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

Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering	Rulemaking 14-07-002 (Filed July 10, 2014)

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E) REPLY COMMENTS ON THE PROPOSED DECISION ADOPTING A SUCCESSOR TO THE NET ENERGY METERING TARIFF

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Pacific Gas and Electric Company (PG&E) provides these reply comments on ALJ Simon's Proposed Decision Adopting A Successor To Net Energy Metering Tariff, released on December 15, 2015 (Proposed Decision or PD). We encourage the Commission to adopt the Joint Utility Proposal.

A. The Huge NEM Cost-Shift Must Be Addressed

Analysis using the Public Tool shows that the proposed tariff is likely to result in $3.6 to $7.0 billion per year in cost shifting by 2025. The Joint Solar Parties (JSPs) argue that NEM creates no cost shift. However, their assumptions are not defensible and produce nonsensical results, such as an avoided RPS premium significantly higher than the entire cost of solar PPAs signed by the IOUs in 2014.[1]

Moreover, the CPUC rejected the requests of numerous parties to submit evidence and proceed to hearing on the avoided cost assumptions. While the JSPs argue that their own scenarios are more accurate than those neutrally designed by Energy Division, the Commission's own staff has expressed its views that these changes were without merit, and that under **any reasonable scenario, the cost shift will be in the billions of dollars per year**.[2]

The JSPs also argued that considering cost shifts is improper, even if they do exist. As numerous parties cogently explained in opening comments, this is both legal and policy error.

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1 See PG&E Reply Comments on Successor Tariff Proposals, Table 1, p. 7.

2 The JSPs made many of the same arguments during the development of the Public Tool, which were rejected by the Energy Division (ED). JSPs also criticize the bookend scenario assumptions in the Public Tool. However, these scenarios were needed to evaluate "how the proposals would fare under a range of possible futures." (ED White Paper, p. 1-6) In the face of uncertainty, this is a reasonable approach, and ALJ Simon ordered all parties to follow this guidance from the ED when submitting proposals. ALJ Ruling dated June 4, 2015.

JSPs also ask that the CPUC adopt the Total Resource Cost Test (TRC) or to make finding that the PD meets the statutory requirements based on the Societal Cost Test (SCT).[3] The legislature could not have intended use of these metrics to evaluate rate proposals, because the results do not vary under different designs, and therefore, they provide no information on which proposal should be adopted.[4] The evidence demonstrates a huge, NEM-related cost shift under the PD that must be addressed through further reform.

B. The Commission Should Reject Proposals To Reduce The Nonbypassable Charges In The PD and Instead Should Adopt the Joint Utility Proposal

JSPs objected to the PD's inclusion of transmission charges and New System Generation Charges (NSGC) as nonbypassable charges (NBCs), and argued that such charges should not be applicable to NEM customers. The CPUC has determined in other dockets that these charges are indeed nonbypassable in nature and form the minimum charges that certain customers should pay (e.g., Economic Development rate). In fact, D.13-10-019, which decided PG&E's application for an Economic Development rate, was used as the reference in the PD for defining NBCs. The JSP justification for not paying transmission charges is the claim that solar projects "do not use the transmission system." (p. 8) This is simply not the case. NEM customers utilize the transmission system for energy that is consumed from the grid to the same extent non-NEM customers do, and – as the PD states – they should pay for it.[5] Similarly, the Commission should find that NEM customers owe the NSGC for every kWh they consume from the grid.

Any debate over NBCs and transmission would be mooted under the Joint Utility Proposal. In fact, fixing the export compensation rate at 15 cents per kWh, with a step down to 13 cents, would still be reasonable whether or not some NBCs are excluded. For example, PG&E's residential class average rate is approximately 19 cent per kWh. Even if transmission and NSGC were excluded, NBCs would be about 2 cents per kWh, resulting in 17 cents per kWh

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3 Joint Solar Parties Comments on PD, pp. 11-13.

4 PG&E Comments dated Sept. 1, 2015, pp. 8. 17-18. Joint Solar Parties also ask the CPUC to find that the PD satisfies AB 327. Specifically, JSP wants the CPUC to make a finding that the PD meets 2827.1(b)(4) and the "benefits and costs are approximately equal". JSP, p. 12. However, in fact, the record overwhelmingly shows that this is simply not true, and the proposal in the PD does not meet the legislative criteria.

5 See D.11-12-053 at page 26 finding that "adding solar in one area does not reduce T&D needs in another area, and may not even help in the area where it is installed. If there is no need for T&D upgrades in an area, there are no such upgrades to avoid."

rate before considering sharing of the ITC benefit. Only 2 cents per kWh of ITC sharing (about one-quarter of the 8 cent total value) is required to support the proposed export price of 15 cents.

Submission of this proposal was procedurally proper, it was just a version of the "reduced export compensation" proposals originally submitted by the same parties, and compromise versions of prior proposals are regularly considered at the Commission as proposed changes to the PD permitted under Rule 14.3. Moreover, this is not a "Feed-In Tariff" nor will it have adverse tax consequences; it is a retail bill credit like current NEM, and the Hawaii PUC recently rejected this exact argument in adopting a similar proposal with reduced export compensation.[6]

Nor will the Joint Proposal create a "boom-bust cycle" as alleged by the JSP: it will be a fixed amount good for ten years. JSPs argued that full retail credits are necessary to provide necessary certainty to customers participating in the NEM successor tariff.[7] In fact, retail rates are uncertain; setting the export compensation rate at a fixed level enables certainty and stability for customers; it is also more simple and understandable.

C. The Joint Utility Proposal Is Better For All Low Income Customers Than The PD

Several parties expressed interest in extending NEM benefits to more low income customers. Parties who supported the PD overlook the fact that different customers receive different value for their exported energy. Three residential customers who live next door to each other with exactly the same usage, exports, and generation would receive different credits for their exports based on their income; the customer who gets the least for their exported electricity is the poorest customer.[8] The IOU proposal is much better for CARE customers with solar. Even more important, the PD will cause a rate increase for CARE customers without solar of $13 to $30 per month by 2025. The Joint Utility Proposal reduces that bill impact.

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6 The Hawaii PUC rejected an identical tax argument in adopting reduced export compensation. See Hawaii PUC Order 33258 (Oct. 12, 2015) at pp. 158-59, available at http://dms.puc.hawaii.gov/dms/DocumentViewer?pid=A1001001A15J13B15422F90464 .

7 Joint Solar Parties argued at great length about the need for certainty, not only in their comments on the PD (pp. 3, 4), and in many other pleadings, including their Sept. 1 comments at pages 46-49.

8 E-1 customers get $0.18/kWh for exports at baseline, an E-6 customer gets $0.34/kWh for tier one peak exports, but a CARE customer gets only $0.12/kWh for tier one exports.

D. Today's Favorable Solar Economics Do Not Require The Level of Subsidy Provided In The PD

Solar economics have never been better: solar costs have declined by 50% during the past 5 years while utility prices have climbed; solar vendors now have a substantial and predictable federal incentives for the next 6 years due to the ITC extension; and vendors can already sell solar at levels below retail rates today.[9] Further, it was established in hearings that solar equipment cost declines are expected to continue. If export compensation at the retail rate continues, it will perpetuate the common practice of vendors pricing their products based on retail utility rates instead of costs – benefiting vendors but not customers. A reduction in export compensation to $0.15/kWh is a common-sense approach for moderate reform. Undoubtedly, the JSPs will claim that solar economics will not pencil out if export compensation is $0.15/kWh and once again threaten a collapse of the industry. These claims are meritless and directly at odds with the comments these companies have made to their investors, at odds with the record in this case, and with prices they are charging today.

E. Special Interest Requests For Exemptions Should Be Rejected

Many parties asked to be exempted from NBCs or other charges. Requests were made to exempt public agencies, non-residential customers, and VNEM and MASH customers from paying NBCs; similarly, some parties seek exemptions from interconnection fees or lower minimum bills.[10] Several parties argued for special benefits for customers with storage. All of these special interest requests should be rejected.[11]

F. Proposals To Further Expand VNEM and Disadvantaged Communities Programs Should Be Rejected

Many parties proposed to expand the options for customers in Disadvantaged Communities (DAC) or for Virtual Net Energy Metering (VNEM) generally.[12] The PD would

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9 Information on the record from SMUD and leading installer SolarCity demonstrated that vendors offered residential PPAs for as low as $0.10/kWh–$0.12/kWh in California last year. PG&E Testimony of Ted James, pp. 3-20 and B-1.

10 NEM PAC, NLine, MASH Coalition, JSPs, Blue Sky, Grid Alternatives, MASH Coalition.

11 Batteries should be able to participate in NEM only if they meet the criteria already approved for NEM-paired storage. D.14-05-033 (grid charged batteries are not renewable).

12 MASH Coalition, Greenlining Institute, Everyday Energy, Grid Alternatives, Center for Sustainable Energy (CSE), California Housing Partnership Corporation, California Environmental Justice Alliance (CEJA), Interstate Renewable Energy Council (IREC), Brightline Defense Project.

allow 660,000 residential customers in PG&E's service territory to be eligible to receive full retail credits for solar panels located far from their own locations. As TURN explained, adoption of a "neighborhood" VNEM is not supported by the law or facts, and should be deferred for additional review.[13] There is also substantial evidence that such a program could cause a significant increase in the NEM cost shift.

There are many different programs under development for customers in DACs; many of the details and budgets are not yet known. This decision should be subject to further evaluation in the next phase of the appropriate proceeding. Moreover, no new subsidies should be given to non-low-income customers, until a need is demonstrated. Since the PD anticipates further clarification of the program for disadvantaged communities, including implementation of AB 693, there is no need to adopt anything "in principle" at this time.

G. Time of Use Rates for NEM Customers Should Be Mandatory By 2018

Several parties propose that the PD be revised to require NEM customers to adopt default, rather than mandatory, TOU rates. As the PD correctly concludes, between now and 2018, the IOUs will establish TOU rates that better reflect the value of electricity to the grid and send price signals to customers. PG&E has already established those TOU periods for its residential customers. It is precisely the NEM customers, who use the grid both to supply energy and to consume energy, who should be the highest-priority for timely transition to mandatory TOU rates. The JSPs argue that "going too fast could backfire by inciting public furor."[14] They offer no explanation why mandatory TOU rates for NEM customers "would cause a public furor," particularly as part of a NEM successor tariff that remains highly favorable to solar customers. PG&E supports the PD's proposal to better align NEM customer's incentives through the application of mandatory TOU rates by 2018.

For the foregoing reasons, PG&E encourages the Commission to revise the Proposed Decision as described in PG&E's Opening Comments and above.

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13 TURN identified issues of whether such remote generation meets the definition of "eligible generation facility" in AB 327, whether such benefits should be given to wealthy customers in Disadvantaged Communities, and whether it would eviscerate the Green Tariff Shared Renewable program authorized by SB 43. TURN pp. 13-14.

14 JSP Opening Comments p. 5. In addition, arguments that grandfathering should be longer than ten years should be rejected. The JSPs offer no specifics of why their customers need 20 years; instead, they make vague claims that decades of protection are "needed for financing" and without it "the sky will fall" entirely unsupported by specifics.

Respectfully submitted,

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