

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4283
April 22, 2010

R E S O L U T I O N

Resolution E-4283. Tariffs compliant with Public Utilities (PU) Code Section 2830 relating to Establishment of a Schedule for Local Government Renewable Energy Self-Generation Program.

Proposed Outcome: Within seven days, Pacific Gas and Electric (PG&E), San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE) will re-file tariffs called "Schedule for Local Government Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT)" to comply with this Resolution and PU Code 2830. The original proposed tariffs are adopted with modifications below. The revised tariffs will specify that participation under this code will not affect California Solar Initiative (CSI)/Self-Generation Incentive Program (SGIP) eligibility, that customers cannot take net energy metering service in conjunction with RES-BCT, and that credits will be valued at the generation-only component of the energy charge of the time of use rate. Some protests are rejected for being outside the scope of this Resolution.

Estimated Cost: \$0

By PG&E Advice Letter (AL) 3476-E, filed on June 25th, 2009.

By SDG&E AL 2092-E, filed on June 10th, 2009.

By SCE AL 2351-E, filed on June 10th, 2009.

SUMMARY

PU Code 2830 requires the utilities to establish a tariff schedule for the Local Government Renewable Self-Generation Program that allows local government entities to generate electricity at one account and transfer any available or excess bill credits to another account of the same local government. To achieve compliance, the investor owned utilities (IOUs) filed three ALs: PG&E's AL 3476-E, SDG&E's AL 2092-E, and SCE's AL 2351-E. These three ALs establish the tariff

for each utility, which describe the key responsibilities of participating accounts with respect to interconnection costs, bill credit assignment, bill credit value, and program sign-up mechanics. The ALs were protested by the Solar Alliance, Community Renewable Solutions, as well as the Cities of San Jose and San Diego. Based on protests and the IOU responses, this Resolution modifies portions of the IOU ALs and identifies others which are outside the scope of these tariffs.

BACKGROUND

PU Code 2830, established by Assembly Bill (AB) 2466 (Laird, 2008), authorizes all “local governments”¹ in California to generate energy on one account (primary account) and provide a bill credit to a “Benefiting Account”² so long as both facilities are owned or operated by the same local government. Bill credits are calculated by multiplying the Generating Account's time-of-use (TOU) energy component of the generation electricity rate by the amount of energy exported to the grid during the corresponding time period.³ These bill credits can then be applied to offset generation costs at the customer's other retail service accounts at different facilities. Customer may select one or more accounts (known as “Benefiting Accounts”) to which the bill credits will be applied. Relevant definitions from PU Code 2830 are below:

- PU Code 2830 (a)(1) defines “Benefiting account” as “an electricity account, or more than one account, located within the geographical boundaries of a local government or, for a campus, within the geographical boundary of the city, county, or city and county in which the

¹ PU Code 2830 (a)(6) defines “Local government” as “a city, county, whether general law or chartered, city and county, special district, school district, political subdivision, or other local public agency, but shall not mean a joint powers authority, the state or any agency or department of the state, other than an individual campus of the University of California or the California State University.”

² PU Code 2830 (a)(1) defines “Benefiting account” as “an electricity account, or more than one account, located within the geographical boundaries of a local government, or, for a campus, within the geographical boundary of the city, county, or city and county in which the campus is located, that is mutually agreed upon by the local government and an electrical corporation.”

³ PU Code 2830(a)(2)

campus is located, that is mutually agreed upon by the local government and an electrical corporation.”

- PU Code 2830 (a)(6) defines “Local government” as “a city, county, whether general law or chartered, city and county, special district, school district, political subdivision, or other local public agency, but shall not mean a joint powers authority, the state of any agency or department of the state, other than an individual campus of the University of California or the California State University.”

The Local Government Renewable Energy Self-Generation Program has the following statutory program requirements:

- The local government must give 60 days advance notice to the utility prior to the generating facility becoming operational. Within 30 days of this notice the utility shall file an AL with the Commission proposing a rate tariff for the Benefiting Account. The Commission shall respond to this AL within 30 days of its filing.
- Eligible renewable generating systems are limited to a maximum capacity of 1 megawatt (MW).
- Statewide, there is a program limit of 250 MW; utilities are only required to offer service under this tariff until they reach their proportionate share of the program limit as follows:
 - SCE: 123.8 MW (49.8%)
 - PG&E: 104.6 MW (42.1%)
 - SDG&E: 20 MW (8.1%)
- A participating local government Generating Account that exports energy receives a bill credit, which is set at the generation component of the time of use rate applicable to the account where the generation is located. These credits may be applied to Benefiting Accounts identified by the local government.
- Any remaining bill credits at the Benefiting Account are carried over to the following month, but at the end of a 12 month period any unused credits are set to zero.

- Both Benefiting Account and Generating Account must be located within the geographical boundaries of the local government customer.
- The local government customer is responsible for all metering and interconnection costs associated with the generating facility.
- The Commission is responsible for ensuring that the transfer of bill credits to a Benefiting Account does not result in a shifting of costs to bundled service subscribers.
- The utility is responsible for:
 - Concurring that a Benefiting Account is located within the geographical boundaries of the local government
 - Maintaining distribution and transmission infrastructure adequate for electricity exports
 - Ensuring that the local government receives the full bill credit
- A local government may elect to take service under this program if all of the following conditions are met:
 - At least one Benefiting Account is designated to receive bill credits;
 - Benefiting Account receives service under a TOU schedule;
 - The Benefiting Account and the generating facility are owned, operated, or on the property of the same local government;
 - The generating facility's electricity output is metered for time of use (TOU) to allow for calculation of the bill credit based on when it is exported;
 - All costs associated with metering and interconnection are the responsibility of the local government; and
 - Electricity exported by the local government may not be sold to a third party.
- Renewable energy credits (RECs) under this program are treated the same as for net metering pursuant to PU Code 2827. CPUC Decision (D.) 05-05-011 and D.07-01-018 ordered that owners of renewable distributed generation, including generation participating in net energy metering, shall own all of the RECs associated with the generation.

PU Code 2830 is similar to, but not the same as net energy metering (NEM), which is covered by PU Code 2827. NEM allows customers with onsite generation to receive credits for electricity exported to the grid, which may be used to offset electricity consumed at other times at the same electrical meter. Onsite generation is limited to a maximum capacity of 1 MW.⁴ Currently, NEM is limited to solar photovoltaics (PV), fuel cells, wind, and biogas customer generators that are located on the same site as and sized to meet a customer's load. NEM for solar and small wind provides "full retail rate" compensation according to PU Code 2827. NEM for larger wind (PU Code 2827.8), biogas (PU Code 2827.9) and fuel cells (PU Code 2827.10) provides compensation at the generation component of the retail rate.

The Energy Division hosted a workshop on January 8th, 2009 to allow the utilities to present their proposals for implementing PU Code 2830. Subsequently, in June 2009, the three IOUs submitted ALs seeking to implement tariffs pursuant to PU Code 2830.

PG&E named their tariff the Net Energy Metering Service for Local Government Remote Renewable Self Generation or "NEMLGRR." SDG&E named their tariff the Electric Schedule Energy Credit Option or "ECO." SCE named their tariff the Schedule Local Government-Virtual Net Metering or "LG-VNM." The statute authorizing the new program was named: Local Government Renewable Energy Self-Generation Program. For clarity, we will collectively refer to these schedules as the Local Government Renewable Energy Self-Generation Bill Credit Transfer Program (RES-BCT).

The key components of the ALs as filed are as follows:

⁴ There is one exception to this 1 MW limit for biogas generation pursuant to PU Code 2827.9(b)(2)(B), which allows that "up to three large biogas digester electrical generating facilities with a generating capacity of more than one megawatt and not more than 10 megawatts, otherwise meeting the criteria of this section, shall be eligible for participation in the pilot program.

- All costs associated with metering requirements and interconnection are the responsibility of the participating local government Generating Account.
- Bill credits are calculated based on the definition of bill credit in PU Code 2830(a)(2)⁵. In the case of all utilities, this energy charge will not include the Department of Water Resources (DWR) charges in the generation rate. For example, SCE, this energy will be valued at the Utility Retained Generation component of the generation rate.
- Participating generating facilities in PG&E and SCE territories are not allowed to take service under a NEM tariff, this issue is unclear in SDG&E territory.
- If the bill credit allocated to a participating benefiting account exceeds the generation electricity usage charges, the difference shall be carried forward as a financial credit to the next billing cycle, with any remaining credits reset to zero at the end of a 12-month period.
- The local government is required to establish allocation percentages and or Benefiting Accounts no more than once per year. In the case of PG&E and SDG&E, these must be made in whole percentages.
- Specifically in the case of PG&E, the number of Benefiting Accounts is limited to 50 for each Arrangement to minimize administrative burden.

⁵ PU Code 2830 (a)(2) defines "Bill credit" as "an amount of money credited to a benefiting account that is calculated based upon the time-of-use electricity generation component of the electricity usage charge of the generating account, multiplied by the quantities of electricity generated by an eligible renewable generating facility that are exported to the grid during the corresponding time period. Electricity is exported to the grid if it is generated by an eligible renewable generating facility, is not utilized onsite by the local government, and the electricity flows through the meter site and on to the electrical corporation's distribution or transmission infrastructure."

- Administration and implementation costs will be recouped via monthly fees to the Generating and Benefiting Accounts, and in the case of PG&E an additional one-time set-up fee.
- The ownership of any Renewable Energy Credits (RECs) would remain with the owner, consistent with PU Code Section 2827.

The local government shall provide the utility with at least 60 days notice prior to any generation facilities becoming operational that want to take service under this tariff.

NOTICE

Notice of PG&E's AL 3476-E, SDG&E's AL 2092-E, and SCE's AL 2351-E were made by publication in the Commission's Daily Calendar. PG&E, SDG&E, and SCE state that a copy of their Advice Letters was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

All three ALs were timely protested by the Solar Alliance on June 30th, 2009 with support from Community Renewable Solutions in PG&E and SCE territories. PG&E's AL 3476-E was also protested by the City of San Jose on June 30th. SDG&E's AL 2092-E was protested by the City of San Diego. The City of San Diego protest was late, but it was accepted nonetheless.

Summary of the Protests

The following summarizes the major issues raised in the protests. Since some issues are raised repeatedly, each issue is identified by a unique number.

The Solar Alliance Protest to all IOU ALs

Issue 1. California Solar Initiative (CSI) Eligibility - The Solar Alliance argues that the tariff language should include a specific allowance for participating local governments to be eligible for rebates offered in the CSI and Self-Generation Incentive Program (SGIP). SDG&E and SCE tariffs are silent on this issue, while PG&E states that "SGIP and CSI eligibility is not a ... related tariff issue." The Solar Alliance notes that this language is unclear as to whether

PG&E is proposing to exclude CSI participation for the time being or not. The Solar Alliance feels this exclusion is unwarranted.

Issue 2. Net Energy Metering - The Solar Alliance disagrees with the IOU proposals, which would treat any generation exported to the grid as a generation-only credit - even when applied to the host site's imports. Thus, summertime solar energy production would not be allowed to roll over to winter months for the host site load as it would under NEM. The Solar Alliance notes that under PG&E's and SCE's proposed programs, participating generating facilities would explicitly not be allowed to participate in NEM tariffs, which allow exported generation to receive a full-retail credit. In the case of SDG&E, this issue is unclear. The Solar Alliance proposes, as an alternative, that credits applied toward the host site load should be treated as NEM credits and therefore valued at the fully bundled retail rate, and only excess generation beyond the net metered load should be valued at the generation component of the rate for credit to Benefiting Accounts.

Issue 3. Administration & Implementation Fees - The Solar Alliance also raises the issue of billing. All three IOUs propose including monthly administration fees in the tariff. The IOUs argue that these monthly fees are necessary to cover the costs associated with establishing a new billing system for this program and to prevent cost-shifting to bundled service customers. In the case of PG&E, there is also a one-time set-up fee. However, the IOUs do not state the amount of the fees, are vague about what costs would be included in these fees, give no methodology for calculating these fees, and provide no cap or limit on the fees. This uncertainty over costs, the Solar Alliance concludes, will deter local government participation. As an alternative, they recommend outsourcing billing to a third party or "hand bill" the relatively small number of potential participants. Pursuant to this request, the Solar Alliance requests that the Commission direct the IOUs to present alternative billing options with associated costs.

Issue 4. Modification of Allocation Percentages - Finally, the Solar Alliance points out that the IOUs' proposal to limit local governments from changing the allocation of credits between Benefiting Accounts only once every 12 months is overly restrictive. To build more flexibility into the program, while recognizing billing challenges for the IOUs, the Solar Alliance suggests that the allocation be allowed to be modified by the local government once every 6 months.

The Solar Alliance Protest to PG&E's AL

Issue 5. RPS Standards - The Solar Alliance observes that PG&E's tariff states that the California Energy Commission's Renewable Portfolio Standard (RPS) Guidebook would be used to determine "eligible renewable energy resources.. However, the RPS Guidebook specifically excludes solar distributed generation systems funded by ratepayer incentive programs. The Solar Alliance notes that a comparable restriction is not contained in any of the other IOUs' proposed tariffs and asks that this requirement be dropped because it does not make sense in the context of these tariffs.

Community Renewable Solutions Protest to PG&E's and SCE's ALs

In the case of PG&E's AL 3476-E and SCE's AL 2351-E, Community Renewable Solutions supports the comments made by the Solar Alliance.

City of San Jose Protest to PG&E's AL

Issue 2. Net Energy Metering - The City of San Jose makes the same comments as the Solar Alliance, suggesting that the Generating Account or host-site should be able to participate in NEM.

Issue 3. Administration Fees - The City of San Jose seconds comments made by the Solar Alliance, that administrative costs should be clearly stated.

Issue 6. Tariff Name - The City of San Jose, a co-sponsor of AB 2466, disagrees with the with the title of PG&E's tariff, "Schedule Net Energy Metering Service for Local Government Remote Renewable Self Generation" and feels it gives a false impression that the proposed generating facilities are remote. The City of San Jose recommends the original legislative language "Local Government Renewable Energy Self Generation" be used instead.

Issue 7. Clarify 1 MW per facility - The City of San Jose states that PG&E's language regarding size caps which reads "totaling no more than one megawatt in capacity" should be clarified to read that each eligible facility has the ability to provide up to one megawatt and that this does not apply to the aggregate total that a local government may install under this tariff.

Issue 8. Define 'Arrangement' - The City of San Jose believes that there should be a clearer definition of the proposed Local Government Remote Renewable (LGRR) "Arrangement." San Jose comments that there is no clear description of the "Arrangement" provided in the AL.

City of San Diego Protest to SDG&E's AL

Issue 2. Net Energy Metering - The City of San Diego voices the same concerns as the Solar Alliance: that SDG&E's proposed tariff would force customers to choose between net energy metering and this program. The City of San Diego interprets PU Code section 2830 as an expansion on Schedule NEM and feels it is a misrepresentation on the part of SDG&E to present Schedule ECO as an alternative.

Issue 3. Administration Fees - The City of San Diego also notes that the tariff contains no amounts or calculation methodology for administrative fees.

Issue 9. Critical Peak Pricing Service - The City of San Diego observes that SDG&E's tariff schedule would not allow Generating Accounts or Benefiting accounts to take critical peak pricing (CPP) service. CPP service offers benefits to customers who reduce their energy demand during on-peak periods. Accounts are defaulted to CPP rates and if these rates become mandatory the applicability of Schedule ECO would be limited. This restriction was not imposed by PU Code 2830 and the City of San Diego feels it should be removed.

Issue 10. Existing Generation - The City of San Diego notes that SDG&E's proposed tariff implies that existing renewable generators would be ineligible for service. The City draws this conclusion from the utility's request for a 60 day advance notification before any renewable generation technologies come online. The City argues that this restriction was not imposed by PU Code 2830 and feels it should be removed.

Issue 11. Schedule DG-R - The City also argues that Benefiting Accounts should be allowed to take service under Schedule DG-R (SDG&E's non-export distributed generation rate). SDG&E's proposed tariff would prohibit this, which appears to the City to be another restriction not found in the statute.

Issue 12. Utility Consent - The City of San Diego seeks to clarify Special Condition 6 under SDG&E's schedule, which limits Benefiting Accounts to those

mutually agreed upon by the customer and the utility. SDG&E does not specify reasons why they might exclude a particular account. The City requests that the Commission deny this.

Issue 13. Renewable Energy Credits – Finally, the City of San Diego asks that the advice letter include language about the ownership of renewable energy credits (RECs). This was not included in the proposed Schedule ECO, which leaves the issue uncertain.

Responses to the Protests

PG&E Response to the Solar Alliance

Issue 1. CSI Eligibility – PG&E references Public Resource Code Section 25782 (a)(5) which states that in order to be eligible for a CSI incentive,
“The solar energy system is located on the same premises of the end-use consumer where the consumer's own electricity demand is located.”

PG&E interprets this to mean that only the portion of the generating facility which is sized to serve onsite load would be eligible for CSI incentives. PG&E also offers to work with the CSI Program Administrators to file an AL to clarify this issue in the CSI handbook.

Issue 2. Net Energy Metering – PG&E notes that “bill credit” as defined in Public Utilities Code 2830 (a)(1) is defined as “*an amount of money credited to a benefiting account that is calculated based on usage charge of the generating account, multiplied by the quantities of electricity generated by an eligible renewable generating facility that are exported to the grid during the corresponding time period.*” PG&E argues that this language does not endorse providing NEM or any other credit besides the usage charge of the Generating Account for non-coincident load at the host-site Generating Account. PG&E also notes that the Solar Alliance does not propose an alternative approach to valuing credits. They also do not explain how NEM under PU Codes 2827 and 2830 would be simultaneously implemented; which would be complicated as both programs require true-ups at the end of the reconciliation period.

Issue 3. Administration & Implementation Fees – PG&E states that while hand-billing options may have lower up front costs, they would have higher on-

going costs. After the Commission approves 'several key program features' PG&E offers to submit a supplementary AL detailing administration costs and asks permission to adjust these costs if conditions significantly change in the implementation or administration of the program. PG&E opposes any third party billing and argues that PG&E is best suited to meet accounting and regulatory guidelines in the most cost-effective and reliable manner.

Issue 4. Allocation Percentages - PG&E offers to comply with the Solar Alliance's request to allow for allocation percentage changes every 6 months if they are directed to do so by the Commission. PG&E notes that the statute currently prevents making allocations changes more than once per year. Given an amendment to the statute language, PG&E states that they could do allocations more frequently than once a year - though this would be more costly.

Issue 5. RPS Standards - According to PG&E, the CEC's RPS Guidebook (Third Edition) includes a restriction that facilities that receive CSI, SGIP or similar incentives would not satisfy the definition of "eligible renewable generating facilities" per PU Code section 399.12 and therefore are not eligible for NEMLGRR. PG&E states it is working with the CPUC and through the CSI Working Group to resolve this issue as expeditiously as possible.

PG&E Response to the City of San Jose

Issue 6. Tariff Name - PG&E believes the term 'remote' highlights the fact that the Benefiting Accounts are remote from the Generating Accounts. PG&E asks the Commission to permit them to retain this term in the title.

Issue 7. Clarify 1 MW per facility - PG&E agrees this language should be clearer and proposes changing the word 'totaling' to 'each' to read "This schedule is applicable to an eligible Local Government with one or more Eligible Renewable Generating Facilities, **each** no more than one megawatt in capacity..."

Issue 8. Define 'Arrangement' - PG&E states that the Applicability section of the NEMLGRR tariff already defines an LGRR Arrangement. PG&E is willing to consider adding clarification but asks the City of San Jose to be more specific about its concerns.

SDG&E Response to the Solar Alliance

Issue 2. Net Energy Metering - SDG&E cites the same definition of 'bill credit' as PG&E (PU Code 2830 (a)(2)) and also notes that the purposes of NEM and ECO programs are different. NEM was created to allow customers to offset on-site load, while ECO was established as an additional option to allow installation of generators with capacities larger than on-site load to offset energy usage of other facilities owned by the same customer. Finally, SDG&E notes that combining Schedules NEM and ECO would add complexity regarding billing, allocations, and conversions from kWh to dollars and back to kWh based on the time of use.

Issue 3. Administration & Implementation Fees - SDG&E states that they will perform a cost assessment once program details are resolved by the Commission. SDG&E notes that hand billing may have the lowest cost to implement, but tends to be labor intensive and subject to human error. SDG&E rejects third party billing as an option "due to Sarbanes-Oxley and other reasonable business controls."

Issue 4. Allocation Percentages - SDG&E voices the same response as PG&E: the statute allows for changes every 12 months, but if it were changed SDG&E would be agreeable to changing allocations more frequently - though they note it would increase costs.

SDG&E Response to the City of San Diego

Issue 9. Critical Peak Pricing - SDG&E asserts that AB 2466 makes no references to demand response programs, nor does it explain how they would be implemented. SDG&E suggests that "it is conceivable that a Generating Account would be on CPP with excess generation valued at critical peak prices...However, that amount could be credited to load used under a non-CPP rate schedule that would be paying non-critical peak rates on those days."

Issue 10. Existing Generation - SDG&E clarifies that all renewable generators up to 1 MW are eligible. They further state that they are requesting 60 days notice for a generator seeking to take this tariff in order to have adequate time for implementation.

Issue 11. Schedule DG-R – SDG&E argues that allowing a Generating Account to be on Schedule DG-R while Benefiting Accounts are not provides for gaming. DG-R has reduced demand components and incorporates cost recovery in per-kWh charges. SDG&E also argues that PU Code 2830 does not require that all accounts be on the same rate, only that they utilize time-of-use rates.

Issue 12. Utility Consent – SDG&E believes that only those Benefiting Accounts outside of SDG&E’s service territory would be excluded. SDG&E also references PU Code 2830 (a) (1) which defines Benefiting account as “an electricity account... located within the geographical boundaries of a local government that is mutually agreed upon by the local government and an electrical corporation.” SDG&E states that they believe this is an important point and that because this is a new and unproven tariff, incompatible situations may arise that are not currently envisioned.

Issue 13. Renewable Energy Credits – SDG&E agrees with the City of San Diego’s recommendation concerning the language governing RECs. SDG&E proposes including language which would clarify that the ownership of any RECs would remain with the owner pursuant to Section 2827 of the Public Utilities Code.

SCE Response to the Solar Alliance

Issues 2, 3, and 4. Southern California Edison offers the same responses as PG&E regarding net metering, administration fees, and allocation percentage changes between generating and Benefiting Accounts.

DISCUSSION

Based upon the review of ALs and protests, the Commission orders that the following amendments and clarifications be made to implement PU Code 2830.

As noted in our resolution of Issue 6 below, we will refer to these tariffs as the Local Government Renewable Energy Self-Generation Bill Credit Transfer Program (RES-BCT).

Issue 1. CSI Eligibility

Participation in a RES-BCT program pursuant to PU Code 2830 should in no way affect eligibility for CSI/SGIP or any other ratepayer funded incentive program. Eligibility for CSI and SGIP rebates are governed by those programs and not these tariffs. We note that current CSI and SGIP eligibility rules comply with the eligibility requirements established in Public Resource Code Section 25782 (a)(5) that require projects to be sized to serve onsite load and expressly do not allow a customer to include load from a second site to count towards the size limit. To the extent modifiable under existing law, the appropriate venue for seeking any necessary modifications or clarifications to CSI and SGIP eligibility rules is Rulemaking (R.) 08-03-008, and/or the CSI Program Handbook process.

Customers that are eligible to participate in CSI can choose between NEM tariffs, the RES-BCT tariffs, or other available tariffs. Most CSI and SGIP projects size their generating units below the Site's maximum onsite load since they are driven by economics of Net Energy Metering, which encourages customers to size systems no larger than their annual energy consumption. Since customers do not receive any benefit from excess generation and it is difficult to predict future load precisely, customers can size "up to load" but often size smaller since they want to be conservative if their load is less than expected one year. Also, it is possible to design a CSI- or SGIP-funded project with excess generation on a monthly or seasonal basis (that would generate a bill credit only in certain months) but yet still fall within the CSI and SGIP program eligibility guidelines.

Also, a customer can install non-incentivized renewable energy systems at a site with an existing CSI or SGIP funded system, which may be economically beneficial due to savings on installation or operation and maintenance (O&M) efficiencies.

Conclusion: CSI/SGIP Eligibility is outside the scope of these tariffs and is already covered by CSI and SGIP Programs which are fully compliant with State law and Commission decisions on the topic of size and site limitations. Any mention of CSI or SGIP or eligibility for any other ratepayer funded incentive programs should be removed from the utility tariffs.

Issue 2. Net Energy Metering

The RES-BCT tariffs have many similarities to, but are not the same as, the NEM tariffs. One key aspect, as noted by the Solar Alliance protest, is different treatment of exported generation. PU Code 2830 requires that customers should receive credits for all electricity exported to the grid based on the generation component of the retail rate. We note that since eligible renewable generating systems will be installed on the host customer's side of the utility meter, the host-site account will offset any demand that is coincident with generation behind the meter. Such generation will effectively be valued at the full retail rate that the customer would have otherwise paid the utility for the same electricity.

Conclusion: Excess generation applied to Benefiting Accounts will be valued at the generation-only component of the electricity rate. Specifically the energy charge portion of the generation time-of-use rate. PU Code 2830 (a)(2) specifically says the value is "the time-of-use electricity generation component of the electricity usage charge" and 'usage charge' means the energy charge component, but not the demand charge component, of generation rates. The tariffs should be updated if necessary to clarify this issue. The tariffs should clarify that a Generating Account cannot take NEM credits first and also participate in RES-BCT. A Generating Account customer can take service under either a NEM tariff or a RES-BCT tariff, but not both.

Issue 3. Administration & Implementation Fees

The utilities' rationale for not yet being able to provide an accurate assessment of administration costs at this time is unreasonable. The protestors that comment that uncertainty around fees will prohibit participation have a reasonable concern. However, PU Code 2830 (d) states that "the Commission shall ensure that the transfer of a bill credit to a Benefiting Account does not result in a shifting of costs to bundled service subscribers."

The Commission will balance the need for not shifting costs with the need for certainty of fee schedules and establishes a fee schedule herein based upon other similar programs, and offers the utilities an opportunity to submit an Advice Letter at any time updating the fee schedule based upon a stated methodology or new information. The utilities may charge a one-time set-up fee per arrangement (defined as a Generating Account providing credits for one or multiple

Benefiting Accounts) of up to \$500. The utilities may charge a monthly billing charge to the Generating Account and Benefiting Account of no more than \$30 per month.⁶ These fees are unlikely to allow the utility to fully cover one-time set up charges for the new tariffs under the utility billing system. However, those charges need to be recovered in an overall component related to “billing” in each utility's General Rate Case and it is not appropriate for the first customer under a RES-BCT tariff to have to pay the full charge to set up utility billing software (which could be upwards of \$1 million).⁷ Utilities should try to maximize their efficiency and minimize the cost of billing services for the RES-BCT tariffs. Utilities can file an Advice Letter to modify this fee schedule if they have justification for different administrative set-up or implementation charges that should be charged to participants in light of PU Code 2830 (d).

Conclusion: In addition to any applicable Otherwise Applicable Rate Schedule (OAS) meter charges or applicable interconnection charges under Rule 21, the utilities may charge a one-time set up fee per Generating Account of up to \$500. In addition to any applicable OAS monthly charges, the utilities may charge a monthly billing charge to the Generating Account of no more than \$30 per month per month to cover ongoing billing charges. The tariffs should be modified accordingly. In light of PU Code 2830 (d), utilities can file an Advice Letter if they have justification for different administrative set-up or implementation charges that should be charged to participants if the utilities can justify their expenses.

⁶ The \$500 per month charged is based on similar charges for a TOU-type meter installation. The \$30 per month billing charge is based upon the utilities' responses to data requests related to the cost of billing under the Net Energy Metering program. These costs are reported in the CPUC's *Cost Effectiveness of Net Energy Metering* study, February 2010, Tables 23-25. PG&E reported the highest costs of non-residential accounts per month per bill, at \$29.34.

⁷ The utilities have reported costs for the set up of Virtual Net Metering under their CSI Expense Reports. The costs vary by utility and have ranged from \$0 (no costs yet incurred) to over \$400,000. One utility reported verbally that software set up costs for virtual net metering are expected to total over \$1 million by the time the program is fully implemented.

Issue 4. Allocation Percentages

The IOU's literal interpretation of statute language in PU Code 2830(e) related to allocation percentages is reasonable. PU Code 2830(e) states "Not more frequently than once per year... the local government may elect to change a Benefiting Account." The Solar Alliance's suggestion that the allocation percentage be modified to allow for changes once every six months, conflicts with the original statute.

Conclusion: Allocation percentages will not be changed in the tariffs. The tariffs should conform to PU Code 2830 (e).

Issue 5. RPS Standards

PU Code 2830 (a) (4) (C) states that an eligible renewable generating facility means a generation facility that meets the following requirement: "an eligible renewable energy resource, as defined in Article 16 (commencing with Section 399.11) of Part 1." The RPS eligibility standards refer to the technologies themselves and not where the technologies are installed. A straightforward reading of PU Code section 2830 (a) (4) indicates that eligibility is based on technologies and not California Energy Commission Renewables Guidebook parameters, which currently prohibit onsite generation. The Commission supports PG&E's effort to expeditiously resolve this matter and notes that it is important to avoid any circular logic and apply common sense.

Conclusion: RPS Standards will be interpreted to refer to technologies and any restrictions of distributed generation installations (as an application of a renewable technology) shall be disregarded. The statute's reference to California RPS standards⁸ refers to eligible technologies themselves and not to any

⁸ PU Code 2830 (a)(4) defines "Eligible renewable generating facility" as "Eligible renewable generating facility" means a generation facility that meets all of the following requirements:

- (a) Has a generating capacity of no more than one megawatt.
- (b) Is an eligible renewable energy resource, as defined in Article 16 (commencing with Section 399.11) of Part 1.

Footnote continued on next page

restrictions imposed by California Energy Commission's RPS Guidelines regarding whether or not customer-side distributed generation is acceptable for the RPS program. The tariffs shall be modified to reflect this change.

Issue 6. Tariff Name – The Commission agrees with PG&E that the word ‘remote’ in the tariff is useful for customers. This implies that the generation may be done on Local Government owned sites which are ‘remote’ from where the load demand is located. However, the Commission also finds that it would be useful to have one common name across the three utilities to avoid confusion with NEM, Virtual Net Energy Metering (VNM), and any other billing models that may develop in the future. The statute authorizing the new program was named "Local Government Renewable Energy Self-Generation Program". The statutory name is similar to the rebate program authorized by PU Code 379.6, the Self-Generation Incentive Program. None of the names proposed by utilities refer to either the statute name or to the fundamental purpose of these tariffs, which is to transfer bill credits between accounts. To encourage clarity, consistency and avoid confusion with SGIP, we direct all utility rate schedules to be named the Local Government Renewable Energy Self-Generation Bill Credit Transfer Program (RES-BCT).

Conclusion: The tariffs shall be called the “Schedule for Local Government Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT)” in all IOU territories.

-
- (c) Is located within the geographical boundary of the local government or, for a campus, within the geographical boundary of the city or city and county, if the campus is located in an incorporated area, or county, if the campus is located in an unincorporated area.
 - (d) Is owned by, operated by, or on property under the control of, the local government or campus.
 - (e) Is sized to offset all or part of the electrical load of the benefiting account. For these purposes, premises that are leased by a local government or campus are under the control of the local government or campus.

Issue 7. Clarify 1 MW cap

PG&E's proposed change to clarify that the 1 MW cap applies to each individual Generating Account site and not to an aggregate total is acceptable. Thus the new tariff language will read, "This schedule is applicable to an eligible Local Government with one or more Eligible Renewable Generating Facilities, each no more than one megawatt in capacity..."

Conclusion: All IOUs shall amend tariff language to clarify that the program is limited to 1 MW per Generating Account.

Issue 8. Define 'Arrangement'

PG&E's use of the word "Arrangement" in their proposed tariffs is undefined. PG&E indicates they are open to adding further language to clarify the term 'Arrangement.' PG&E introduced the term Arrangement presumably to refer to each Generating Account that will enroll in the tariff with the aim of transferring bill credits to one or more benefitting account. PG&E should define the term Arrangement in the tariffs or find another way to refer to each customer on the tariff.

Conclusion: Any IOU can use the word "Arrangement", and if they do so, their tariff shall clearly define the term within the tariff.

Issue 9. Critical Peak Pricing

PU Code 2830 makes no explicit references to demand response programs including critical peak pricing. However, the intent of the legislation does not appear to be to interfere with, or limit the applicability of, demand response programs - which the Commission has historically encouraged.

Conclusion: All IOUs shall modify their tariffs to specifically allow Generating Accounts, as well as Benefiting Accounts, to participate in CPP service.

Issue 10. Existing Generation

The Commission finds SDG&E's request for 60 days notice for a generator seeking to utilize its tariff to be reasonable. Existing generators will only be modestly inconvenienced by the need to wait for 60 days to transfer onto the

tariff, and the 60 days will provide the utility time to prepare for the transfer of accounts which will include complex billing changes.

Conclusion: All utilities are allowed to maintain language (or insert it) that requests 60 days notice for existing or new facilities to take service on the RES-BCT tariffs.

Issue 11. Schedule DG-R

SDG&E argues that RES-BCT customers should not be able to take service on Schedule DG-R because of the structure of the demand and energy charges on that Schedule. PU Code section 2830 does not require that all accounts be on the same rate; only that they utilize time-of-use rates. SDG&E's DG-R rate supports the use of distributed generation, though using this rate for RES-BCT Benefiting Accounts may result in cost shifting to bundled service customers. The Commission finds that SDG&E's argument against allowing Schedule DG-R to be applied to Benefiting Accounts is justified, unless the Benefiting Account otherwise qualifies for the DG-R rate because it is already a host facility to a distributed generation project. Therefore, SDG&E can clarify their tariff to indicate that taking service on RES-BCT does not automatically qualify Benefiting Accounts to take service under DG-R. SDG&E's DG-R tariff already requires that to take service under DG-R, an account must meet certain conditions, including being host to a distributed generation facility.

Conclusion: SDG&E shall modify its RES-BCT tariff to allow Generating Accounts to take service under Schedule DG-R, but not automatically allow Benefiting Accounts to also be eligible for DG-R.

Issue 12. Utility Consent

Though the City of San Diego is uncomfortable with Special Condition 6 under SDG&E's Schedule ECO, which notes that utilities must consent to accounts, this language is found in PU Code 2830 (a) (1) which defines Benefiting accounts as "an electricity account... located within the geographical boundaries of a local government that is **mutually agreed upon** by the local government and an electrical corporation." SDG&E states that only accounts outside of SDG&E's service territory would be excluded and any other exclusion would require an approved advice letter. The utilities are expected to consent to allowing accounts to participate, and if an IOU does not consent they should provide an AL

updating the RES-BCT tariff with specific justification for why some accounts should be excluded.

Conclusion: Special Condition 6 under SDG&E's Schedule ECO directly quotes statute and shall remain in place.

Issue 13. Renewable Energy Credits (RECs) Ownership

The City of San Diego requests that the tariffs include language regarding the ownership of RECs, and SDG&E agrees with this request. The tariffs should be modified to comply with this concern.

Conclusion: RECs shall remain the property of the owner and all IOU tariffs shall include language to reflect this.

COMMENTS

Three parties commented on the Draft Resolution, PG&E, SCE, and SDG&E. The issues raised are discussed and addressed below. No party filed reply comments.

PG&E Comments

1. Revise Ordering Paragraph (OP) 3 - to read "Excess generation applied to Benefiting Account will be valued at the generation-only component of the **energy charge of the** time-of-use rate."

Conclusion: Agreed, this language is consistent with PU Code section 2830(a)(2) and is incorporated in the discussion section of Issue #2.

2. Set-up Charges - Edit OP 5 to account for otherwise applicable charges, and clarify that RES-BCT charges apply only to the generator account.

Conclusion: Agreed, participation in RES-BCT will not nullify other applicable charges. This language is incorporated in the discussion of Issue #3.

3. RPS Standards - OP 7 states, "RPS standards will be interpreted to refer to technologies any restrictions of distributed generation installations shall be

disregarded. The tariffs shall be changed to reflect this.” The CEC RPS Guidebook includes a restriction that facilities that either receive CSI, SGIP or similar incentives would not satisfy the definition of ‘eligible renewable generating facilities’ per PU Code 399.12. Therefore such projects are not eligible for RES-BCT. The CSI Working Group and CPUC should work with the CEC to update the RPS Guidebook to address this concern.

Conclusion: The statute's reference to California RPS standards refers to eligible technologies themselves and not to any restrictions imposed by CEC RPS guidelines regarding whether or not distributed generation is acceptable for the RPS program. Minor modifications to Issue #5 have been made to clarify this point.

4. Converting an Existing Generator Account – The CPUC and the CSI Working Group should clarify that a local government’s existing generating facility that has either already, or currently is, receiving CSI incentives should be eligible for both the CSI and RES-BCT programs. If modifications are made either to the existing generating facility’s specifications or technology at the time they apply to be on the RES-BCT tariff, eligibility for the CSI incentive should be reconsidered.

Conclusion: No modifications have been made to Issue # 1. The Commission already has an established process for the California Solar Initiative Program Administrators , including PG&E, to make CSI Program Handbook changes.

5. Charges from 2009 Legislation AB 1031 (Blumenfeld, 2009) – AB 1031 expanded the eligibility of RES-BCT to include certain college campuses, which should be included.

Conclusion: Agreed, AB 1031 language which refers to college campuses is now included in the Background section of this Resolution.

SCE Comments

1. Value of Excess Generation Should Be Clarified as Generation-Only Component of the Time-of-Use Energy Rate - The Draft Resolution should clarify that the valuation of excess kWh generation is based on the energy charge (\$/kWh) portion of the generation component. The generation component also includes demand charges (\$/kW) which are not to be included in the valuation of excess generation. For SCE, the value of the excess generation is based on Utility Retained Generation (URG) component of the time-differentiated energy rate.⁹

Conclusion: This issue has been clarified in the Background section, see footnote 5 and Issue #2.

2. Addition and Definition of "Arrangement" - SCE will incorporate the term "Arrangement" and its definition in SCE's tariff. SCE will define an Arrangement to mean an individual Generating Account and all associated

⁹ SCE email to CPUC, dated 4/15/2010 explained that "The Utility Retained Generation (URG) component is designed in the [General Rate Case] (GRC) to recover all costs associated with SCE-owned and contracted generation resources, including both capacity and energy-related costs. The URG component (shown in the tariffs) includes demand charges (\$/kW) for demand metered customers which are designed based on capacity costs. For non-demand metered customers (e.g., small commercial and residential customers), capacity costs are recovered in energy (\$/kWh) charges. The amount of URG revenue recovered in demand charges versus energy charges varies and is a function of the degree to which the customers class contributes to the system peak, which is the primary driver of capacity costs. Obviously, the percentage of an individual customers URG bill which is attributable to demand charges will also vary based on the customers load factor."

Benefiting Accounts that will receive a portion of excess generation credit from the Generating Account. A customer can have more than one Arrangement – multiple generators with individual service account identifiers, but Generating Accounts and Benefiting Accounts may not be shared across multiple Arrangements.

Conclusion: Agreed, this is a suitable definition of ‘Arrangement’ for purposes of RES-BCT tariffs. All IOUs are free to include a definition of this term in their re-filed ALs, see Issue #8.

3. One-Time Set Up Fee Per Account and Monthly Billing Charge – SCE makes the same argument as PG&E’s second comment regarding set up and monthly billing fees; RES-BCT fees will be in addition to otherwise applicable charges.

Conclusion: Agreed, see Issue #3.

4. One Megawatt Cap is Per Generating Account or Arrangement – The Draft Resolution should clarify that the combined output of multiple eligible generators interconnected behind a single meter at an individual service account – the Generating Account, cannot exceed 1MW.

Conclusion: The Resolution already clearly states that “all IOUs shall amend tariff language to clarify that the program is limited to 1 MW per Generating Account”, see Issue #7. No modifications are necessary.

SDG&E Comments

1. Incorporate AB 1031 – SDG&E makes the same comment as PG&E #5, that language including campuses should be included in the definition of eligible renewable energy generators.

Conclusion: Agreed, AB 1031 language referable to college campuses is now included in the Background section of this Resolution.

2. Clarification Regarding Benefiting Account Percentages – SDG&E
would like to clarify that this whole percentage allocation requirement is also
applicable to SDG&E.

Conclusion: Agreed, the Background section of this Resolution has been
amended to include SDG&E as well as PG&E.

3. Schedule DG-R – Regarding Issue #11 on the Draft Resolution (Schedule
RES-BCT taken in combination with Schedule DG-R, Distributed Generation –
Renewable, Time Metered), SDG&E support and does intent to permit RES-BCT
Generating Account customers to take service under Schedule DG-R. This rate
was established to provide NEM customers with onsite generation a more
energy-based rate with lower demand charges. DG-R customers pay reduced
demand charges and receive higher energy credits because the rate per kWh is
higher under DG-R than the otherwise applicable rate, often AL-TOU. By
allowing a Benefiting Account to receive service under DG-R, remaining bundled
service customers are subject to additional cost shifts. Additionally, since the
(possible) numerous Benefiting Accounts would not meet the current eligibility
requirement for service under Schedule DG-R, it is unclear how SDG&E could
even administer allowing Benefiting Accounts to take service on Schedule DG-R.
SDG&E urges the Commission to reconsider the applicability of Schedule DG-R,
and not permit a Benefiting Account to receive service under this rate.

Conclusion: Generating Account customers shall be allowed to take service under Schedule DG-R, but this will not automatically qualify Benefiting Account customers for DG-R service. This has been modified under Issue #11 of the discussion section.

4. Administration and Implementation Fees – SDG&E agrees with the
Draft Resolution position to implement a one-time set-up fee per arrangement of

up to \$500 and a monthly billing charge to the Generating account and Benefiting Account of no more than \$30 per month to cover ongoing billing charges.

Conclusion: No changes have been made.

PU Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this Resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. PG&E's AL 3476-E, SDG&E's AL 2092-E, and SCE's AL 2351-E were filed to create tariffs to implement PU Code 2830, established by AB 2466 (Laird, 2008).
2. All three Advice Letters were protested by the Solar Alliance on June 30th, 2009 with support from Community Renewable Solutions in PG&E and SCE territories. PG&E's AL 3476-E was also protested by the City of San Jose on June 30th. SDG&E's AL 2092-E was protested by the City of San Diego. The City of San Diego protest was late, but it was accepted nonetheless.
3. CSI and SGIP program eligibility is outside the scope of these tariffs and is already covered by CSI and SGIP Programs which are fully compliant with State law and Commission Decision on the topic of size and site limitations.
4. PU Code requires that excess generation applied to Benefiting Accounts will be valued at the generation-only component of the energy charge of the time-of-use rate. In the case of SCE, this energy will be valued at the Utility Retained Generation component.
5. There is a need for certainty around the issue of administrative fees to participate in the program, and this need for certainty can be balanced with PU Code 2830 (d) that prohibits cost-shifting between customer-classes. In addition to any applicable Otherwise Applicable Rate Schedule (OAS) meter charges or applicable interconnection charges under Rule 21, the utilities may

charge a one-time set up fee per Generating Account of up to \$500. In addition to any applicable OAS monthly charges, the utilities may charge a monthly billing charge to the Generating Account and Benefiting Account of no more than \$30 per month. In light of PU Code 2830 (d), utilities can file an Advice Letter if they have justification for different administrative set-up or implementation charges that should be charged to participants if the utilities can justify their expenses.

6. The IOU's literal interpretation of statute language in PU Code 2830(e) related to allocation percentages is reasonable. PU Code 2830(e) states "Not more frequently than once per year... the local government may elect to change a Benefiting Account."
7. PU Code 2830 (a) (3) defines "Eligible renewable generating facility" as "an eligible renewable energy resource pursuant to the California Renewables Portfolio Standard Program". The RPS eligibility standards refer to the technologies themselves and not where the technologies are installed.
8. Different names for tariffs seeking to implement PU Code 2830 may be confusing to customers.
9. PG&E's proposed change to clarify that the 1 MW cap applies to each individual Generating Account site and not to an aggregate total is acceptable. PG&E's AL 3476-E Applicability section would read "This schedule is applicable to an eligible "Local Government" with one or more "Eligible Renewable Generating Facilities" totaling no more than one megawatt..."
10. PG&E's use of the word "Arrangement" in their proposed tariffs is undefined.
11. PU Code 2830 makes no explicit reference to Demand Response Programs, which the Commission has historically encouraged.
12. SDG&E's request for 60 days notice for a generator seeking to utilize its tariff to be reasonable.
13. SDG&E's argument against using Schedule DG-R for Benefiting Accounts is justified. PU Code 2830 does not require that all accounts be on the same rate; only that they utilize time-of-use rates. Generating Accounts shall be allowed to take service under Schedule DG-R, but not Benefiting Accounts.
14. Special Condition 6 under SDG&E's Schedule ECO refers to PU Code 2830 (a)(1) directly quotes statute and shall remain in place. PU Code 2830 (a) (1) defines a Benefiting Accounts as "an electricity account... located within the geographical boundaries of a local government that is mutually agreed upon by the local government and an electrical corporation".

15. The City of San Diego requests that the tariffs include language regarding the ownership of RECs, and SDG&E agrees with this request. The tariffs should be modified to comply with this concern.

THEREFORE IT IS ORDERED THAT:

The request of PG&E, SDG&E, and SCE to implement PU Code 2830 as detailed in Advice Letters 3476-E, 2092-E, and 2351-E (respectively) is approved with the following conditions and modifications:

1. All tariffs shall be refiled within 7 days to comply with the orders herein.
2. Any mention of CSI or SGIP or eligibility for any other ratepayer funded incentive programs should be removed from the utility tariffs.
3. Excess generation applied to Benefiting Accounts will be valued at the generation-only component of the energy charge of the time-of-use rate. The tariffs should be updated if necessary to clarify this issue.
4. Generating Accounts that take NEM tariffs are prohibited from also taking service under a RES-BCT tariff.
5. In addition to any applicable Otherwise Applicable Rate Schedule (OAS) meter charges or applicable interconnection charges under Rule 21, the utilities may charge a one-time set up fee per generator account of up to \$500. In addition to any applicable OAS monthly charges, the utilities may charge a monthly billing charge to the generating account of no more than \$30 per month. The tariffs should be modified accordingly. In light of PU Code 2830 (d), utilities can file an Advice Letter if they have justification for different administrative set-up or implementation charges that should be charged to participants if the utilities can justify their expenses.
6. Allocation percentages will not be changed in the tariffs. The tariffs should conform to PU Code 2830 (e).
7. RPS Standards will be interpreted to refer to technologies and any restrictions of distributed generation installations shall be disregarded. The tariffs shall be modified to reflect this change.
8. The tariffs shall be called the "Schedule for Local Government Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT)" in all IOU territories.
9. All IOUs shall amend tariff language to clarify that the program is 1 MW per Generating Account.
10. Any IOU can use the word "Arrangement" in their tariff, and if they do so, they shall clearly define the term within the tariff.

11. All IOUs shall modify their tariffs to specifically allow Generating Accounts, as well as Benefiting Accounts, to participate in CPP service.
12. All utilities are allowed to maintain language (or insert it) that requests 60 days notice for existing or new facilities to take service on the RES-BCT tariffs.
13. SDG&E shall modify its RES-BCT tariff, if necessary, to allow Generating Accounts to take service under Schedule DG-R.
14. Special Condition 6 under SDG&E's Schedule ECO directly quotes statute and shall remain in place in its revised tariff.
15. RECs shall remain the property of the owner and all IOU tariffs shall include language to reflect this.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 22, 2010 the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
NANCY E. RYAN
Commissioners