claiming the same term in the Public Utilities Code excludes an addition or enhancement.

X. Conclusion

SolarCity appreciates the opportunity to provide these reply comments.

Respectfully submitted at San Francisco, California on May 12, 2014,

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³ Public Utilities Code, 2827(b)(11) ("Renewable electrical generation facility" means a facility that generates electricity from a renewable source listed in paragraph (1) of subdivision (a) of Section 25741 of the Public Resources Code.)