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**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) |

# ADMINISTRATIVE LAW JUDGE'S RULING GRANTING MOTION OF THE INTERSTATE RENEWABLE ENERGY COUNCIL AND REQUESTING COMMENT ON CALIFORNIA SOLAR INITIATIVE PHASE II AND III ISSUES

This ruling grants a motion by the Interstate Renewable Energy Council (IREC) requesting the Commission consider the appropriate method of calculating the net metering cap within Phase II of this proceeding. In addition, this ruling requests comments on California Solar Initiative (CSI) Phase II and III issues, as identified in the Scoping Memo Ruling of November 9, 2010, as well as one newly identified issue regarding a capacity-based limit on residential CSI incentives.

## IREC Motion

On July 25, 2011, IREC filed a motion requesting clarification of the scope of Phase II of this proceeding. IREC requests the Commission clarify that the appropriate method for calculating the net metering program cap, as established in Pub. Util. Code Section 2827(c)(1),[1] is within the scope of the proceeding. According to IREC, a lack of clarity regarding the net metering cap methodology has been an issue for some time because the term "aggregate customer peak demand" is not defined within the statute, and has not been defined by the Commission. IREC noted in its prehearing conference statement filed in this rulemaking on August 6, 2010, that the utilities use different methods of calculating the net metering cap and it requested the Commission review these calculation methods. The Scoping Memo of November 9, 2010, however, did not explicitly mention review of net metering caps. IREC's motion asks for clarification that the Commission will explicitly address this topic.

Solar Alliance responded in support of IREC's motion, and agrees that the issue of the net metering cap calculation falls squarely within the scope of the case and should be addressed immediately as the utilities are rapidly approaching their individual net metering caps.

While considering IREC's motion, I asked Energy Division to obtain data from Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas and Electric Company (SDG&E) on each utility's method of calculating progress toward its net metering cap. According to Energy Division, these three utilities currently calculate their progress toward the 5% net metering cap as the aggregate capacity of individual distributed generation systems divided by aggregate customer peak demand. The table

[1] Public Utilities Code 2827(c)(1) states that every electric utility shall develop a standard contract or tariff providing for net energy metering "until the time that the total rated generating capacity used by eligible customer-generators exceeds 5 percent of the electric utility's aggregate customer peak demand."

below provides a summary of data reported to Energy Division regarding the different NEM percentage calculation methodologies used by PG&E, SCE and SDG&E.

**NEM Percentage Calculation Methodology by IOU**

| Utility | Calculation Method for Aggregate Customer Peak Demand | NEM Generating Capacity (MW) | Aggregate Customer Peak Demand (MW) | NEM as Percentage of System Peak |
|---|---|---|---|---|
| **PG&E** | Calculates aggregate customer peak demand from the highest, published peak demand shown in FERC Form 401b, based on 60-minute interval demand (i.e., demand measured every 60 minutes). | 492.8 | 20,883 | 2.36% |
| **SCE** | Calculates aggregate customer peak demand from SCE's Annual Net Main System All Time Peak, based on 30-minute demand (i.e., demand measured every 30 minutes). | 245.8 | 23,163 | 1.06% |
| **SDG&E** | Calculates aggregate customer peak demand from the highest, published peak demand shown in FERC Form 1/3-Q, based on 5-minute interval demand.[2] | 103.0 | 4,687 | 2.20% |

*Source: NEM data request, September, 2011. SDG&E NEM data as of July 1, 2011; PG&E NEM data as of August 30, 2011; SCE NEM data as of June 30, 2011.*

As the table shows, each utility uses a different demand interval to calculate aggregate customer peak demand. This demand interval is either 5, 30,

[2] For SDG&E, demand is measured every 4 seconds and measurements are averaged every 5 minutes. As a result, the 5-minute interval demand is an average of 75 readings taken 4 seconds apart.

or 60 minutes, depending on the utility. For comparison purposes, Energy Division asked PG&E and SDG&E to provide their system's aggregate customer peak demand based on a 30-minute demand interval. For SDG&E, the change from a 5-minute interval to a 30-minute interval resulted in a System Peak of 4,681 MW, a difference of only 6 MW. PG&E responded that it could not recalculate aggregate customer peak demand with a different demand interval as it does not have the necessary data available to do this.

I will grant IREC's motion and include the issue of calculation of net metering caps within Phase II of this rulemaking. Parties that want to propose changes to the current methodology for calculating the net metering cap, as shown in this ruling, should provide their proposals by January 17, 2012. Responses to these proposals may be filed no later than January 27, 2012. If necessary, I will schedule a workshop once the proposals and responses are filed to understand the data inputs for the calculation, the data sources and their availability, the current calculation methodologies, and any new calculation proposals.

**CSI Phase II and III Issues**

On July 26, 2010, I issued a ruling with an attached Staff Proposal containing numerous recommendations by Energy Division for CSI program modifications. The ruling asked parties to prioritize the various proposals in the Staff Proposal. Later, in the November 9, 2010 Scoping Memo Ruling, the various recommendations in the Staff Proposal were sorted into three phases for consideration by the Commission. The Phase I, highest priority issues, were considered first and the Commission issued a decision on CSI Phase I modifications in July of 2011. (*See* Decision (D.) 11-07-031.)

This ruling now requests that parties provide their comments on the Phase II and Phase III issues identified in the Scoping Memo Ruling by their section numbers in the July 26, 2010 Staff Proposal as well as two additional issues, as discussed below. For ease of reference, the tables from the Scoping Memo Ruling listing the Phase II and Phase III issues and their corresponding CSI Staff Proposal section numbers are copied below. Parties should reference the applicable CIS Staff Proposal section number in their comments.

| **CSI Modifications/Phase II Issue Areas** | **Section in CSI Staff Proposal** |
|---|---|
| Net Energy Metering Billing Costs and Billing Simplification | 2.6 |
| Program Administrator Reporting Requirements | 3.5 |
| Design Factor for Calculating Payment to EPBB Projects | 3.7 |
| Coordination of CSI Program Application Process with Utility Interconnection Application | 3.12 |
| Public Reporting via California Solar Statistics | 3.13 |
| Tax Exempt Documentation for Non-Profit Agencies | 3.14 |
| M&E Plan Annual Review | 4.3 |
| M&E Expenditures and Reimbursement Requirement | 4.4 |
| Scope of CSI M&E Studies | 4.5 |
| SASH Program Manager Contract Administration | 6.5 |
| Megawatt Goals of MASH and SASH Solar Programs | 6.8 |
| **CSI Modifications/Phase III Issue Areas** | **Section in CSI Staff Proposal** |
| Eligibility of Multiple EPBB Projects | 3.10 |
| Revising the Application Processing Program Application Database and Confidentiality | 3.11 |
| Warranty Requirements | 3.15 |
| 5 Percent Metering Accuracy Standards for PMRS Meters | 3.16 |
| SASH Workforce Development Benefit | 6.2 |
| Gas Program Rate Collections | 7.2 |
| Allocation of Solar Hot Water Pilot Program Budget | 7.3 |
| Rounding Error in Utility Share of CSI Costs Table | 7.4 |

Parties should note that two issues in Phase III, namely issue 7.3 and 7.4, have since been resolved and comments are no longer needed on these topics. Allocation of the Solar Hot Water Pilot Program budget was resolved in D.10-09-

046. In that decision, Table 6 indicates that the $2.6 million budget for the pilot is collected exclusively from SDG&E ratepayers. That same table in D.10-09-046 also corrected the rounding error discussed in Section 7.4, and comments are no longer needed on that topic.

In addition, the Scoping Memo Ruling of November 2010 identified 4 issues for Phase II that were not contained in the July 26, 2010 Staff Proposal. These issues are:

- Consideration of incentives for non-solar water heating thermal technologies that displace gas usage and meet all other program requirements, as described in D.10-01-022.
- Designing a CSI Thermal Low Income Program, as described in D.10-01-022.
- Consideration of Rule 21 process improvements
- Assess whether to allow power purchase agreement (PPA) providers to receive Single-Family Affordable Solar Housing (SASH) program incentives.

The issues in the first three bullets will not be addressed at this time. Incentives for non-solar water heating thermal technologies will be considered shortly in this proceeding, but a separate ruling will issue requesting comments on that topic specifically. Issues surrounding a CSI Thermal Low Income Program were resolved in D.11-10-015. Rule 21 issues are the subject of an advice letter and a pending settlement process being handled by Energy and Legal Divisions.

Parties may comment on the issue in the fourth bullet above in response to this ruling. The issue of whether to allow PPA providers to receive SASH incentives was initially addressed in D.07-11-045, where the Commission prohibited solar energy systems with third-party ownership arrangements from participating in the SASH program. (*See* D.07-11-045, Section 8.4 at 38-39.) In that decision, the Commission stated its concern with ensuring that any third-party ownership arrangements provide long-term benefits to low-income homeowners. The Commission further stated that it would consider modifying this prohibition if a proposal could adequately protect and benefit low-income homeowners in third-party ownership arrangements. By this ruling, we notify parties that they may provide their comments on whether to lift this prohibition and allow third-party ownership arrangements to participate in the SASH program.

Finally, this ruling adds a new issue to Phase II/Phase III that was not contained in the Staff Proposal. Energy Division suggests that due to CSI budget constraints, the Commission should consider a new limitation on incentives paid to CSI residential systems. Energy Division proposes that incentives would be limited to the first 20 kW of installed capacity for single-family residential solar energy systems. Systems could still be sized larger than 20 kW, but the applicant would receive incentives only up to a capacity of 20 kW for a single-family residential system. Parties should comment on this additional proposal for modification of the CSI Program.

In summary, parties may comment on the following Phase II/Phase III issues at this time:

- All the sections of the CSI Staff Proposal listed in the two tables in this ruling (except for Sections 7.3 and 7.4);
- Whether to allow applicants with third-party ownership arrangements to participate in the SASH program; and
- Whether to limit single-family residential CSI incentives to 20 kW of installed capacity.

Therefore, **IT IS RULED** that:

1. The motion of IREC is granted and the issue of the utilities' net metering cap calculations will be addressed in Phase II of this proceeding.

2. Parties may provide proposals for calculation of the net metering cap no later than January 17, 2012, and may file replies to these proposals no later than January 27, 2012.

3. Parties may comment on Phase II and Phase III issues listed in this ruling no later than January 24, 2012, and reply comments no later than February 3, 2012.

Dated December 14, 2011, at San Francisco, California.

/s/ DOROTHY J. DUDA
Dorothy J. Duda
Administrative Law Judge