

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4665

July 10, 2014

R E S O L U T I O N

Resolution E-4665. Modifications to Southern California Edison Company (SCE), and San Diego Gas & Electric (SDG&E) Net Energy Metering (NEM) Tariffs to Enable Multiple Meter Aggregation Pursuant to Senate Bill (SB) 594 (Wolk, 2012) and Resolution E-4610.

PROPOSED OUTCOME:

- Within five (5) days of the issuance of this resolution, SCE and SDG&E shall each file a Tier 1 Advice Letter revising their NEM tariffs to enable multiple meter aggregation pursuant to SB 594, Resolution E-4610, and this Resolution.
- The original proposed tariffs are adopted as modified herein.

SAFETY CONSIDERATIONS:

- No safety impacts were identified.

ESTIMATED COST:

- No additional cost is associated with this resolution.

By Advice Letter 2952-E and 2529-E filed on October 21, 2013, and 2529-E-A filed on January 15, 2014, and Advice Letter 2952-E-A filed on January 16, 2014.

SUMMARY

This Resolution approves with modifications SCE AL 2952-E, SCE AL 2952-E-A, SDG&E AL 2529-E, and SDG&E AL 2529-E-A implementing NEM aggregation, pursuant to SB 594 and Resolution E-4610.

BACKGROUND

Existing law requires every investor-owned utility (IOU)¹ to make available to an eligible customer-generator, as defined by Public Utilities (PU) Code Section 2827², a standard contract or tariff for net energy metering (NEM) on a first-come-first-served basis until the IOU reaches its net energy metering program limit or July 1, 2017, whichever is earlier. An IOU reaches its program limit when the total rated generating capacity used by eligible customer generators exceeds 5% of the electric utility's aggregate non-coincident customer peak demand.³

Pursuant to Section 2827, NEM customers can use renewable distributed generation (DG) to offset the electricity consumed behind a single onsite meter. SB 594⁴, authorized an eligible customer-generator with *multiple* meters to elect to aggregate the electrical load of the meters located on the property where the generation facility is located, and on all property adjacent or contiguous to the property on which the generation facility is located, if those properties are solely owned, leased, or rented by the eligible customer-generator ("NEM aggregation" or "NEMA").

For the three IOUs, the law subjects this authorization to the Commission making a determination that NEMA will not result in an increase in the expected revenue obligations of customers who are not eligible customer-generators.

¹ The IOUs are Pacific Gas and Electric (PG&E), Southern California Edison (SCE), and San Diego Gas and Electric (SDG&E).

² Herein after all references to code sections are to sections of the Public Utilities Code.

³ To determine the aggregate customer peak demand, every IOU shall use a uniform method approved by the commission. The program limit calculated pursuant to Section 2827 shall not be less than the following:

(i) For San Diego Gas and Electric Company, when it has made 607 megawatts of nameplate generating capacity available to eligible customer-generators.

(ii) For Southern California Edison Company, when it has made 2,240 megawatts of nameplate generating capacity available to eligible customer-generators.

(iii) For Pacific Gas and Electric Company, when it has made 2,409 megawatts of nameplate generating capacity available to eligible customer-generators.

⁴ Approved by Governor September 27, 2012. Filed with Secretary of State September 27, 2012.

Commission Resolution E-4610 found that NEMA, pursuant to SB 594, will not result in an increase in the expected revenue obligations of customers who are not eligible customer-generators. In making this determination, the Commission authorized the IOUs, in Resolution E-4610, to modify their NEM tariffs to implement the meter aggregation provision of SB 594, and ordered them to file Advice Letters within fourteen (14) days of the issuance date of Resolution E-4610.

The IOUs each filed Advice Letters on October 21, 2013: PG&E AL 4305-E, SCE AL 2952-E, and SDG&E AL 2529-E.

NOTICE

Notice of Resolution E-4665 was made by publication in the Commission's Daily Calendar. Southern California Edison and San Diego Gas and Electric state that a copy of their respective Advice Letters were mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS, REPLIES AND COMMENTS

Six parties filed timely protests to SCE's and SDG&E's Advice Letters: Solar Energy Industries Association (SEIA), SolarCity, Interstate Renewable Energy Council (IREC), California Farm Bureau Federation (CFBF), Natal Energy, and City of San Diego (CSD).⁵ On November 20, 2014, the Energy Division (ED) suspended all three Advice Letters for an additional 120 days to allow additional time for staff review.

The IOUs each filed timely replies to the protests on November 21, 2013.

Following the protest period, the IOUs held numerous discussions with ED staff in an attempt to address the issues raised by the protesting parties. At the request of ED, the IOUs filed supplemental Advice Letters: SDG&E AL 2529-E-A on January 15, 2014, and PG&E AL 4305-E-A and SCE AL 2952-E-A on January 16, 2014. Three parties filed timely protests: CALSEIA protested SCE's,

⁵ CSD's protest was specific to SDG&E Advice 2529-E.

Solar City protests all three IOU's, and SEIA⁶ protested SCE's and SDG&E. Two parties filed timely comments: CFBF and Joint Ag Parties.⁷ In addition, Mr. Philip Trubey, SDG&E customer, submitted a protest on January 25, 2014, and the City of San Diego also submitted a protest on January 27, 2014. The ED accepted both of these late-filed protests to SDG&E AL 2529-E-A. Each IOU timely filed a response to the second round of protests on January 28, 2014.

The IOUs worked in good faith with the Energy Division to attempt to resolve many of the protest issues. Energy Division approved PG&E AL 4305-E and 4305-E-A by a disposition letter dated February 20, 2014 and PG&E's revised NEMA tariff became effective on February 20, 2014. The supplemental Advice Letters filed by SCE and SDG&E substantially narrowed the number of contested issues. This Resolution disposes of all of the protest issues associated with SCE and SDGE's advice filings, including those that were addressed in the supplemental filings. Based on the protests, SCE and SDG&E's responses, as well as the partial supplemental Advice Letters filed, this Resolution modifies portions of SCE and SDG&E's Advice Letters.

The protests, SCE's and SDG&E's replies, SCE's and SDG&E's supplemental filings, and protests/comments /replies to the supplemental filings are treated in the discussion section below except as noted below.

⁶ SEIA described its letter as a comment and not a protest, but then listed several concerns and proposed solutions. We treated it as if it were a protest even if it was not labeled as such.

⁷ The Joint Ag parties include: Agricultural Energy Consumers Association, California Climate and Agriculture Network, and the Wine Institute.

For ease of reference the following table displays the list of protest issues and which party protested each one:

SCE Advice 2952-E and 2952-E-A								
Protest Party SCE Advice 2952-E								
Protest Issue	Natal Energy	SEIA	CFBF	IREC	Solar City			
1) Adjacent & Continuous	X	X	X	X	X			
2) Bill Credit Allocation		X	X	X	X			
3) Billing Service Fees		X	X	X	X			
4) Clarification Re: NSC		X						
5) NEMA Accounts & Non-NEM Generators		X						
6) Nem Cost Tracking				X				
7) CSI Application Treatment		X						
Protest Party SCE Advice 2952-E-A								
Protest Issue	Natal Energy	SEIA	CFBF	IREC	Solar City	CAL SEIA		
3) Billing Service Fees		X			X	X		
7) CSI Application Treatment						X		
SDG&E Advice 2529-E and 2529-E-A								
Protest Party SDG&E Advice 2529-E								
Protest Issue	Natal Energy	SEIA	CFBF	IREC	Solar City	City of San Diego		
1) Adjacent & Continuous	X	X	X	X	X			
2) Bill Credit Allocation		X	X	X	X			
3) Billing Service Fees		X	X	X	X	X		
4) Clarification Re: NSC		X						
5) NEMA Accounts & Non-NEM Generators		X						
6) Nem Cost Tracking				X				
7) CSI Application Treatment		X						
8) Interconnection Agreements						X		
Protest Party SDG&E Advice 2529-E-A								
Protest Issue	Natal Energy	SEIA	CFBF	IREC	Solar City	City of San Diego	CAL SEIA	Philip Trubey
3) Billing Service Fees		X			X	X	X	X
7) CSI Application Treatment							X	
8) Interconnection Agreements						X		

In addition to the above mentioned protests, two parties filed timely comments to the IOU supplemental ALs: CFBF and Joint Ag Parties.⁸ In their comments Joint Ag Parties expressed support for the PG&E supplemental AL, noting that it addressed all of their protest issues and encouraging the Commission to adopt a similar fee structure policy and approach for SCE and SDG&E. In their comments CFBF noted that the PG&E supplemental AL resolved significant issues that were raised by Farm Bureau and other parties, including: 1) the question of which parcels are considered contiguous and adjacent for purposes of NEM aggregation; and 2) the bill credit allocation methodology. CFBF also expressed support for the fee structures proposed by PG&E and SDG&E. Additional CFBF comments are discussed in Issue 3: Billing Service Charge below.

DISCUSSION

We discuss below our review and disposition of the eight protested issues:

- 1) Interpretation of “Adjacent and Contiguous” Definition;
- 2) Bill Credit Allocation Method;
- 3) Billing Service Charges;
- 4) Clarification with Respect to the Permanent Prohibition on Net Surplus Compensation (NSC) for Aggregated Facilities;
- 5) Non-NEM Eligible Generator with NEM Aggregation Arrangement;
- 6) NEM Cost Tracking;
- 7) California Solar Initiative (CSI) Application Treatment;
- 8) Whether Existing NEM Customers Electing NEM Aggregation who also have Executed Interconnection Agreements Should be Required to Complete New Interconnection Agreements.

Issue 1: Interpretation of “Adjacent and Contiguous” Definition

SB 594 amended Section 2827(h)(4)(A) and (h)(4)(F)(2) to state as follows (emphasis added):

An eligible customer-generator with multiple meters may elect to aggregate the electrical load of the meters located on the property where the renewable

⁸ CFBF Comments January 21, 2014, and Joint Ag Parties Comments January 21, 2014.

electrical generation facility is located and on all property adjacent or contiguous to the property on which the renewable electrical generation facility is located if those properties are solely owned, leased, or rented by the eligible customer-generator.

For the purposes of this paragraph, parcels that are divided by a street, highway, or public thoroughfare are considered contiguous, provided they are otherwise contiguous and under the same ownership.

All protesting parties are concerned with how the utilities may interpret the phrase “adjacent or contiguous”, and many requested clarification as to the application of this phrase to accounts that may be eligible for NEM Aggregation (NEMA). For example, Natal Energy stated that during discussions with PG&E, the utility communicated that it intends to define the term “contiguous” to mean only immediately adjacent, rather than connected by an unbroken chain of common ownership. Natal Energy is concerned that all three IOUs will take a similar approach.

SEIA seeks “Commission confirmation that the language ‘adjacent or contiguous to’ will be interpreted and applied consistent with its plain meaning...The plain meaning of the term ‘adjacent’ is ‘near or close to, but not necessarily touching,’ while the plain meaning of the term ‘contiguous’ is ‘touching at a point or sharing a boundary’.”⁹ Similarly, SolarCity’s points to The Merriam Webster Dictionary, which defines “adjacent” as “nearby,”¹⁰ and “contiguous” to mean: “...connected throughout in an unbroken sequence...contiguous row houses.”¹¹

To illustrate their concern, some of the Protesting Parties provided an example in which the Renewable Electrical Generating Facility is located on Parcel A, and Parcel B is under the same ownership and contiguous to Parcel A, and Parcel C is under the same ownership and contiguous to Parcel B, but is not contiguous to Parcel A. The Protesting Parties assert that the statutory language is intended to

⁹ SEIA Protest at pp. 2-3.

¹⁰ <http://www.merriam-webster.com/dictionary/adjacent> sited in SolarCity Protest at 4.

¹¹ <http://www.merriam-webster.com/dictionary/contiguous> sited in SolarCity Protest at 4.

allow Parcel C to participate in a NEMA arrangement with Parcel A, even though the parcels are not touching.¹²

The Farm Bureau Protest echoed the same concerns and emphasized the need for a common understanding of this language, particularly in rural areas, where property under single management and operated as a single enterprise may be composed of separately designated parcels.¹³

SCE and SDG&E Responses to Issue 1

In its reply, SCE expresses concerned about what they see as an overly expansive interpretation of “adjacent”, arguing that “near or close to” are very subjective terms. In their view if the legislature had meant for “adjacent” to be broadly defined, it would not have included Section 2827(h)(4)(F) because the broad application of adjacent would have covered parcels that are divided by a street, highway or public thoroughfare. For SCE, the proper application of the phrase “adjacent or contiguous” in this context means touching the property that includes the Renewable Electrical Generating Facility, unless the properties are only divided by a street, highway, or public thoroughfare as provided by the legislature.

SDG&E concurs with SCE that “adjacent or contiguous,” can only mean that property on which meters are located must touch the property of an eligible customer-generator’s property on which the renewable electrical generation facility is located. SDG&E pleads that protestants’ arguments must be rejected, as they are inconsistent with “overwhelming judicial interpretation – including U.S. Supreme Court precedent – and the NEM statute.”¹⁴ In SDG&E’s view there is no distinction between adjacent and contiguous, thus they see the two as interchangeable and synonymous terms.

Under SCE’s and SDG&E’s interpretation in the example provided above, Parcel C would not be eligible to participate in an aggregation arrangement where the generator is located on parcel A, because C is not touching or “adjacent to” A as they would define it.

¹² Id. at p. 3. See also Protest of Natel Energy at p. 2, IREC Protest at p. 6, Protest of California Farm Bureau Federation at p. 2-3, and SolarCity Protest at pp. 3-4.

¹³ Farm Bureau Protest at 5.

¹⁴ SDG&E Reply to Protests at p. 3.

If the Commission chooses to more broadly define “adjacent or contiguous,” SCE requests that the Commission clarify that the broader definition applies only to an unbroken chain of parcels under the same ownership that are contiguous with each other (i.e., Parcel A is contiguous with Parcel B, which is contiguous with Parcel C) and not to any properties that may otherwise be “near” the property that contains the Renewable Electrical Generating Facility but are not contiguous to that property or another property in an unbroken chain of contiguous properties.¹⁵

SCE and SDG&E Supplemental Advice Letter Filings re: Issue 1

In their supplemental Advice Letter, SCE revised its definition of “contiguous” with the addition of the following language and illustrative examples and diagrams:

For the purposes of NEM Aggregation only, parcels that are divided by a street, highway, or public thoroughfare are considered contiguous, provided they are within an unbroken chain of otherwise contiguous parcels and are all solely owned, leased or rented by the Customer, as verified in Form 14-937. Customers are also eligible to participate in NEM Aggregation where all meters in an NEM Aggregation arrangement are located within an unbroken chain of contiguous parcels that are all solely owned, leased, or rented by the Customer. For example, if there are three parcels (A, B and C), all of which are solely owned, leased or rented by the Customer, where A contains the Renewable Electrical Generating Facility and A abuts B, B abuts C, but A and C are separated by B, then the loads of all three parcels shall be eligible to participate in NEM Aggregation. Refer to Diagram 1 (for illustrative purposes only). In addition, if there are five parcels (A, B, C, D and E) that form a cluster of contiguous parcels, where A contains the Renewable Electrical Generating Facility, and D and E are separated from A, B, and C by a street, highway or public thoroughfare, for the purposes of participating in NEM Aggregation only, all five parcels are considered contiguous, provided they are otherwise contiguous

¹⁵ SCE Reply to Protests at p. 3.

and all solely owned, leased or rented by the Customer. Refer to Diagram 2 (for illustrative purposes only).¹⁶

Diagram 1

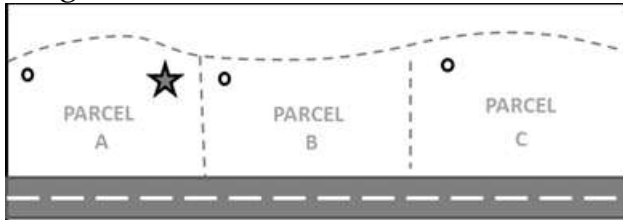
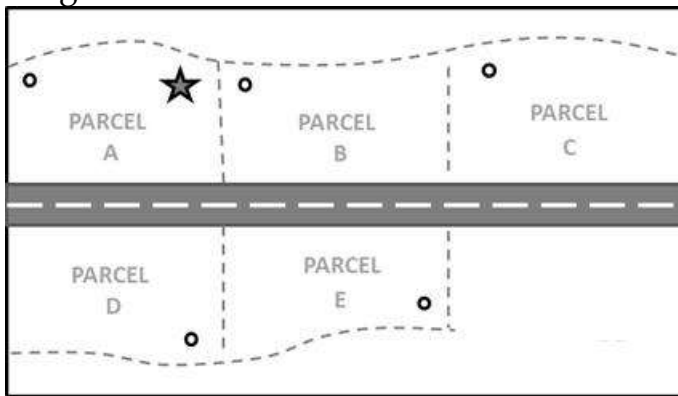


Diagram 2



- ★ = RENEWABLE ELECTRICAL GENERATING FACILITY
- = METER
- = ELIGIBLE

SDG&E provided similar and equivalent language modifying their definition of contiguous in Special Condition 8 c) 2):

NEM Aggregation Customers may elect to receive service under this Special Condition provided that all meters in the NEM Aggregation arrangement are located on parcels that are part of an unbroken chain of contiguous parcels that are solely owned, leased or rented by the NEM Aggregation Customer. For the purposes of NEM Aggregation, parcels that are divided by a street, highway, or public

¹⁶ SCE Advice 2952-E-A at sheet 11.

thoroughfare are considered contiguous, provided they are within an unbroken chain of otherwise contiguous parcels and under the same ownership or lease, as verified in Form 142-02769. In all instances where a NEM Aggregation Customer receives NEM Aggregation service, contiguous properties must be under the same ownership or lease.

SDG&E did not provide illustrative examples in narrative or graphical form as did SCE.

Discussion re: Issue 1

The Commission agrees with SCE's proposal for modifications to issue 1, including the helpful diagram and narrative examples. We also agree with SDG&E's proposed tariff modifications on this issue, but think SDG&E would serve their customers well by providing the same diagrams and narrative examples as SCE. No party protested SCE's or SDG&E's revised proposal on issue 1 and supporting comments were received from SEIA, SolarCity, Joint Ag Parties, and CFBF.¹⁷

Had the intent of SB 594 been to allow only adjacent parcels that are touching, there would have been no need to use the term contiguous at all as it would be superfluous under all three IOUs' interpretations. We cite SCE's suggestion, which it argued in the alternative:

If the Commission chooses to more broadly define "adjacent or contiguous," SCE requests that the Commission clarify that the broader definition applies only to an unbroken chain of parcels under the same ownership that are contiguous with each other (i.e., Parcel A is contiguous with Parcel B, which is contiguous with Parcel C) and not to any properties that may otherwise be "near" the property that contains the Renewable Electrical Generating Facility but are not contiguous to that property or another property in an unbroken chain of contiguous properties.¹⁸

We are not defining "adjacent or contiguous" more broadly, rather we are clarifying the plain meaning of these terms. We accept SCE's suggested alternative definition, which applies to "an unbroken chain of parcels under the

¹⁷ SEIA at p. 1; CFBF at p. 1; Joint Ag Parties at p.1, and SolarCity at p. 2.

¹⁸ SCE Reply to Protests at p. 3.

same ownership that are contiguous with each other.” We further agree with SCE that it would be impractical to define adjacent as “near” as this could lead to subjective interpretation regarding which customers and parcels are eligible to participate in NEM Aggregation. Defining contiguous as an unbroken chain of parcels provides objective clarity.

SDG&E cites case law from federal and non-California state jurisdictions to bolster their argument that the words ‘contiguous’ and ‘adjacent’ are synonymous. SDG&E did not cite any Commission decisions or California case law in support of their view. The Commission has not defined "contiguous" in any other proceeding and the legislative history of SB 594 does not provide an explicit definition of "adjacent or contiguous." However, it is clear that the Legislative intent was to expand the NEM program to multiple meters located on property adjacent or contiguous to property where the renewable generator is located if the property is owned (leased or rented) by one person or entity.¹⁹

Under the example interpreting “adjacent and contiguous” presented in SCE’s and SDG&E’s replies to protests of their original advice filing, unbroken contiguous clusters of parcels under the same ownership or lease would have been designated as not adjacent or contiguous due to parcel boundaries. Whereas, if the same land was a single parcel, the entire property would be eligible, according to each IOU. This is an unreasonable interpretation. The presence of parcel boundaries within contiguous property under single ownership or lease would pose an arbitrary barrier to NEM meter aggregation.

Therefore we find SCE’s and SDG&E’s revised language to be consistent with legislative intent, as it allows parcels in a contiguous and unbroken chain under common ownership or lease to participate in a NEMA arrangement. This proposed language removes ambiguity, avoids arbitrary disqualification of parcels from NEMA eligibility, and is consistent with the plain meaning of “adjacent or contiguous.”

¹⁹ Author’s Statement in June 18, 2012 Assembly Committee on Utilities and Commerce Committee Analysis reads at p. 2: *Installing multiple facilities, if it is allowed is incredibly costly and inefficient and does not allow the customer to optimize the location of the renewable facility on the property, since the incentive is to join the facility with the largest energy usage. SB 594 removes this obstacle by allowing customers to aggregate all the energy consumed at each of their meters located on the same property as the renewable energy facility, or on their contiguous property, and net that use against the power produced at a single renewable facility.*

Issue 2: Bill Credit Allocation Method

All three IOUs proposed a bill credit allocation methodology that calculates the proportional allocation of kilowatt-hours (kWh) based on each service account's individual consumption compared to the total consumption of the NEMA arrangement as a whole, for each billing period. SCE and SDG&E each believe their proposed method is compliant with the statute.²⁰

Four parties protested the bill credit allocation method of SCE and SDG&E.²¹ SEIA illustrates how an under allocation can occur when production is credited to each meter for the year based on monthly allocations that fluctuate with variable production and usage in the month.²² The result is, at "true up" at the end of the 12-month Relevant Period, some meters won't receive their due allocations and others will have more allocated to them than justified by (and in excess of) their loads.

In SEIA's illustrative example there are three electricity meters with combined annual loads of 1,500,000 kWh being offset with annual generation of 1,500,000 kWh. In this example where production and consumption are equal in aggregate, the customer receives credit for approximately 87% of the generation output. A synopsis of the SEIA example follows.

Annual Consumption for the three meters:

- 1) 500,000 kWh
- 2) 500,000 kWh
- 3) 500,000 kWh

Production from the solar array: 1,500,000 kWh (sized to the total annual load):

- 1) 400,000 kWh
- 2) 400,000 kWh
- 3) 700,000 kWh

²⁰ See: Section 2827(h)(4)(C) and SCE Response to Protests at p. 4, and SDG&E Response to Protests at p. 5.

²¹ CFBF, SolarCity, IREC, and SEIA.

²² SEIA Protest at p. 4.

End of year true up net energy:

- 1) None (100,000 kWhs paid by customer)
- 2) None (100,000 kWhs paid by customer)
- 3) 200,000 kWhs (the value of which gets zeroed out with the excess kWh retained by IOU)

To mitigate this issue, CFBF and SolarCity endorse a modification to proportional allocation put forth by Récolte in their protest of PG&E's AL 4305-E.²³ In lieu of allocating current monthly generation based on current monthly loads only, Récolte proposes a modified method of bill credit allocation which would allocate current period generation in proportion to the meters' current period loads, *after adjusting for the cumulative allocations that were made in prior billing periods.*²⁴

Other parties offered their own solutions to the under allocation of kWh. SEIA proposes that if at the end of a Relevant Period, a NEMA customer has credits remaining on any of its aggregated accounts, then the credits should be applied to other accounts in the load aggregation arrangement.²⁵

IREC proposes that customers with multiple meters under the same rate schedule be allowed the option of electing allocation percentages per meter account, consistent with the IOUs' allocation of virtual net metering bill credits.

SCE and SDG&E Responses to Issue 2

In their Reply, SCE states that they have reviewed Récolte's model and they believe it is "worth exploring to confirm if it achieves its stated purposes of assuring that certain accounts in an arrangement don't receive excess kWh that must be forfeited while others in the arrangement net consume."²⁶

SCE and SDG&E's common concerns with Récolte's method include:

- Increased billing costs due to added complexity and manual rebilling;
- Issues may result if accounts are added or removed.

²³ Farm Bureau Protest at p. 4-5, and SolarCity Protest at p. 6-7.

²⁴ Récolte Energy's Protest of PG&E Advice 4305-E Filing at p. 2.

²⁵ SEIA Protest at p. 3-4.

²⁶ SCE Reply to Protests at p. 5.

SDG&E has additional concerns:

- Method is less transparent and more difficult for customers to understand;
- SDG&E believes the Récolte method will result in customers receiving “credit windfall.”

With regards to SEIA’s proposal, SCE states:

It is not appropriate to true-up energy charges and energy credits (in dollars) across multiple accounts in an arrangement, as SEIA suggests, because (1) the kWh are purposely valued differently based on the account’s otherwise applicable rate schedule and (2) doing so would violate Section 2827(h)(4)(C).

SCE and SDG&E’s Supplemental Advice Letter Filings re: Issue 2

After further analysis, SCE and SDG&E each proposed to adopt the “Récolte method.” SCE proposes to modify the NEMA billing methodology included in Special Condition 6 of Schedule NEM to implement a *Cumulative Bill Credit Allocation Methodology* with the following language:

The electrical consumption (kWh) registered on each account’s meter will be reduced, for NEM billing purposes, by a proportional allocation, at the 15-minute interval level, of the electricity generated by the Renewable Electrical Generating Facility that is exported to SCE’s grid. The proportional allocation is determined per billing period based on the cumulative consumption of each aggregated account compared to the cumulative consumption of the NEM Aggregation arrangement since the start of the Relevant Period, and the cumulative generation exported from the Renewable Electrical Generating Facility since the start of the Relevant Period. The Customer is required to designate one account in the NEM Aggregation arrangement to receive any remaining kWh not allocated due to rounding after the proportional allocation methodology described above is completed.²⁷

In supplemental AL 2529-E-A, SDG&E has agreed that for determining the monthly generation allocation, a cumulative calculation will be applied. This calculation will derive the allocation based upon the cumulative usage of each

²⁷ SCE Advice 2952-E-A at sheet 12.

billing account and the cumulative generation from the generating account from the start of the current Relevant Period.²⁸ SDG&E provided an illustrative NEM Aggregation example in their supplemental Advice Letter that clearly explains the methodology:

NEM AGGREGATION EXAMPLE (kWh)

	Billing Account 1	Billing Account 2	Generation Account 1	Allocated Generation to Billing Account 1	Allocated Generation to Billing Account 2
January	100	400	400	80	320
February	150	500	500	116	384
March	300	600	800	260	540

Discussion of Issue 2

The Commission agrees with SCE’s and SDG&E’s *Cumulative Bill Credit Allocation Methodology* proposed in their respective supplemental Advice Letters. No party protested either revised proposal on issue 2 and supporting comments were received from SolarCity, CFBF, Joint Ag Parties, and SEIA.²⁹

Under the new proposal, customer generators will be allocated all of the kWh that they generate, but they could never receive a “credit windfall” as SDG&E feared, because SB 594 makes customer generators electing load aggregation ineligible for Net Surplus Electricity Compensation per Section 2827 (4) (B). The original allocation methods proposed by the IOUs, as SCE has acknowledged, could lead to customer generators receiving less kW than they consume at a particular meter while other meters with a surplus would forfeit those surpluses. The purpose of the *Cumulative Bill Credit Allocation Methodology* is not to eliminate the possibility of surpluses being forfeited at the end of the 12-month relevant period –that can happen under a variety of circumstances. The purpose is to minimize the risk that mismatches between monthly generation and

²⁸ SDG&E Advice 2529-E-A at p. 3 and sheet 15.

²⁹ SolarCity Supplemental Protest at p. 2; SEIA Supplemental Protest at p.1, Joint Ag Parties Comments at p. 1, and CFBF Comments at p. 1.

consumption at individual meters will, when aggregated, cause the customer generator to forfeit large amounts of energy production to the utility, even where total generation is less than total consumption over a 12-month period –an outcome that is contrary to SB 594 legislative intent.

We acknowledge that the IOUs' original proposal was consistent with the bolded portions of Section 2827 (4) (C) below:

*2827 (4) (C) If an eligible customer-generator with multiple meters elects to aggregate the electrical load of those meters pursuant to subparagraph (A), and different rate schedules are applicable to service at any of those meters, the electricity generated by the renewable electrical generation facility shall be **allocated to each of the meters in proportion to the electrical load served by those meters. This proportionate allocation shall be computed each billing period.***

However, at the end of the 12-month relevant period, the IOUs originally proposed to zero out the surplus credits on the **individual** meters with surplus credit rather than reallocate surpluses to other meters with deficits in the aggregation. By focusing on the requirements of monthly proportionate allocation per Section 2827(4)(C), the IOUs' originally proposed method appeared to disregard another Section 2827(4)(A) - which instructs them to use "the **aggregated load** for the purpose of determining whether an eligible customer-generator is a net consumer or a net surplus customer-generator during a 12-month period." (emphasis added)

The revised method proposed by SCE and SDG&E appropriately solves this challenge by enabling all kWh generated to be credited. The prohibition on receiving net surplus compensation per Section 2827 (4) (B) acts as a ceiling to prevent over crediting. On balance this method is more likely to fairly credit the customer generator without leading to unintended consequences and distortions.

Further, as SolarCity has argued, nothing in the language suggests that the proportional share of load used to allocate kWh from the renewable generation facility in a given month cannot be based on the cumulative load served through those meters. As they point out, the language only indicates that the

“proportionate allocation” shall be computed each billing period, but does not say that the proportional shares themselves need to be based exclusively on the loads served through those meters in a given month: “Had the legislature intended this outcome, they could have appended the phrase ‘in a given month’ such that the statute would read, ‘...the electricity generated by the renewable electrical generation facility shall be allocated to each of the meters in proportion to the electrical load served by those meters **in a given month.**’”³⁰

Finally, we reject the alternative proposals of IREC and SEIA. IREC is correct in pointing out that the monthly proportionate allocation requirement of PU Code Section 2827 (4) (C) only applies to aggregation arrangements where the benefiting accounts are on different rate schedules. Since the legislation is silent on what method of bill allocation to use when all the benefiting accounts are on the same rate schedule IREC proposes that customers with multiple meters under the same rate schedule be allowed the option of electing allocation percentages per meter account, consistent with the IOUs’ allocation of virtual net metering bill credits. IREC believes this option would avoid the problem of “stranded credits” that can occur under Section 2827 (4) (C).

We reject IREC’s proposal for two reasons. First, it is only a partial solution, as it does not address the issue of under allocation of credits in the context of multiple meters on different rate schedules. This is a far more likely scenario in the load aggregation landscape. Second, it would be administratively complex and likely more costly for SCE and SDG&E to manage NEMA with two different bill credit allocation systems.

We understand the intent of SEIA’s proposal, but we agree with SCE’s response that kWh cannot be credited equitably due to differences in rate schedules and generation values. Since, SEIA did not offer sufficient specific details on how their proposed method would work in practice we are not persuaded to adopt it at this time.

³⁰ SolarCity Protest at p. 6.

Issue 3: Billing Service Charges

SCE proposed the following initial billing service fees:³¹

- Account Set-up Fee: \$25 per account in the NEMA arrangement
- Monthly Billing Fee: \$20 per account in the NEMA arrangement.
- If SCE decides to automate NEM Aggregation, SCE may also propose modifications to the billing services charges.

SDG&E proposed the following initial billing service fees:

- Account Set-up Fee (one generator): \$156 per account in the NEMA Account Set-up Fee (multiple generators): \$216 per account in the NEMA arrangement
- Monthly Billing Fee: None. SDG&E states that it plans to automate its billing system to handle NEM aggregation and estimates that the upgrade will cost approximately \$200,000 and would take six months, which will then be collected through a monthly customer charge.³² (No time period set out)

The billing fees of SCE and SDG&E were protested by four and five parties respectively.³³ The concerns of the protesting parties are summarized as follows:

- Lack of cost justification was a common concern for all the protesting parties.
- SolarCity finds that the fees vary significantly from utility to utility, both in terms of the amount charged and the manner in which they are to be collected, leading to their conclusion that the charges are arbitrarily derived and lack a solid foundation in cost causation.
- The Commission should reject and delay the proposed billing service charges and instead require the IOUs to submit a detailed accounting underlying their proposed charges (SEIA, IREC, and SolarCity).

³¹ SCE Advice 2952-E at p. 5.

³² SDG&E AL 2529-E at p. 3-4.

³³ For both SCE and SDG&E see: CFBF at p. 6, SEIA at p. 5, SolarCity at p. 2, and IREC at p. 3; for SDG&E see City of San Diego at p. 3.

- City of San Diego questions whether adding an additional meter to an aggregation account will cost SDG&E the same incremental costs as the first meter.
- IREC finds the IOUs' proposed NEM load aggregation billing charges significantly more expensive than existing virtual net energy metering (VNM) charges. For example, PG&E's Schedule NEMV has a one-time \$12 set up charge for each benefitting account, but does not have monthly recurring charges. Thus, a PG&E customer with five benefitting accounts would pay \$60 in the first year under VNM, but would pay \$920 under PG&E NEM load aggregation billing charges. The equivalent NEMA charges would be \$1,325 and \$780 for SCE and SDG&E respectively.
- Under IREC's bill credit allocation proposal (see Protest Issue 2) if customers with all meters under the same rate schedule are allowed to elect to allocate credits on a fixed percentage similar to VNM customers, then it would follow that they pay billing charges equal to the VNM tariffs which are far less expensive than those proposed for NEMA.
- Given that both SCE and SDG&E anticipate further modification of their initial billing fees once automation occurs, CFBF and SEIA propose that no further charges to customers should be allowed without detailed cost justification through at least a TIER 3 Advice Letter (says CFBF) or a Tier 2 Advice Letter (says SEIA).
- SolarCity asks the Commission to spread cost recovery of any fees over a reasonable period of time to ensure that customers do not face an up-front cost hurdle that act as a barrier to participation in NEMA.
- SEIA asks the Commission to be mindful that residential customers could be disproportionately burdened by billing service charges and asks that the charges be set at a level that does not unduly impede residential NEM customers from participating in aggregation.

SCE and SDG&E Responses to Issue 3

In its reply, SCE states the proposed fees are based on their estimate of incremental costs associated with manually billing accounts on NEMA. According to SCE, the \$25 per account set-up fee is intended to recover the costs associated with the following manual activities: (1) reviewing each account to ensure that 15-minute interval billing is possible (and making any necessary

corrections and/or updates), (2) ensuring that all accounts in an arrangement are on the same billing cycle, (3) internal record keeping and account notes, (4) creating a new customized customer spreadsheet with all billing components for the arrangement, at the 15-minute interval level (average 2,880 intervals per account per month), and (5) adding the billing services set-up fees to each account in the arrangement.

SCE says the \$20 per account monthly billing fee is intended to recover the costs associated with: (1) manual monthly bill calculations for each account, (2) manual account true-up at the end of the Relevant Period, and (3) manual processing of billing exceptions and rebills. SCE notes that the \$20 fee is based on SCE's experience with the incremental costs associated with billing existing NEM accounts that are not automated in SCE's billing system and that require manual intervention. They say that since the NEM Aggregation billing methodology is more complex than SCE's existing NEM billing methodologies, there is a possibility that the \$20 fee may not recover all of SCE's incremental billing costs.

SCE makes these additional arguments in defense of their proposed fees;³⁴

- There are no economies of scale -- billing fees are the same regardless of the number of accounts per NEMA arrangement.
- Each IOU has a different business process and imposing a uniform fee across all IOUs is inconsistent with cost-based requirements of the statute.
- Delaying the implementation of billing fees shifts costs to non-participants.
- Billing costs are the same for residential and commercial customers.

SDG&E also believes their proposed billing fees are reasonable and consistent with the statute. SDG&E did not respond to any of the arguments made in the protests. To justify their proposed fees SDG&E supplied tables that break down the labor costs of the specific tasks involved in the initial set-up of NEM Aggregation in the following categories: (1) billing / calculation template setup, (2) billing data import / upload, (3) billing system preparation for uploading monthly generation allocations (4) query creation and visual basic macro configuration, and (5) review and audit. Since the majority of SDG&E's costs are

³⁴ SCE Reply November 19, 2013, at p. 7-9.

in the initial set-up, they are not requesting monthly billing fees at this time. SDG&E believes that automation of the NEM billing process will make it more efficient and enable SDG&E to lower the upfront fee while it recovers the cost of automation through a yet to be proposed monthly fee.

SCE and SDG&E Supplemental Advice Letter Filing re: Issue 3

In its supplemental Advice Letter, SCE proposes to 1) maintain the \$25 per account set-up fee, but modify Special Condition 6 of Schedule NEM to cap the account set-up fees at \$500.00 per NEM Aggregation arrangement, 2) retain the \$20.00 per account monthly billing fee, and 3) establish the NEM Aggregation Billing Services Memorandum Account. In the event SCE records an over collection in the Memorandum Account, SCE proposes to file an Advice Letter to refund customers the over collection and to propose revised billing fees. In SCE's view this approach allows customers to make financial decisions based on economics that are more reflective of actual billing costs and not on artificially low interim fees that SCE sees as likely to increase after the first year of the program.

SDG&E's supplemental Advice Letter proposed to 1) *increase* the proposed set-up fee to \$220 per account regardless of the number of generators, and 2) establish the Net Energy Metering Aggregation Memorandum Account ("NEMAMA"). The increased fee is to account for the proportionate billing methodology that SDG&E agreed to adopt, which it views as more complicated and likely to increase billing fees. SDG&E proposes that if the NEMAMA balance after one year of the effective date of this AL results in an over collection, SDG&E will refund this amount to NEMA customers. However, if in one year from the effective date of this AL the balance is an under collection, SDG&E will file a subsequent AL to address the disposition of the NEMAMA and set billing service fees that are in line with actual program costs.

Responses and Protest to SCE and SDG&E Supplemental Filings re: Issue 3

SCE's revised billing fees were protested by SEIA, SolarCity, and CALSEIA, while SDG&E's revised billing fees were protested by SEIA, SolarCity, CALSEIA, City of San Diego, and Philip Trubey. Supporting comments were received in favor of SDG&E's proposed fees from SolarCity and CFBF.

CALSEIA's protest requests that SCE lower its monthly fee to \$5 (similar to PG&E), and SDG&E should allow customers to pay the \$220 set-up fee in \$5 monthly installments. Without these changes CALSEIA is concerned the fees will discourage NEMA participation. As evidence of the excessive impact, they cite an example of an agricultural operation with 28 meters that under SCE's proposal would face annual fees of \$6,720 compared to \$1,680 in annual fees with a \$5 monthly billing fee.

SEIA's protest of SCE and SDG&E's fee structures supports a \$25 per benefiting account set-up fee with a cap at \$500 per arrangement and a \$5 per account monthly fee. SEIA is concerned about disproportionate impact on residential meters in aggregation arrangements. SEIA supports establishment of a NEMA memorandum account for each IOU, but believes fee structure changes should only apply to new aggregation customers.

SolarCity's protest states their preference for all the IOU's to adopt SDG&E's \$220 per meter set-up fee with the following modifications:

- The per meter set-up fee should be reduced after the first 10 meters on the expectation that efficiencies and economies of scale are achieved;
- Customers should have the option to pay the \$220 set-up fee in \$5 monthly installments to address the barrier of high upfront costs; and
- Any subsequent changes to the fees charged should only apply to new aggregation arrangements to avoid creating price uncertainty for early adopters.

City of San Diego's protest of SDG&E proposed fees supports a \$25 per benefiting account set-up fee with a cap of \$500 per arrangement, but is opposed to any monthly fee. Philip Trubey, an SDG&E customer considering aggregation, protested SDG&E's revised fee and supports SDG&E's original fee of \$156 per meter. CFBF supports the SDG&E fee structures, but asks that fee structure changes should only apply to new aggregation customers.

In its response to protests of its supplemental Advice Letter SCE mostly repeats the same arguments put forth in its supplemental Advice Letter in favor of its revised fee proposal. SDG&E's response to the protest boils down to any under collection of billing costs will lead to costs being shifted to non-participants which SDG&E believes is a violation of statute.

Discussion re: Issue 3

The Energy Division approved the modified billing service fees proposed by PG&E AL 4305-E-A: not to exceed \$25 per account set-up (capped at \$500 per NEMA arrangement), and not to exceed \$5 per account monthly billing fee.³⁵ We adopt the same fee structure for SCE and SDG&E. In addition, we provide the following additional guidance:

- We direct SCE and SDG&E to track costs for NEMA billing via a memorandum account for one year from the effective date of the NEMA tariff, including the costs of automating the NEMA billing system if such automation is more cost effective for NEMA customers than manual billing.
- After one year from the effective date of the NEMA tariff, SCE and SDG&E may file a Tier 3 Advice Letter proposing modifications to the billing service fees and must include detailed justification for the proposed fees. Should the fee structure change existing customers shall not be retroactively charged and the new fees shall apply to all NEMA customers (new and existing) on a going forward basis.
- If the costs are significantly higher than the fee structure recovers, SCE and SDG&E should consider spreading cost recovery of any fees over a reasonable period of time to ensure that customers do not face an up-front cost hurdle that could act as a barrier to participation in NEMA.
- In the event of over collection SCE and SDG&E may provide a refund to NEMA customers for the amount of over collection.

We find this to be a prudent and reasonable approach which, on balance, addresses most of the protest concerns raised on billing fees. We view SCE and SDG&E's original proposed fee structures as projections. It is difficult to assess a projection for a program that has not yet been implemented. The risk of over-charging must be weighed against the risk of undercharging. Excessively high fees could deter participation while excessively low fees could result in costs shifting to non-participants. Setting an interim fee

³⁵ Energy Division Disposition Letter for PG&E Advice 4305-E and 4305-E-A, February 20, 2014.

structure and authorizing an opportunity for a potential revision to the fee structure after one year of program operation effectively mitigates these risks. We recognized that each IOU may have a different business process and imposing a permanently uniform fee across all IOUs would be inconsistent with cost-based requirements of the statute. That is not the case here as the uniform interim fee structure is fixed only for the 1st year of the program.

We find to be unreasonable some parties' request to defer setting any billing service fees for one year. This is not consistent with the legislative requirement to have customers remit fees for the cost of billing services. Further, deferring fees would give early adopters an unrealistic sense of the cost of participation in the first year.

It is understandable why some parties would prefer SDG&E's fee structure, because it presents the lowest participant cost overall after 4 years. We believe, however, that tracking actual expenses for one year will provide greater insight into actual costs. Compared to the adopted fee structure above, the SDG&E proposal collects exponentially higher revenue in the first year. If the fees are adjusted downwards after the review process, this would result in significant over collection. We find that the PG&E fee proposal is the most reasonable approach that best minimizes the risk of over or under collection.

Issue 4: Clarification with Respect to the Permanent Prohibition on Net Surplus Compensation (NSC) for Aggregated Facilities

As part of SB 594, Section 2827 was modified to provide that:³⁶

If an eligible customer-generator chooses to aggregate pursuant to subparagraph (A), the eligible customer-generator shall be permanently ineligible to receive net surplus electricity compensation, and the electric utility shall retain any kilowatt hours in excess of the eligible customer generator's aggregated electrical load generated during the 12-month period.

³⁶ See CA PUC section 2827(h)(4)(G).

In its protest SEIA requested tariff language changes to clarify that the permanent prohibition on receiving NSC only apply to a Generator Account, and not to an Aggregated Account that subsequently separates from a Load Aggregation Arrangement³⁷.

SCE and SDG&E each concurred with SEIA's position and made changes in their supplemental Advice Letters to address this protest.

In its original filing, to comply with the provisions of Section 2827(h)(4)(B), SCE proposed language in Special Condition 7.f of Schedule NEM specifying that Renewable Electrical Generating Facilities participating in NEM Aggregation are *permanently ineligible* to receive NSC from SCE. In their supplemental Advice Letter, SCE proposes to add language to this Special Condition and Section 3 of Form 14-937 to clarify that if an account participating in NEM Aggregation is removed from the NEM Aggregation arrangement and then qualifies for service under the non-NEM Aggregation provisions of Schedule NEM (including that the Renewable Electrical Generating Facility is sized to offset all or a portion of the directly connected load and is not oversized relative to the directly connected load), the account is eligible to receive NSC from SCE on a going-forward basis, provided it meets all other eligibility criteria.

In AL 2952-E-A SCE revised the language in Special Condition 7.f to reflect SEIA's requested changes while preserving statutory compliance. Similar changes were made to Form 14-937.³⁸ Special Condition 7.f now includes the following additional language:

For Customers electing to participate in NEM Aggregation, pursuant to Special Condition 6 of this Schedule and PU Code Section 2827(h)(4)(B), the Renewable Electrical Generating Facility may be sized to aggregate the electrical requirements of all of the accounts in the NEM Aggregation arrangement, but is permanently ineligible to receive NSC from SCE. However, if an account participating in NEM Aggregation is removed from the NEM Aggregation arrangement and then qualifies for service under the

³⁷ SEIA at p. 6-7.

³⁸ SCE Advice 2952-E-A at sheet 14 and Form 14-937 at 1.

non-NEM Aggregation provisions of Schedule NEM, the account is eligible to receive NSC from SCE on a going-forward basis, provided it meets all other eligibility criteria.³⁹

In AL 2529-E-A SDG&E clarifies that if a NEM Aggregated Account is removed from the aggregated arrangement and can otherwise qualify for NEM service on its own, the customer may then be eligible to receive NSC, provided it meets all other applicable eligibility criteria of SDG&E's Schedule NEM.⁴⁰

The clarification provided by SDG&E is logical, consistent with the statute, and addresses the protest of SEIA on this point. The wording of SCE's changes is generally clear, but the phrase "non-NEM Aggregation provisions of Schedule NEM" is potentially confusing. Therefore, SCE and SDG&E shall use the following language in their revised NEMA tariffs:

If an Aggregated Account that is not a Generating Account is separated from the NEMA Arrangement, and subsequently qualifies for NEM, it is also eligible to receive NSC on a going-forward basis, provided it meets all other applicable NEM eligibility criteria.

Issue 5: Non-NEM Eligible Generator with NEM Aggregation Arrangement.

In its protest of SCE, SEIA notes that SCE's proposed tariff provides that "aggregated accounts may not have any other generating facilities directly interconnected to them."⁴¹ SEIA states that this provision prohibits the combination of a Non-NEM Eligible Generator with a NEM Aggregation arrangement, even if the Non-NEM Eligible Generator has a non-export relay. SCE provides no explanation for this prohibition. Moreover, SEIA points out that SCE allows such a combination for Multi-Tariff Generating Facilities under Schedule NEM. SEIA requests that SCE remove the prohibition from its tariff.

³⁹ Ibid.

⁴⁰ SDG&E Advice 2529-E-A at p. 6.

⁴¹ SEIA Protest at p. 7.

SCE agreed to such a removal and offered this clarifying statement in its supplemental Advice Letter⁴²

SCE proposes to modify the provision in Special Condition 6 of Schedule NEM that prohibited aggregated accounts from having *any* other generating facilities directly interconnected to them to instead allow aggregated accounts to have *non-NEM eligible generating facilities* directly interconnected to them.

SDG&E made this statement in AL 2529-E-A: “SDG&E clarifies that NEM Aggregated Accounts are permitted to have non-NEM eligible generating facilities directly interconnected to them.”⁴³

We direct SCE and SDG&E to modify their NEMA tariffs to clarify that NEM Aggregated Accounts are permitted to have non-NEM eligible generating facilities directly interconnected to them.

Issue 6: NEM Cost Tracking

Resolution E-4610, OP 4 states: “Within one year of the effective date of this Resolution, the IOUs will submit reports on the costs of interconnection for all NEM customers, as directed by the Energy Division director, which they will begin tracking immediately.”

In their protest IREC recommended that interconnection costs be tracked in at least five cost categories (not an exhaustive list):⁴⁴ (1) transformers; (2) secondary wires; (3) technical analysis time (engineering review, site visits, etc.); (4) distribution system upgrades (i.e., assets on the utility system beyond the transformer); and (5) administrative and general costs (back office tasks, including mapping, processing requests, etc.). In the event that coordination is not already occurring, IREC encourages the Commission to assure that the IOUs will track these costs in a consistent manner and urges the IOUs to work together to develop a consistent method of tracking costs, including agreement on the basic cost categories.

⁴² SCE Advice 2952 a p. 6.

⁴³ SDG&E Advice 2529-E-A at p. 6.

⁴⁴ IREC p. 7.

We appreciate that consistent and detailed tracking of NEM-related interconnection costs is desirable. However, this issue is out of scope for the extant advice filing which pertains to NEM tariff changes.

Issue 7: California Solar Initiative (CSI) Application Treatment

SEIA requested clarification on the treatment of prospective NEMA customers that receive a CSI incentive reservation for more than one renewable electrical generating facility (i. e., generating account) on a single property: “SEIA requests clarification that two separate generating facilities can be streamlined into one larger generating facility (consistent with the statutory size limit for a single NEM system) and the two CSI incentives combined into one larger incentive equal to the cumulative value of the separate incentives.”⁴⁵ CALSEIA in its protest of the supplemental Advice Letters asks that systems should be allowed to offset the demand of the entire aggregated site for CSI eligibility.⁴⁶

SCE responded⁴⁷ by noting that resolving CSI treatment of such applications is not within the scope of the NEM tariff, suggesting that the topic of NEM Aggregation or any other regulatory or legislative ruling that may impact the CSI program are typically discussed at the monthly Program Administrator (PA) meetings with the Energy Division. SCE feels that these meetings are the more appropriate forum to address the issues raised by SEIA, not SCE’s NEM tariffs or this Advice Letter filing.

According to the CSI Handbook in section 2.2.4 Equipment Must Serve On-Site Electrical Load, “To be eligible for CSI Incentives, the system must be sized so that the amount of electricity produced by the system primarily offsets part or all of the Host Customer’s electrical needs at the Project Site.” It is not clear whether CSI incentives can be applied to a generator sized to offset the entire aggregated load or whether the CSI incentive is limited to covering the portion of the generator that offsets the load the Generating Account.

⁴⁵ SEIA p. 6.

⁴⁶ CALSEIA Protest January 21, 2014 at p. 2.

⁴⁷ SCE Response November 19, 2013, at p. 10.

We agree that changes to the CSI Handbook and program, if needed, are outside of the scope of this advice filing, but they should be addressed. The question of how CSI incentives are applied to generating facilities serving a NEMA arrangement has been referred to the CSI PAs and the Energy Division to address.

Issue 8: Whether Existing NEM Customers Electing NEM Aggregation who also have Executed Interconnection Agreements Should be Required to Complete New Interconnection Agreements.

The City of San Diego requests⁴⁸ that SDG&E clarify, in writing, that existing NEM customers who have an Interconnection Agreement with SDG&E that elect to participate in NEM Aggregation will not be required to complete new Interconnection Agreements. The City specifically asks that no new interconnection studies be required where an existing Interconnection Agreement is in place. The City made this request in their November 12, 2013 protest. SDG&E did not respond to this issue in their Reply dated November 19, 2013, nor in their supplemental Advice Letter. The City filed a second protest on January 27, 2014, in which they repeated the same request.

SDG&E responded in their January 28, 2014 Reply and clarified that customers who have effective, executed NEM Interconnection Agreements with SDG&E, and are making no other changes except electing NEM Aggregation, will not require new Interconnection Agreements to participate in NEMA. SDG&E stated that, the NEM Aggregation Form, Form 142-02769, is required for all NEM Aggregation customers, regardless, if the customer is an existing NEM customer and has an effective Interconnection Agreement with SDG&E. Upon receipt of a completed NEM Aggregation Form, SDG&E will attach a copy of the form to the existing NEM Interconnection Agreement.

This response addresses the protest of the City. Though it is implied that no new interconnection studies should be required where an existing Interconnection Agreement is in place, we make that additional clarification here. This issue is

⁴⁸ City of San Diego Protest November 12, 2013, at p. 2, and City of San Diego Protest January 27, 2014, at p. 2-3.

also relevant to SCE, therefore we direct both SCE and SDG&E to modify their tariffs accordingly:

Existing NEM customers electing NEM Aggregation who also have executed interconnection agreements will not be required to complete new interconnection agreements, nor conduct new interconnection studies.

COMMENTS

Public Utilities Code Section 311(g)(1) requires that a draft resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution. A draft of today's resolution was distributed for comment to the utilities and other interested parties.

Accordingly, this resolution was served on parties to the Rulemaking for the California Solar Initiative, Self-Generation Incentive Program, and other Distributed Generation issues (Rulemaking 12-11-005, and its predecessor Rulemaking 10-05-004).

Seven parties filed timely and supportive comments on the draft resolution: SCE, AECA, CFBF, SolarCity, CALSEIA, CCSE, and SEIA. Of these seven comments all but CFBF proposed modifications to the draft Resolution. Three parties filed timely reply comments: CFBF, SolarCity, and SEIA. The comments address Billing Service Charges (Issue 3), CSI Application Treatment (Issue 7), Interconnection Agreements (Issue 8), and Number of Days to File Advice Letters Implementing the Resolution (OP 2).

Billing Service Charges (Issue 3)

SCE's Comments

SCE requests authorization to include language in Schedule NEM to put customers on notice that the billing service charges are interim and subject to

change on a going forward basis.⁴⁹ In their reply comments CFBF does not object to SCE's proposed clarification that the proposed fees are interim.⁵⁰

Discussion: The Resolution refers to the Billing Service Charges as "interim" on page 25 and in Findings and Conclusions (FC) 10 and 11. It is appropriate for SCE to describe the Billing Service Charges as interim in Schedule NEM and may insert the following clause at the end of Special Condition 6 of Schedule NEM:

"These interim billing service charges may be subject to change upon approval by the Commission on a going-forward basis."

AECA's Comments

AECA is concerned that one year may not be sufficient time to collect the data necessary to support a fee change per Ordering Paragraph (OP) 6 and 7, and requests that the draft Resolution be modified to allow at least two years to determine if the interim billing service fees are recovering the costs of utility billing services.⁵¹

CFBF, SEIA, and SolarCity support AECA's request.⁵² SEIA notes that one year may not provide sufficient data upon which to base proposed changes to the service fees and is concerned that slow subscription in the initial year may result in the IOUs proposing increased service fees which later would prove not to be cost justified when subscriptions increase. SolarCity echoed the same concern that a significant portion of the costs incurred by the utilities will likely be fixed (associated with modifying or developing billing systems and software), and spreading those costs over a small number of participating projects that come online in the first year may provide an unrealistic basis to increase the initial set-up fees and metering charges.

⁴⁹ SCE Comments, June 23, 2014, at 2.

⁵⁰ CFBF Reply Comments, June 30, 2014, at 1.

⁵¹ AECA Comments June 23, 2014, at 2.

⁵² CFBF Reply at 1; SEIA Reply Comments June 30, 2014, at 2; and SolarCity Reply Comments June 30, 2014, at 2.

Discussion: While we cannot predict the pace of NEMA projects in the first year the concern about one year being too short to establish a cost basis for billing service charges is duly noted. We decline to make a change to the time frame, but call attention to the requirement per OP 7 that detailed justification for proposed changes is required.

CCSE's Comments

With respect to "Issue 3: Billing Service Charges", CCSE encourages the Commission to ensure that all fees are transparent and urges the Commission to explicitly state that no other additional fees beyond the \$25 per account set-up fee and the \$5 per account monthly billing fee will be permitted.⁵³ Moreover, to provide even greater transparency, CCSE urges the Commission to serve data requests on each of the IOUs to require each IOU to thoroughly explain the present capabilities of their VNM billing systems and what additional capabilities are needed to upgrade the system to handle NEMA.

Discussion: We decline CCSE's first request because it is premature for the Commission to deny future policy options. If a utility proposes additional fees in the future such a proposal would be subject to Commission review with customary transparency. We decline CCSE's second request, because it is more appropriate to defer inquiries into billing system capabilities to the time when each IOU provides detailed justifications for any proposed modifications to the Billing Service Charges as required in OP 7.

CSI Application Treatment (Issue 7)

On the issue of CSI application treatment for NEMA projects CCSE, SEIA, CALSEIA, and SolarCity⁵⁴ continue to advocate for an expeditious resolution to the question of whether CSI incentives can be applied to the aggregated load of multiple benefiting accounts under a NEMA arrangement or only to the load directly interconnected to the generator. Specifically these comments request:

⁵³ CCSE Comments June 23, 2014, at 1.

⁵⁴ CCSE Comments at 1; SEIA Comments June 23, 2014, at 1; CALSEIA Comments June 23, 2014, at 1; and SolarCity Comments June 23, 2014, at 3.

- the Resolution state that an advice letter filing is the appropriate vehicle for addressing the issue (CCSE);
- the Commission modify the CSI Handbook via its own motion or in response to a program administrator or stakeholder (CALSEIA);
- the Energy Division address the issue expeditiously (SEIA and SolarCity).

Discussion: The requests to expeditiously resolve this issue are duly noted. In FC 12, we stated that the issue is out of scope for this advice letter compliance filing and referred the issue to the CSI Program Administrators and the Energy Division, which remains the appropriate pathway to resolve the issue.

Interconnection Agreements (Issue 8)

SCE requests that OP 10 be modified to clarify that the exemption for existing NEM customers who are electing to participate in NEM Aggregation from being required to enter into new interconnection agreements or undergo new interconnection studies be limited to only those customers who are making no modifications to their existing Renewable Electrical Generating Facilities.⁵⁵

Accordingly SCE requests that OP 10 be modified as noted in bold:

OP 10. Southern California Edison Company and San Diego Gas & Electric Company shall modify their NEMA tariffs to clarify that existing NEM customers electing NEM Aggregation who also have executed interconnection agreements **and who are making no modifications to their Renewable Electrical Generating Facility other than requesting that it be included as-is in a NEM Aggregation arrangement** will not be required to complete new interconnection agreements, nor conduct new interconnection studies.

SCE notes that:

“to ensure the safety and reliability of the grid, any existing NEM customers electing NEM Aggregation who intend to make any modifications to their existing generating facilities must complete the standard Rule 21 interconnection process for NEM customer-

⁵⁵ SCE Comments at 3.

generators, which, in part, includes a new interconnection agreement and the possibility of interconnection studies.”

Discussion: We agree with that changes to an existing generating facility other than electing NEM aggregation could trigger the need for a new interconnection agreement or studies. While consistent with the intent of SCE’s comments we modify OP 10 to read as follows (changes in bold):

OP 10. Southern California Edison Company and San Diego Gas & Electric Company shall modify their NEMA tariffs to clarify that existing NEM customers electing NEM Aggregation who also have executed interconnection agreements **and who are making no modifications to their Renewable Electrical Generating Facility other than electing NEM aggregation** will not be required to complete new interconnection agreements, nor conduct new interconnection studies.

Number of Days to File Advice Letters Implementing the Resolution (OP 2).

OP 2 of the Draft Resolution orders SCE to file a Tier 1 advice letter within 5 days of the issuance of the final resolution revising its NEM tariffs to comply with the resolution. To provide SCE with sufficient time to draft the advice letter, implement the tariff changes in its system and accommodate SCE’s internal advice letter review process, SCE requests that the deadline to file the Tier 1 advice letter be extended to 10 days.

Discussion: We grant this request and change OP 2 accordingly to 10 days.

FINDINGS AND CONCLUSIONS

1. Senate Bill 594 (Wolk, 2012) authorized an eligible customer-generator with multiple meters to elect to aggregate the electrical load of the meters located on the property where the generation facility is located and on all property adjacent or contiguous to the property on which the generation facility is located, if those properties are solely owned, leased, or rented by the eligible customer-generator.
2. Commission Resolution E-4610 found that allowing eligible NEM customer-generators to aggregate their load from multiple meters, pursuant to SB 594,

will not result in an increase in the expected revenue obligations of customers who are not eligible customer-generators.

3. Commission Resolution E-4610 directed Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) to file Advice Letters in compliance with Senate Bill 594 and Resolution E-4610. On October 21, 2013, PG&E filed AL 4305-E, SCE filed AL 2952-E, and SDG&E filed AL 2529-E.
4. PG&E AL 4305-E, and Supplemental AL 4305-E-A were approved by Energy Division disposition letter dated February 20, 2014 and became effective on February 20, 2014.
5. The legislative intent of Senate Bill 594 is to allow customers to aggregate all the energy consumed at each of their meters located on the same property as the renewable energy facility, or on their adjacent or contiguous property, and net that use against the power produced at a single renewable facility.
6. SCE's and SDG&E's revised language allowing parcels in a contiguous and unbroken chain under common ownership or lease to participate in a NEMA arrangement is consistent with the legislative intent of Senate Bill 594.
7. Under the proportionate bill credit allocation method proposed by SCE and SDG&E in AL 2952-E and 2529-E, respectively, scenarios can result where, at the end of the Relevant Period, one meter in the NEM Aggregation arrangement is allocated more kilowatt-hours (kWh) than its load (in which case the excess kWh are forfeited to the utility), while another account is allocated less kWh than its load. Proportionate allocation can cause the customer generator to forfeit significant amounts of energy production to the utility, even where total generation is less than total consumption over a 12-month period.
8. SCE's and SDG&E's *Cumulative Bill Credit Allocation Methodology* proposed in their respective supplemental Advice Letters, 2952-E and 2529-E-A, reduces the risk of customers forfeiting large amounts of energy production. The prohibition on receiving Net Surplus Compensation per PU Code

Section 2827(4)(B) acts as a ceiling to prevent over crediting of energy production.

9. Senate Bill 594 requires NEM aggregation customers to remit service charges for the cost of providing billing services to the electric utility that provides NEMA service to the meters.
10. The billing fees proposed by the utilities are projections of billing costs and not based on actual costs. Therefore, it is reasonable to establish an interim fee structure and for SCE and SDG&E to track NEMA billing costs via a memorandum account.
11. Interim billing fee structures for NEMA should appropriately balance the risk of overcharging with the risk of undercharging. We find that PG&E's fee structure appropriately strikes this balance.
12. If an Aggregated Account that is not a Generating Account is separated from a NEMA Arrangement, and subsequently qualifies for NEM, it is eligible to receive Net Surplus Compensation on a going-forward basis, provided it meets all other applicable NEM eligibility criteria.
13. Changes to the California Solar Initiative (CSI) Handbook and program, if needed to accommodate NEMA, are outside of the scope of this Advice Letter compliance filing, but should be addressed. The question of how CSI incentives are applied to generating facilities serving a NEMA arrangement has been referred to the CSI Program Administrators and the Energy Division to address.

THEREFORE IT IS ORDERED THAT:

1. Southern California Edison Company (SCE) AL 2952-E and 2952-E-A, and San Diego Gas & Electric Company (SDG&E) AL 2529-E and AL 2529-E-A are approved as modified herein.
2. Within 10 days of the issuance of this Resolution, Southern California Edison Company and San Diego Gas & Electric Company shall each file a Tier 1 Advice Letter revising their Net Energy Metering (NEM) tariffs as modified in this Resolution. SCE and SDG&E shall make no further changes to their NEM tariffs other than those directed in this Resolution and any necessary corrections to typographical errors. The Advice Letters must be served on all parties to the Rulemaking for the California Solar Initiative, Self-Generation Incentive Program, and other Distributed Generation issues (Rulemaking 12-11-005, and its predecessor Rulemaking 10-05-004).
3. Southern California Edison Company and San Diego Gas & Electric Company shall modify their NEMA tariffs to clarify that customer generators are eligible to participate in NEM Aggregation where all meters in an NEM Aggregation arrangement are located within an unbroken chain of contiguous parcels that are all solely owned, leased, or rented by the customer. Parcels that are divided by a street, highway, or public thoroughfare are considered contiguous, provided they are within an unbroken chain of otherwise contiguous parcels and are all solely owned, leased or rented by the customer. San Diego Gas & Electric Company shall include illustrative examples in narrative and graphical form similar to those provided by Southern California Edison Company in its NEMA tariff.
4. Southern California Edison Company and San Diego Gas & Electric Company shall modify their NEMA billing methodologies to implement a *Cumulative Bill Credit Allocation Methodology*. The language on bill credit allocation in their respective supplemental Advice Letters, 2952-E-A and 2925-E-A, is approved.
5. Southern California Edison Company and San Diego Gas & Electric Company shall modify their billing fees to charge up to \$25 per account as a one-time set-up fee, capped at \$500 per NEMA arrangement, and a monthly billing fee not to exceed \$5 per account.

6. Southern California Edison Company and San Diego Gas & Electric Company are directed to establish a memorandum account to track costs for NEMA billing for one year from the effective date of their NEMA tariffs, including the costs of automating the NEMA billing system if such automation is more cost effective for NEMA customers than manual billing.
7. One year from the effective date of their NEMA tariffs, Southern California Edison Company and San Diego Gas & Electric Company may file, if necessary, a Tier 3 Advice Letter proposing modifications to the billing service fees. The filing must include detailed justification for any proposed fees. Should the fee structure change, existing NEMA customers shall not be retroactively charged and the new fees shall apply to all NEMA customers (new and existing) on a going forward basis. If the costs of NEMA billing are significantly higher than the fee structure recovers, Southern California Edison Company and San Diego Gas & Electric Company should consider spreading cost recovery of any fees over a reasonable period of time to ensure that customers do not face an up-front cost hurdle that could act as a barrier to participation in NEMA. In the event of over collection SCE and SDG&E may provide a refund to NEMA customers for the amount of over collection.
8. Southern California Edison Company and San Diego Gas & Electric Company shall modify their NEMA tariffs to include the following clarifying language in their revised tariffs:

If an Aggregated Account that is not a Generating Account is separated from the NEMA Arrangement, and subsequently qualifies for NEM, it is eligible to receive Net Surplus Compensation on a going-forward basis, provided it meets all other NEM eligibility criteria.
9. Southern California Edison Company and San Diego Gas & Electric Company shall clarify their NEMA tariffs to reflect that NEM Aggregated Accounts are permitted to have non-NEM eligible generating facilities directly interconnected to them.
10. Southern California Edison Company and San Diego Gas & Electric Company shall modify their NEMA tariffs to clarify that existing NEM customers electing NEM Aggregation who also have executed interconnection agreements **and who are making no modifications to their Renewable Electrical Generating Facility other than electing NEM aggregation** will not

be required to complete new interconnection agreements, nor conduct new interconnection studies.

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 July 10, 2014, the following Commissioners voting favorably thereon:

/s/ Paul Clanon

PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
MICHAEL PICKER
Commissioners

Commissioner Michel Peter Florio,
being necessarily absent, did not
participate.