

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



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

Rulemaking 10-05-004
(Filed May 6, 2010)

**REPLY COMMENTS OF THE INTERSTATE RENEWABLE ENERGY
COUNCIL ON THE SCOPING MEMO AND RULING**

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December 20, 2010

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Pursuant to the schedule set forth in the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo), the Interstate Renewable Energy Council (IREC)¹ submits these Reply Comments addressing certain of the Phase I issues identified in the Scoping Memo.

The opening comments submitted by the stakeholders on December 6, 2010 show a remarkable amount of agreement on the importance of extending of Virtual Net Metering (VNM) to a wider range of multitenant customers and on the removal of the Service Delivery Point (SDP) boundary. Only Pacific Gas & Electric's (PG&E) opening comments express blanket opposition to expansion of VNM to a broader customer class and to removing the SDP boundary. Both Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E) are modestly open to these modifications with what they believe are appropriate recovery of costs.

¹ IREC is a non-profit organization that has worked for nearly three decades to accelerate the sustainable utilization of renewable energy resources through the development of programs and policies that reduce barriers to renewable energy deployment. IREC addresses topics that directly impact the development of sustainable renewable energy markets, including net metering rules and interconnection standards for distributed generation technologies, development of community renewables programs, and development of wholesale markets for distributed generation.

IREC provides responses to the key issues of costs and fees below and refers the Commission back to our Opening Comments for positions on other program elements.

I. Virtual Net Metering Customer's Use of the Distribution Grid is Nominal

SDG&E opens its comments by asking the Commission to consider the overall costs of Net Energy Metering (NEM) for the broader customer base, while PG&E has similar issues with the costs of NEM overall. While IREC does not believe that this is the proper place to reevaluate the relative economic merits of NEM, it does seem that the equity case being made by SDG&E actually provides a compelling reason as to why VNM should be expanded to a broader range of customers. SDG&E's concern that certain, more affluent, customers benefit disproportionately from the NEM program does not mean that VNM should not be extended. Conversely, allowing VNM on all multitenant buildings will allow a greater number of ratepayers to participate in NEM. VNM offers particular advantages to persons with lower incomes (who may be more likely to reside in multitenant structures) because it has the potential to enable them to pool their resources towards one community system, which reduces the overall costs as well as the costs for individual participants. While expansion to affordable housing structures is particularly important, allowing all tenants of multiunit structures to participate in generation of renewable power will better equalize the costs of NEM. This is particularly true when you consider that all ratepayers contribute to the CSI program.

Each of the utilities raises, to a different extent, the limited use of the distribution system by VNM customers. First, it is important to realize that the use of the distribution system by VNM customers is no different than that of other NEM customers. The energy generated by the community solar system is placed onto the grid and credits for that power are allocated onto the

accounts of the participants, when participants use energy off of the grid they are billed for that use. The use of the grid itself is the same for VNM and traditional NEM customers, regardless of which Service Delivery Point they are behind, the only difference is that there is an additional use of billing software required to apply those credits to multiple, instead of simply one, account.

Furthermore, to the extent one tracks those individual kW's as though they are traveling from the community solar system to the actual meters of the individual participants, the use of the grid under the definition IREC has proposed would be so minimal as to hardly warrant a charge on the bill. By removing the SDP barrier, and instead using the definition proposed in our opening comments², the energy is unlikely to travel along the distribution grid for more than a few hundred feet before connecting with the load of the participating customers. Putting this in perspective, according to PG&E's website, they currently have "141,215 circuit miles of electric distribution lines and 18,616 circuit miles of interconnected transmission lines."³ The mileage for the other IOUs is similarly significant. Thus, SCE's proposal that VNM customers pay the full existing distribution rate if the system serves more than one SDP is grossly in excess of the proportional use of the distribution system and it does not take into account any of the

² IREC proposes the following definition be used in place of the SDP boundary:

A "Multitenant Development" is defined as all the real property and apparatus employed in a single housing, retail, commercial or mixed-use development on contiguous parcels of land. These parcels may be divided by a dedicated street, highway or public thoroughfare or railway, so long as they are otherwise contiguous and are managed as part of the same development. This includes, but is not limited to, condominium projects, community associations, business parks, merchant associations, and campuses.

³ <http://www.pge.com/about/company/profile/>

distribution system benefits that distributed solar offers.⁴ The same is true for PG&E's claim that VNM customers should receive a generation only credit.

The proposal by SDG&E that seeks to have a "distance adjustment fee" from the AL-TOU tariff applied to VNM systems with more than one service delivery point is more reasonable but it still is not clear whether the application of such a fee is worth the billing software additions required.⁵ Also, the charging of such a fee appears to run counter to Public Utilities Code § 2827(g) which prohibits charging NEM customers for any additional charges or fees that would increase eligible customer-generators' costs beyond those of other customers. This section of the code reflects the longstanding policy choice of the legislature that customer generators be allowed minimal use of the grid in exchange for the environmental and grid benefits that distributed generation provides. VNM customers' use of the grid is not meaningfully different than that of regular NEM customers and it is, therefore, appropriate for the Commission to treat these customers the same so that they are equally incentivized to participate in energy efficiency and increased use of distributed power.

II. Recovery of Costs for Billing Software Upgrades Need to be Reasonable

IREC is not opposed to reasonable recovery of costs for billing software upgrades necessary to implement a comprehensive VNM program, but is disappointed that the utilities

⁴ See, e.g., 2009 Impact Evaluation of CSI, prepared by Itron and KEMA at 6-1 ("CSI PV systems reduce loading on the distribution and transmission lines by displacing remote sources of electricity that would otherwise have to be delivered over the T&D systems to electricity customers. Reduced line loading at the time of peak demand potentially alleviates the need to expand or build new transmission and distribution infrastructure, thereby saving utility and ratepayer monies. Moreover, by reducing the amount of electricity that needs to be delivered by the grid, CSI PV facilities may potentially lower the risk of transmission overloads during many operating hours, which in turn may increase overall system reliability.")

⁵ EcoPlexus and Récolte make similar proposals in their comments.

provided little information on what the real costs of such implementation would be. As IREC has highlighted previously, it is important for the Commission to evaluate the costs associated with upgrading billing software not on a “per program” basis, but instead holistically, taking into account the changes that will be required for AB920, smart grid implementation, VNM and other programs. This seems likely to lead to the most cost-efficient approach. Unfortunately, the only utility that provided a cost estimate was PG&E, but the numbers provided appear to be incredibly high in light of the fact that PG&E must have already implemented some software to accommodate existing VNM customers. PG&E provides no explanation of how they arrived at the \$36/account set up, and \$15/account/month fee they propose. These fees are clearly so high that any value to customers from participating in ownership of a distributed energy system would be lost.

PG&E also makes an alternate proposal, suggesting that instead of VNM, that those desiring to participate in a community solar system should instead negotiate individual PPA’s with the IOU and then have the IOU provide the payment for the power in the form of credits on the bills of customers. In essence, this requires the same billing software and use of the grid as the VNM program being proposed currently but adds on the additional time and expense of negotiating individual PPAs. While IREC is not opposed to an additional option being available to customers, we are concerned that few customers are likely to have the sophistication or resources to undertake such an effort and believe that VNM offers the same benefits with fewer transactional costs for both the IOUs and the customers. The minimal use of the distribution system simply does not justify this additional complication.

III. Conclusions

The expansion of VNM to include multitenant customers of all types will greatly enhance the ability of ratepayers to participate in distributed solar. The evidence presented in the CSI Cost-Effectiveness Evaluation⁶ shows that the cost benefits of allowing VNM are significant and the subsequent recommendation that the Commission allow CSI incentives to be used for community-based virtual net metering should be properly considered. The study finds that VNM can reduce transaction costs and that “installed costs of 2MW to 5MW systems are much less than small rooftops.”⁷ While the costs of solar are falling, it is still cost prohibitive for many individual customers to fund systems on their own. Allowing customers to pool resources and invest in one system improves the equity of the NEM program while also reducing the overall cost of distributed generation in California.

Respectfully submitted this December 20, 2010 at Oakland, CA.

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⁶ Energy + Environmental Economics, CSI Cost-Effectiveness Evaluation Workshop Presentation, August 4, 2010, at 72, available at: ftp://ftp.cpuc.ca.gov/gopher-data/energy_division/CSI/CSI_CE_Workshop_Final_Updated.zip

⁷ *Id.*

CERTIFICATE OF SERVICE

I certify that I have this day served a copy of these *Reply Comments of the Interstate Renewable Energy Council on the Scoping Memo and Ruling* on all known parties of record in this proceeding by delivering a copy via electronic mail and mailing a properly addressed copy by first-class mail with postage prepaid to each party named in the official service list without an electronic mail address.

I have also sent a hard copy by U.S First Class mail to Administrative Law Judge Dorthy Duda and President Michael Peevey.

Executed on December 20, 2010, at Oakland, California.

/s/ Sky C. Stanfield

Sky C. Stanfield

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