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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ITEM # 26 I.D. # 10648

ENERGY DIVISION **RESOLUTION E-4422**

September 22, 2011

R E S O L U T I O N

Resolution E-4422. In compliance with the Decision (D.) 11-06-016 directive to file a advice letters containing, (1) revised Net Energy Metering ("NEM") and Virtual Net Metering ("VNM") tariffs to implement the Net Surplus Compensation ("NSC") program, (2) the initial calculations for the Default Load Aggregation Point ("DLAP") based NSC rate, and (3) specifics on a process for monthly updates to the rate, Pacific Gas & Electric ("PG&E"), Southern California Edison ("SCE"), San Diego Gas & Electric ("SDG&E"), PacifiCorp, and Golden State Water Company (Bear Valley Electric Service Division) submitted advice letters 3870-E, 2601-E, 2269-E, 445-E, and 257-E, respectively.

PROPOSED OUTCOME: This Resolution approves implementation of the NSC program and revisions applicable to existing NEM and VNM tariffs, effective retroactively as of January 1, 2010.

ESTIMATED COST: No material costs are expected. Proof, or justification, of revenue neutrality is not required because the NSC rate, by nature of the approved methodology provided in D.11-06-016, is assumed to be revenue neutral.

By Advice Letter 3870-E, Filed on July 11, 2011.
By Advice Letter 2601-E-A, Filed on July 11, 2011.
By Advice Letter 2269-E, Filed on July 11, 2011.
By Advice Letter 445-E, Filed on July 11, 2011.
By Advice Letter 257-E Filed on August 8, 2011.

SUMMARY

This Resolution approves proposed revisions to NEM and VNM tariffs, initial utility-specific DLAP prices, and processes for monthly updates to the NSC rate. This Resolution approves, retroactively, implementation of revised NEM and VNM rate schedules and customer compensation for relevant periods ending December 2010 and thereafter.

BACKGROUND

On October 11, 2009, Assembly Bill ("AB") 920 amended Pub. Util. Code 2827, thereby requiring the Commission to establish a program to compensate NEM customers for electricity produced in excess of on-site load at the end of a 12-month true up period. The bill required the California Public Utilities Commission ("CPUC") to adopt, by January 1, 2011, a net surplus electricity compensation valuation to compensate net surplus customer-generators.[1]

In response to AB 920, on April 1, 2010, PacifiCorp, Sierra Pacific Power Company, PG&E, SCE and SDG&E filed Applications (A.) 10-03-001, (A.) 10-03-010, (A.) 10-03-012, (A.) 10-03-013 and (A.)10-03-017, respectively, for approval to implement a net surplus rate. The applications were then consolidated by Administrative Law Judge ("ALJ") Ruling, due to similar issues of law and fact.

On June 9, 2011, Decision (D.) 11-06-016 adopted an NSC rate pursuant to AB 920. The Decision directed utilities to file advice letters with the CPUC requesting revisions to tariffs and initial calculations for the DLAP-based NSC rate. PG&E, SCE, SDG&E and Pacificorp complied with this directive and filed Tier 3 advice letters on July 11, 2011. Golden State Water Company (Bear Valley

[1] Pub. Util. Code 2827(b)(4) provides, "Eligible customer-generator" means a residential, small commercial customer as defined in subdivision (h) of Section 331, commercial, industrial, or agricultural customer of an electric service provider, who uses a solar or a wind turbine electrical generating facility, or a hybrid system of both, with a capacity of not more than one megawatt that is located on the customer's owned, leased, or rented premises, is interconnected and operates in parallel with the electric grid, and is intended primarily to offset part or all of the customer's own electrical requirements.

Electric Service Division) filed a Tier 2 advice letter on August 8, 2011 as directed by D.11-06-016.

NOTICE

Notice of each advice letter filing was made by publication in the Commission's Daily Calendar. Parties stated that a copy of each advice letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS AND COMMENTS

SDG&E's Advice Letter ("AL") 2269-E was protested by Debenham Energy ("Debenham") on August 1, 2011.

Debenham contends that SDG&E's AL 2269-E "unlawfully discriminates against eligible NSC for customer-generators using wind energy co-metering."[2] Debenham goes on to state that SDG&E "fails to justify, or attempt to explain any basis for including a provision that wind turbines sized over 50kW are ineligible for NSC."[3] Debenham points out that SDG&E's decision not to offer a NSC is contrary to treatment afforded wind turbines greater than 50kW by PG&E and SCE, in AL 3870-E and AL 2601-E, respectively.

SDG&E filed a response to the protest on August 8, 2011. SDG&E indicates that D.11-06-016 provides that the CPUC "will allow PG&E and the other utilities to offer to any NEM customer, including wind energy co-metering customers, VNM customers, and multiple tariff treatment customers."[4] Furthermore, SDG&E also interprets Ordering Paragraph ("OP") #11 of D.11-06-016 as follows:

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[2] Debenham Energy's Protest of Advice Letter 2269-E of San Diego Gas & Electric, August 1, 2011, page 1

[3] *Id*. [page 2]

[4] Reply of San Diego Gas & Electric to Debenham Energy's Protest of Advice Latter 2269-E, Revisions to SDG&E's Electric Schedules NEM (Net Energy Metering) and VNM-A (Virtual Net Energy Metering for Multi-Family Affordable Housing) in Compliance with Assembly Bill (AB) 920 and Decision (D.) 11-06-016, August 8, 2011, page 2

> According to the Decision and Ordering Paragraphs, a utility 'may' offer NSC (is 'allowed' to offer NSC) to various other customer groups, but it is not required. SDG&E is not offering NSC to wind energy co-metering customers over 50kW. SDG&E is planning to provide NSC to solar and wind (less than 50kW) as required by D.11-06-016.[5]

The interpretation of the definition of eligible NSC customer groups as set forth in OP #11 of D.11-06-016 is the only issue to be resolved in the Debenham protest.

DISCUSSION

SDG&E's revised NEM tariff sheets, provided as an addendum to SDG&E's AL 2269-E, and given in Schedule NEM, SPECIAL CONDITIONS, Section 3(h), "Assembly Bill 920," states "NSC is also not applicable to wind energy co-metering customers (i.e., wind generators from 50 kW to 1 MW)." However, this provision contravenes the intent of AB 920, as provided in Pub. Util. Code 2827:

> (10) "Wind energy co-metering" means any wind energy project greater than 50 kilowatts, but not exceeding one megawatt, where the difference between the electricity supplied through the electric grid and the electricity generated by an eligible customer-generator and fed back to the electric grid over a 12-month period is as described in subdivision (h). Wind energy co-metering shall be accomplished pursuant to Section 2827.8.

Therefore, based on the plain meaning of the statute, it is inaccurate for SDG&E to claim that NSC for wind energy co-metering customers with capacity in the range of 50kW to 1MW is not applicable under AB 920.

The Decision does not explicitly mandate that the utilities provide NSC in general, nor does it mandate SDG&E to offer NSC to wind energy co-metering customers with capacity in excess of 50kW. However, the clear intent of the

[5] *Id*. [page 2]

Decision's directive is to implement AB 920 and thereby "encourage substantial private investment in renewable energy resources, stimulate in-state economic growth, and reduce demand for electricity during peak consumption periods."[6]

SDG&E offers no compelling argument for discriminating against this particular technology in this particular size range, nor do the other utilities request a similar exception. Consequently, SDG&E's requested exclusion of wind energy co-metering customers with capacity in the range of 50kW to 1MW from its NSC tariff is not granted.

EVIDENCE OF COMPLIANCE WITH D.11-06-016

Utilities filed Tier 3 advice letters in compliance with the D.11-06-016, containing (1) revised NEM tariffs to implement the NSC program, (2) the initial calculations for the DLAP-based NSC rate, and (3) specifics on a process for monthly updates to the rate.

1. Utilities modified existing NEM tariffs to accommodate the NSC

Utility NEM and VNM tariffs have been revised to remove language stating that no payment would be made for excess energy (kWh) and adding language stating that compensation will be afforded to net surplus generators. In general, revised NEM and VNM schedules include a definition of Net Surplus electricity based on Pub. Util. Code Section 2827(h)(4)(A), the NSC rate and calculation, the Renewable Attribute Adder, and the requirement that NEM-eligible customers self-certify as a Qualifying Facility.

2. Utilities provided initial calculations for the DLAP based NSC rate

On July 19, 2011, Energy Division ("ED") staff submitted data requests to PG&E, SCE and SDG&E requesting that each (1) provide initial calculations for the DLAP based rate, and (2) describe the mechanism by which the flow of NSC funds would be accounted for in order to be assured that non-NEM eligible

[6] Pub. Util. Code 2827(a)

customers, and other NEM-eligible customers who choose not to self-designate or otherwise opt out of the NSC afforded them, will be held indifferent.

On August 2, 2011, each utility provided ED staff a response to the data request. Utilities provided the following DLAP initial NSC rate calculations:

DLAP initial NSC rate calculations:

True-up Month	Start Date	End Date	NSC Rate ($/kWh)				
			PG&E[1]	SCE[2]	SDG&E[3]	Bear Valley[4]	PacifiCorp[5]
Jan. 2011	12/21/2009	12/20/2010	$0.04026	$0.03991	$0.03980	$0.03991	$0.04026
Feb. 2011	1/21/2010	1/20/2011	$0.03906	$0.03874	$0.03876	$0.03874	$0.03906
Mar. 2011	2/21/2010	2/20/2011	$0.03789	$0.03757	$0.03775	$0.03757	$0.03789
Apr. 2011	3/21/2010	3/20/2011	$0.03675	$0.03638	$0.03673	$0.03638	$0.03675
May. 2011	4/21/2010	4/20/2011	$0.03619	$0.03587	$0.03653	$0.03587	$0.03619
Jun. 2011	5/21/2010	5/20/2011	$0.03617	$0.03610	$0.03648	$0.03610	$0.03617
Jul. 2011	6/21/2010	6/20/2011	$0.03597	$0.03603	$0.03639	$0.03603	$0.03597

1 Provided in Response to Data Request ED_01_AL 3870 - E
2 Provided in AL 2601-E
3 Provided in Response to Data Request ED_01_AL 2269 - E
4 Provided in AL 257-E (same as SCE)
5 Provided in AL 445-E (same as PG&E)

Note: Since California Pacific Energy Company, previously Sierra Pacific Power Company, filed a Tier 3 Advice Letter it will be handled in a separate resolution for AL 8-E

3. Utilities provided specifics on process for monthly updates to NSC rate

In addition, each utility described the accounting process for tracking the NSC flow of funds. Effective the date of this Resolution, each utility will revise its Preliminary Statement, Energy Resource Recovery Account ("ERRA"), tariff sheet (or otherwise applicable accounting mechanism) to include a new and separate Accounting Procedure line item that describes the NSC debit entry to the ERRA balancing account (or otherwise applicable accounting mechanism).

The ERRA balancing account records fuel and purchased power cost for the investor-owned utilities. In this case the debit entry will record payments (or bill credits) for the NSC expense associated with AB 920 implementation. This debit entry will be made on a monthly basis concurrent with the calculation of the NSC rate for the relevant period and as an offset to a credit entry to each utility's relevant income statement account that tracks a reduction in billed revenues resulting form AB 920 implementation. This accounting procedure may include additional compensation for NSC renewable attributes where and when applicable.

The NSC rate energy price is to be calculated monthly based on the hourly day-ahead electricity market price at each utility's DLAP price as published on the California Independent System Operator ("CAISO") Open Access Same-Time Information System ("OASIS"), ending the twentieth day of each month.

Additionally, SDG&E stated its NSC rate would be available at www.sdge.com/NEM.

Approval of Resolution E-4422 will establish:

Approval of this Resolution will establish revised utility NEM and VNM tariffs which will enable implementation of the NSC program and ultimately payment (or credit) for excess energy to eligible customer-generators.

Each utility will initiate NSC payments (or credits) for all eligible customers with relevant periods ending December 2010, and thereafter, on the effective date of this Resolution.

Costs Associated with Approval of this Resolution

There are no costs anticipated. The NSC rate, by nature of the approved methodology provided in D.11-06-016, is assumed to be revenue neutral.

COMMENTS

This is a matter in which the resolution grants the Tariff revisions requested. Accordingly, pursuant to Public Utilities Code section 311(g)(2), the Commission will serve this Resolution on Applications (A.) 10-03-001, (A.) 10-03-010, (A.) 10-03-012, (A.) 10-03-013 and (A.)10-03-017 for the applicable 20-day period for public review and comment.

FINDINGS AND CONCLUSIONS

1. These proposals to establish revised NEM and VNM tariffs were made in compliance with D.11-06-016.
2. SDG&E's decision to exclude wind energy co-metering customers with loads in excess of 50kW, but less than 1MW, is rejected as contrary to the language of AB 920.

THEREFORE IT IS ORDERED THAT:

1. Each utility will establish revised utility NEM and VNM tariffs which will enable implementation of the NSC program.
2. Each utility will initiate NSC payments (or credits) for all eligible customers with relevant periods ending December 2010, and thereafter, on the effective date of this Resolution.
3. Each utility will make its NSC rate (or DLAP price) available on the NEM page of its website on a monthly basis
4. SDG&E will offer NSC payment to wind energy co-metering customers with loads in excess of 50kW, but less than 1MW.

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 September 22, 2011; the following Commissioners voting favorably thereon:

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Paul Clanon
Executive Director