

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Pacific Gas and Electric Company (U 39-E), San Diego Gas & Electric Company (U 902-E), and Southern California Edison Company (U 338-E) for Rehearing of Resolution E-5374.

Application 25-07-010

ORDER MODIFYING RESOLUTION E-5374 AND DENYING REHEARING OF THE RESOLUTION, AS MODIFIED

I. INTRODUCTION

In Resolution E-5374 (Resolution)¹ we addressed several advice letters filed by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (Edison) (collectively, Joint investor-owned utilities (IOUs)) to amend the existing virtual net energy metering tariff (VNEM tariff) and implement the virtual net billing tariff (VNBT), as ordered in *Decision Addressing Remaining Proceeding Issues*, Decision (D.) 23-11-068 (2023) (Decision). Relevant here, we rejected the Joint IOUs’ proposal that was submitted in response to Ordering Paragraph (OP) 4 of the Decision. We directed the Joint IOUs to establish a special condition in the VNEM tariff and VNBT to allow benefiting account customers to access multiple tariffs for combined technologies, relying on and maintaining existing tariff rules. The Joint IOUs filed an application for rehearing of the Resolution challenging this directive.

¹ Unless otherwise noted, citations to Commission decisions and resolutions issued after July 2000 are to the official pdf versions, which are available on the Commission’s website at: <http://docs.cpuc.ca.gov/DecisionsSearchForm.aspx> and <https://docs.cpuc.ca.gov/ResolutionSearchForm.aspx>, respectively.

We have carefully considered the arguments raised in the application for rehearing and are of the opinion that the Joint IOUs have failed to demonstrate legal error. We make minor modifications to the Resolution for clarification purposes and consistency with existing net energy metering (NEM) tariff rules, as explained below. Rehearing of Resolution E-5374, as modified herein, is denied.

II. BACKGROUND

On August 27, 2020, we initiated the *Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs Pursuant to Decision 16-01-044, and to Address Other Issues Related to Net Energy Metering*, Rulemaking (R.) 20-08-020 (NEM Rulemaking).² As part of the proceeding, we developed a successor to the then-existing main NEM tariff (aka NEM 2.0 tariff) and addressed other existing NEM tariffs, including but not limited to the VNEM tariff.

During the NEM Rulemaking, we issued three decisions relevant to the Joint IOUs' application for rehearing. First, to assist in the development of a successor to the NEM 2.0 tariff, we issued a decision early in the proceeding that identified guiding principles, the *Decision Adopting Guiding Principles for the Development of a Successor to the Current Net Energy Metering Tariff*, D.21-02-007 (2021) (Guiding Principles Decision). Included in the adopted set of principles was that “[a] successor to the net energy metering tariff should ensure equity among customers.” (Guiding Principles Decision at 33.)

Second, we issued the *Decision Revising Net Energy Metering Tariff and Subtariffs*, D.22-12-056 (2022) (NBT Decision), which adopted a successor to the NEM 2.0 tariff under the parameters of Public Utilities Code section³ 2827.1, known as the net billing tariff (NBT). The NBT revised the structure of the NEM 2.0 tariff to align the tariff with the value that behind-the-meter (BTM) renewable energy generation

² Commission proceedings are available at <https://apps.cpuc.ca.gov/apex/f?p=401:1:0>.

³ Unless otherwise indicated, all subsequent section references are to the California Public Utilities Code.

systems provide to the grid and to create more accurate price signals that encourage electrification and adoption of battery storage. (NBT Decision at 3.) The NBT Decision found that these changes will help meet California's climate goals and increase reliability, while promoting affordability across all income levels. (*Id.* at 2.) As part of these revisions, and consistent with section 2827.1, we conducted a cost-effectiveness analysis to address the NBT's cost shift to non-participating ratepayers. (*Id.* at 4-5, 167-170.)

Third, we issued the Decision. The Decision, in part, adopted a successor to the VNEM tariff, known as the VNBT, that generally aligns with the NBT and balances the requirements of section 2827.1 and the principles adopted in the Guiding Principles Decision. (Decision at 2.) The Decision left the existing VNEM tariff in place with no changes for enrolled customers until the end of their legacy periods and established a sunset period of ninety days for prospective customers. (*Id.* at 8-9.) The Decision also authorized the utilities to establish memorandum accounts to track and record the costs of activities to support the VNBT. (*Id.* at 254-255 (OP 12(f)).)

In addition, the Decision included OP 4, which directs the following:

No later than March 31, 2024, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (Utilities) shall host a public workshop to discuss technical solutions to allowing storage in a virtual net billing or virtual net energy metering arrangement to charge from the grid prior to a Public Safety Power Shutoff or other planned outage. No later than 90 days after the public workshop, Utilities shall submit a Tier 2 advice letter proposing language to update both the virtual net billing tariff and the virtual net energy metering tariff to permit grid charging prior to planned outages.

(Decision at 245 (OP 4).) OP 4 was the result of party proposals to enable virtual tariffs to charge from the grid prior to planned outages for the purpose of resiliency and party consensus that a technical solution existed to allow this arrangement. (*Id.* at 58-59, 208 (Finding of Fact (FOF) 89).) In a simple virtual NEM system, there is a generation facility installed on a multitenant building roof or nearby that generates energy and sends

it back to the electrical grid (generation account). (*Id.* at 10-11.) The tenant and common area units consume energy from the grid and are allocated compensation for their virtual self-generation via monthly utility bill credits (benefiting account). (*Id.* at 11.)

As directed in OP 4, the Joint IOUs worked with stakeholders and submitted advice letters, which they later supplemented in response to further stakeholder feedback in SCE AL 5342-E/E-A, PG&E AL 7333-E/E-A, and SDG&E AL 4476-E/E-A (Joint AL). (Joint AL at 1-3.) The Joint AL proposal was designed to meet the intent of OP 4 since, contrary to party consensus during the NEM Rulemaking, it was discovered that a technical solution was infeasible. (See Joint AL at 5-6; Resolution at 36.) To this end, the Joint AL proposed a configuration where each generating facility provides resiliency to a service account, dubbed a “Resiliency Account,” which would be considered a generating account and not a benefiting account. (Joint AL at 6.) The Joint AL states that the energy registered as exports to the grid on the retail meter for each Resiliency Account would be allocated virtually to the benefiting accounts in accordance with the specific allocation set in the corresponding VNEM tariff or VNBT. (*Ibid.*)

The Resolution rejects the Joint AL’s proposal. The Resolution explains that this proposal neither complies with OP 4 nor maintains the integrity of the VNEM tariff and the VNBT. (Resolution at 3, 7-8, 25-27.) Instead, the Resolution directs the Joint IOUs to establish a special condition in the VNEM tariff and VNBT to allow benefiting account customers to access multiple tariffs for combined technologies, relying on and maintaining existing tariff rules. (*Id.* at 2.) The Resolution explains that access to multiple tariffs enables a benefiting account customer to install BTM generation under the NBT or non-export/non-net energy metering renewable energy and/or storage in addition to their VNEM or VNBT credit allocation. (*Id.* at 2.) The Resolution concludes that this option satisfies OP 4’s intent to allow emergency grid-charging of storage that can serve loads during an outage and is consistent with NEM tariff requirements and NEM policies, including policies established in *Interim Opinion Adopting Changes in Interconnection Rules for Distributed Generation*, D.05-08-013 (2005) (2005 Decision). (*Id.* at 2, 27-32.) The Resolution also determines that there are

no costs associated with its directives and notes that memorandum accounts necessary to implement the VNBT were authorized in the Decision. (*Id.* at 1, 37-38.)

In their rehearing application, the Joint IOUs allege that the Resolution is in error because it: (1) adopts a new rule that is unsupported by the 2005 Decision, prior Commission decisions establishing virtual NEM tariffs, and the record; (2) revises the virtual NEM tariffs without conducting a cost-effectiveness analysis as required by section 2827.1; and (3) creates conflicts with existing NEM tariff rules. No party filed a response to the rehearing application.

III. DISCUSSION

A. The Resolution is not arbitrary or capricious.

The Joint IOUs argue that the Resolution is arbitrary and capricious because: (1) it does not clarify the existing “multi-tariff rule” set forth in the 2005 Decision and instead creates a new rule; and (2) this alleged new rule is inconsistent with Commission decisions describing the virtual NEM tariffs. (App. Rehg. at 6-11.) As will be discussed, the Joint IOUs fail to demonstrate legal error.

1. The Resolution reasonably relies on policies from the 2005 Decision.

The Joint IOUs claim that rather than merely applying the multi-tariff rule established in the 2005 Decision, the Resolution creates a new rule. (App. Rehg. at 7-8.) As support, they assert that the 2005 Decision’s application is limited to situations where a customer has NEM and non-NEM generation or multiple NEM-eligible generators on the same meter/account under more than one tariff (i.e., multiple generators served under different tariffs on the same customer account). (*Id.* at 7-8.) The Joint IOUs argue that unlike this rule, the Resolution creates a new rule “where a benefitting account customer would participate in more than one NEM tariff . . . not because they have more than one generating facility on the same account, but because they are receiving the benefits of solar under two different tariffs.” (*Id.* at 8.) As further support for their claim, the Joint IOUs note that the 2005 Decision predated the first virtual tariff, which was created in 2008. (*Id.* at 7.)

The Joint IOUs misunderstand the Resolution. The Resolution does not conclude that it is applying the exact rule from the 2005 Decision. The Resolution explains that the “underlying logic” of the 2005 Decision supports its “relevancy and applicability” to the VNEM tariff and VNBT. (Resolution at 37.) In particular, the Resolution applies the 2005 Decision’s underlying policy to maximize NEM deployment to further the State’s goal of promoting renewable energy technologies and customer benefits from NEM-eligible energy generation by allowing customers to have access to multiple tariffs. (See 2005 Decision at 14; see also Resolution E-3992 (2006) at 2.) To this end, the Resolution “clarifies” and “makes clear” that the 2005 Decision’s policy to “allow[] access to multiple tariffs” applies to benefiting accounts under a virtual arrangement. (See Resolution at 3, 31.) We modify the Resolution to make this point clearer, as stated in the Ordering Paragraphs below.

2. The Resolution is consistent with prior Commission decisions on virtual NEM.

The Joint IOUs contend that the Resolution is arbitrary and capricious because none of our prior decisions have considered allowing benefiting accounts in a virtual arrangement to interconnect BTM generation, with or without storage, or to install storage. (App. Rehg. at 8-10.) The Joint IOUs further allege that prior decisions “suggest that benefiting account customers would not have their own BTM generation,” including *Decision Establishing Multifamily Affordable Solar Housing Program Within the California Solar Initiative*, D.08-10-036 (2008), *California Solar Initiative Phase One Modifications*, D.11-07-031 (2011), the NBT Decision, and the Decision. (*Id.* at 9-11.) Lastly, the Joint IOUs point to PG&E’s virtual tariff as support for their arguments, which defines a benefiting account as not having other generation facilities. (*Id.* at 9.) The Joint IOUs’ allegations lack merit.

We have never prohibited benefiting account customers from having their own BTM generation or storage, as the Joint IOUs concede. (App. Rehg. at 9-10; Resolution at 37.) Nor have we suggested that such an arrangement would be impermissible. To the contrary, we have long held that virtual NEM customers should be

treated the same as other NEM customers. (Resolution E-4481 (2012) at 29, 50 (OP 9) [“[Virtual NEM] customers are eligible for the same demand response programs and solar tariffs as NEM customers.”].)

The Joint IOUs’ selective citations to our prior decisions do not advance their case. The Joint IOUs note that the Decision found “[r]equiring benefiting account holders to take service on electrification rates would not make sense because customers occupying multitenant properties do not have the opportunity to install storage in their individual unit.” (App. Rehg. at 10, citing Decision at 205 (FOF 64).) They further note that the Decision describes a virtual NEM system design as one where “tenant and common area units consume energy from the grid.” (*Ibid.*, citing Decision at 10-11.) The Joint IOUs’ interpretation of these statements as prohibitions is misplaced.

The Joint IOUs correctly identify that virtual NEM was designed to address barriers for renters “who are *generally* unable to install their own generating facility (due to cost and/or space constraints),” among other reasons not listed by the Joint IOUs (e.g., tenants may need permission from their property owner to install solar). (App. Rehg. at 9, original emphasis omitted and emphasis added; see e.g., D.08-10-036 at 31-33, 47 (FOFs 7, 10, 11); Decision at 207 (FOF 78); see also *Alternate Decision Adopting Alternatives to Promote Solar Distributed Generation in Disadvantaged Communities*, D.18-06-027 (2018) at 50, 56.) Correspondingly, the Decision’s statement regarding electrification rates merely recognizes that not all tenants may be able to *unilaterally* make the decision to install storage and, therefore, mandating electrification rates for the virtual NEM tariff would not make sense. Accordingly, the Decision’s finding, in context, refers to barriers that tenants may face in adopting their own BTM generation and/or storage, not that they are prohibited from doing so. Similarly, the Joint IOUs take the Decision’s description of a virtual NEM system out of context. The Decision depicts one example of a “*simple* [virtual NEM tariff] system design,” which does not suggest a prohibition on installing a generation system and/or storage under multiple tariffs. (See Decision at 10-11, emphasis added.)

Finally, there is no support for the Joint IOUs' reliance on PG&E's tariff, which defines a benefiting account as "an individually metered, electric account serving a tenant or common area with no other generating facility interconnected with PG&E on the account." (App. Rehg. at 9 & fn. 35.) A tariff that we approve has the force and effect of law and governs the rights and liability between a public utility and its customers. (See, e.g., *Presiding Officer's Decision Denying the Complaint*, D.11-11-027 (2011) at 6; *Pink Dot, Inc. v. Teleport Communications Group* (2001) 89 Cal.App.4th 407, 410.) Further, we act as a body through our formal decisions, and the Joint IOUs point to no decision wherein we set a rule or policy that limits the definition of a benefiting account to the terms set forth in PG&E's tariff, including the virtual NEM decisions discussed above. (See, e.g., *Decision Adopting Intrastate Rates and Charges, Rate of Return, and Modifying Select Rates for Kerman Telephone Company*, D.16-06-053 (2016) at 53-54.) Based on the above, PG&E's tariff does not demonstrate that the Resolution is inconsistent with our prior NEM decisions.

B. The Resolution is supported by the record.

The Joint IOUs allege that the Resolution lacks record support for the following reasons: (1) neither stakeholder comments in the NEM Rulemaking nor the Joint AL address interconnecting a benefiting account to a BTM generating facility under the NEM 2.0 tariff or NBT; (2) the Resolution is "at odds" with the directive in OP 4 because it has "no relationship to enabling the virtual paired storage system to charge in advance of a [Public Safety Power Shutoff] event or other planned outage;" and (3) the Resolution allows charging at any time instead of only prior to planned outages even though it rejects the Joint AL for this reason. (App. Rehg. at 11-12.) The Joint IOUs' arguments are misguided.

Under section 1757.1, the appropriate standard of review for this matter,⁴ our factual findings are reviewed for abuse of discretion. (§ 1757.1, subd. (a)(1);

⁴ The Joint IOUs incorrectly cite section 1757 as the applicable standard of review and therefore incorrectly assert that the substantial evidence test applies. (App. Rehg. at 5-6.)

California Community Choice Assn. v. Public Utilities Com. (2024) 103 Cal.App.5th 845, 855 (*Community Choice*.) When applying this standard, a court may not reweigh the evidence or substitute its judgement for ours and, in general, considers only whether our decision was “arbitrary, capricious, or entirely lacking in evidentiary support.” (*Id.* at 856, 861, internal citations and quotations omitted.) And when we are acting in our quasi-legislative capacity, we need only “some factual basis” for our findings that is not unreasonable, a basis which can be “more judgmental than factual.” (*Id.* at 863; *Western Oil & Gas Assn. v. State Lands Com.* (1980) 105 Cal.App.3d 554, 564-565 (*Western Oil*.) We may also rely on facts outside the record, including “legislative facts” which are general facts that do not directly concern the parties, but can assist us in deciding “questions of law and policy and discretion.” (*Id.* at 565; *20th Century Ins. Co. v. Garamendi* (1994) 8 Cal.4th 216, 275, 306, fn. 12.)

As discussed in more detail throughout this Order, the Resolution’s directive is supported by our prior decisions establishing NEM-related policies and rules that comply with section 2827.1. (Resolution at 27-32, 36-37; see, e.g., *Community Choice, supra*, 103 Cal.App.5th at 861-864; *Volcano Telephone Co. v. Public Utilities Com.* (2025) 109 Cal.App.5th 701, 711-712; *Schenley Affiliated Brands Corp. v. Kirby* (1971) 21 Cal.App.3d 177, 198.) In addition, the Resolution is consistent with OP 4’s intent and objectives.

OP 4 was the result of party comments proposing a virtual NEM tariff paired with storage to provide benefits and party consensus that a technical solution to allow the paired storage to charge from the grid prior to a planned outage could exist. (Decision at 57-59.) The purpose underlying OP 4 was resiliency while preserving the integrity of the virtual tariffs. (See *id.* at 58-59; see also *Order Modifying Decision 23-11-068 and Denying Rehearing of the Decision, as Modified*, D.24-07-036 (2024) at 25 [“Our policy has been to prohibit VNEM systems paired with storage from routine grid charging.”].) The record also shows the Joint IOUs hosted a workshop, as directed by OP 4, where it was determined that a technical solution did not exist. (Resolution at 23.)

The Resolution acknowledges this technical constraint and provides extensive analysis explaining how it complies with the order's purpose, both in general and as compared to the Joint AL. (Resolution at 2, 23, 25-32, 37; see Decision at 59.) The Resolution rejects the Joint AL proposal because it: (1) allows charging at any time, not just in advance to planned outages; (2) undermines key tenets underlying VNEM and VNBT policy by upending the current front-of-the-meter configuration; (3) complicates net surplus compensation calculations for the Resiliency Account(s); (4) conflicts with section 2827.1 because its export values for the renewable generation could be manipulated by the separated energy storage; and (5) is unclear how it would support Solar on Multifamily Affordable Housing (SOMAH)⁵ virtual NEM tariff requirements because these tariff customers could not exercise the resiliency option from the Joint AL without jeopardizing section 2870 requirements to primarily reduce tenant monthly energy bills. (Resolution at 25-27.)

The Resolution also explains why it aligns with OP 4's objectives in general and in a superior manner than the Joint AL proposal. To this end, the Resolution provides the following reasons that access to multiple tariffs is warranted: (1) it supports additional resiliency configurations for the property and benefiting customers as the renewable energy systems and non-export, BTM storage will have the ability to charge storage from the grid in advance of an outage; (2) it is consistent with existing NEM/NBT rules and policies as set forth in NEM/NBT statutes and prior NEM/NBT-related decisions; and (3) it maintains the objective in the Decision to support low-income households and expand access to additional resiliency configurations without complicating program requirements for SOMAH and Multifamily Affordable Solar

⁵ In the *Decision Adopting Implementation Framework for AB 693 and Creating the Solar on Multifamily Affordable Housing Program*, D.17-12-022 (2017), the Commission directed the creation of the SOMAH tariff to provide incentives for the installation of solar distributed generation projects sited on existing multifamily affordable housing.

Housing (MASH).⁶ (*Id.* at 23, 27-32; see, e.g., Guiding Principles Decision at 33 [“A successor to the net energy metering tariff should ensure equity among customers.”]; Decision at 200 (FOF 12) [“Because the VNEM tariff provides renters and customers in disadvantaged communities improved access to customer generation, the tariff assists the Commission in meeting the objective of increasing equity, as required by Pub. Util. Code § 2827.1.”].)

Lastly, the Resolution reasonably concludes that the Joint AL provides some support for the Resolution. The Resolution states that allowing benefiting accounts access to multiple tariffs “aligns with the Utilities’ proposal to combine behind-the-meter generation and virtual billing” and their “acknowledge[ment] that benefiting accounts could have non-export storage behind their individual meters [under Electric Rule 21].” (Resolution at 27, 31.) The Joint IOUs opine that the Resolution misunderstands their proposal because the “Resiliency Account” is not a benefiting account and the Joint AL’s reference to non-exporting backup power “pertains to a back-up generator that any customer could install with notice to their utility,” not Rule 21. (App. Rehg. at 11, 12.)

Contrary to the Joint IOUs’ contentions, the Resolution draws support from the Joint AL. While the Resiliency Account is not a benefiting account, the Joint AL proposed to allow virtual arrangements to have BTM generation paired with storage, instead of only in front of the meter generation, and to convert what was normally a benefiting account (here, a common area account) into a generating account. (Joint AL at 5, fn. 10, 6-9.) As such, the Resolution reasonably interprets the Joint AL to align with its multi-tariff approach. In addition, the Joint AL states that “[n]one of the Benefiting Accounts will have resiliency power during an outage (unless they have their own non-exporting backup power).” (*Id.* at 10.) Non-exporting backup power is installed behind a

⁶ In D.08-10-036, the Commission created the MASH program, based on a virtual net energy metering approach. The MASH program provides solar incentives to qualifying affordable housing developments, as defined in state law. The MASH and SOMAH programs are similar in structure and goals, but the SOMAH program has different rules, eligibility requirements, and funding source.

customer's meter and requires interconnection under Rule 21. (See, e.g., *Electric Rule 21: Generating Facility Interconnections*, California Public Utilities Commission, [Electric Rule 21: Generating Facility Interconnections](#); PG&E Electric Rule 21 Tariff.) The Resolution reasonably interprets the Joint AL based on the plain language used and the common understanding of the term “non-exporting backup power” in the context at hand (i.e., utility tariffs).

In conclusion, the Joint IOUs are incorrect that the Resolution lacks adequate support. Thus, we deny rehearing on this issue.

C. The Resolution is based on prior cost-effectiveness analyses.

The Joint IOUs claim that the Resolution is inconsistent with the Decision and section 2827.1 because it fails to conduct a cost-effectiveness analysis related to revising the virtual NEM tariffs to allow benefiting accounts to enroll in multiple NEM tariffs as required by section 2827.1. (App. Rehg. at 13-14.) Additionally, the Joint IOUs point out that the Decision analyzed the cost shift per VNEM customer, which assumed that benefiting accounts were load only, and this analysis showed a lower cost shift per customer compared to NEM 2.0. (*Id.* at 13.) The Joint IOUs assert that if many benefiting accounts install their own BTM generation under the NBT, it will exacerbate the cost shift and contravene the Governor's Executive Order N-5-24 (Oct. 30, 2024), which directs us to examine programs we oversee that may unduly add to electrical rates and issue a report with recommendations to address these costs. (*Id.* at 13-14.) Lastly, the Joint IOUs argue that the Resolution's failure to consider costs and benefits is shown by its dismissal of their asserted implementation costs via billing systems updates, which they estimate would range from \$4 to \$18 million. (*Id.* at 14.) The Joint IOUs do not demonstrate legal error.

The important consideration for section 2827.1 is the costs and benefits of a renewable energy facility. The Decision designed the VNBT to generally align with the NBT structure, including consideration of its costs and benefits pursuant to section 2827.1, as was done for the NBT. (See *Order Modifying Decision 23-11-068 and Denying Rehearing of the Decision, as Modified*, D.24-07-036 (2024) at 10; NBT

Decision at 4.) The Commission found that the quantifiable costs and benefits of VNEM did not differ substantially from NEM 2.0. (Decision at 24.) The Joint IOUs' reliance on a cost-shift assessment of residential VNEM customers is unavailing, as this does not comport with section 2827.1's consideration of the renewable energy facility. (*Id.* at 26). Accordingly, we already considered cost-effectiveness for both the VNEM tariff and the VNBT. (See, e.g., Decision at 2, 8-9, 21-27, 32-33, 40-55.) The Resolution does not change the drivers of each tariff's cost-effectiveness that we have already considered and approved, such as export compensation rate and the volume of customer energy generation at a given site that has access to a virtual NEM tariff and NBT." (NBT Decision at 35; Resolution, Appendix A at A-2, A-4; see Decision at 46, 204 (FOF 56), 230 (Conclusion of Law 13); see also NBT Decision at 96.)

For these same reasons, the Joint IOUs' reference to Executive Order N-5-24 is inapposite. We have already considered the benefits and costs of the relevant tariffs, as discussed above. Moreover, in response to the Executive Order we reviewed the NEM tariffs and set forth recommendations to reduce their impacts. (*CPUC Response to Executive Order N-5-24* at 12, 16-17 (2/18/25).) Any changes to these tariffs as a result would apply to the Resolution since the Resolution relies on existing NEM rules.

Finally, the Joint IOUs' reliance on possible costs to upgrade their billing systems mixes apples with oranges because these costs were not part of the cost-effectiveness analysis for NEM tariffs. (See NBT Decision, Appendix B.) In addition, the Resolution identifies deficiencies in the Joint IOUs' alleged costs. (Resolution at 37.)

In summary, the Resolution's access to multiple tariffs aligns with the Decision and Executive Order N-5-24. Thus, the Joint IOUs are wrong that we needed to conduct a separate cost-benefit analysis.

D. Appendix A does not demonstrate that the Resolution is arbitrary and capricious.

The Joint IOUs argue that Appendix A of the Resolution implementing the multi-tariff rule shows that the rule is in error because it conflicts with existing tariff rules

and fails to consider the full scope of the rule. (App. Rehg. at 14.) They further assert that these alleged flaws in the Resolution demonstrate that it lacked stakeholder feedback. (*Id.* at 14, 16.) These allegations are presented in more detail and addressed below.

1. The Resolution does not conflate netting requirements for the NBT.

The Resolution directs that if a multi-tariff customer has “positive net” exports from the NBT system prior to their allocation of VNEM energy credits, those VNEM credits will receive export compensation in accordance with the rules of its VNEM tariff. (Resolution, Appendix A at A-2, A-4.) The Joint IOUs claim that the Resolution is in error because the NBT has no netting and thus there can be no “positive net” exports. (App. Rehg. at 15.) The Joint Utilities misconstrue the Resolution.

The Resolution’s use of the phrase “positive net export” does not mean that the NBT applies “netting,” which it does not. (NBT Decision at 132.) Rather, the Resolution identifies that if a multi-tariff customer exports generation to the grid under the NBT, the customer’s allocation of VNEM tariff capacity is considered as exports only and receives export compensation value only. In other words, the Resolution merely clarifies how the two tariffs work *together* consistent with existing tariff rules, with VNBT and VNEM as “secondary to” a customer’s behind-the-meter resource(s). (Resolution, Appendix A at A-2, A-4.) We modify the Resolution at A-4 to correct a typo that refers to “NBT netting intervals” instead of “NBT export compensation intervals.” (See NBT Decision at 234 (COL 31) [“The Commission should set retail export compensation rates at monthly values for each hour, differentiated between weekday and weekend/holiday.”].)

2. The Resolution’s sizing and load requirements is modified to align with existing NEM tariff rules.

For customers enrolling in both a virtual NEM tariff (VNEM or VNBT) and the NBT, the Resolution caps the size of the combined facilities at no more than the customer’s prior annual usage. (Resolution, Appendix A at A-2, A-3 to A-4.) The Joint IOUs allege that the Resolution does not consider the potential for a virtual system to end up being oversized if a benefiting account opts out of the virtual arrangement to install

BTM generation on the NBT. (App. Rehg. at 15.) They further allege that the Resolution's sizing requirement does not account for simultaneous virtual NEM and NBT applications that together could result in oversizing and, relatedly, which system must be reduced in size. (*Ibid.*) While Joint IOUs' claims fail, we modify the Resolution to ensure its sizing limits for a multi-tariff customers align with both the virtual NEM tariffs and the NBT.

The Joint IOUs' first claim is baseless. Under virtual NEM tariffs, a building owner can size the system to offset part or all of a building's total load and determines the percentage of output to allocate between common and tenant (benefiting) accounts. (See, e.g., Resolution E-4481 at 7; Decision at 46.) Also under the virtual NEM tariffs, the actual renewable generation capacity allocation per customer is not fixed, there is no prohibition on a benefiting account customer opting out at any time for any reason, and there is no requirement that a building owner resize the virtual system should any benefiting account opt-out (or for other changes in onsite load that may occur). (Decision at 27, fn. 59; see generally *id.*). Since existing virtual NEM rules allow benefiting account customers to opt-out at any time for any reason with no requirement to resize the virtual system as a result, there is no inconsistency with existing tariff rules if the *motivation* for a benefiting account customer to opt out is participation in the NBT.

The Joint IOUs' second claim also fails. The Joint IOUs do not explain why their existing processes for reviewing applications are insufficient to avoid their hypothetical. In the event of simultaneous applications that collectively would result in oversizing, the utilities can flag this issue and work with the customers to ensure each customer is in compliance with the applicable sizing rules. We modify the Resolution to correct an inadvertent omission regarding its sizing limits, as stated in the Ordering Paragraphs below.

3. The Resolution is modified to correctly identify a narrow possibility where an NBT or non-export facility could have been installed prior to the VNEM tariff generator.

The Resolution concludes that since the VNEM tariff was sunset by the Decision, “there is no future scenario whereby an NBT or non-export facility could have been installed prior to the VNEM tariff generator(s).” (Resolution, Appendix A at A-4.) The Joint IOUs point out that this scenario could occur if a BTM generating facility is interconnected under NBT later in 2025 and there is a pending VNEM project submitted before the sunset date. (App. Rehg. at 15.)

The Joint IOUs correctly identify a scenario not considered by the Resolution. Although this scenario has no substantive impact on the Resolution, we will modify the Resolution to acknowledge such a narrow possibility, as stated in the Ordering Paragraphs below.

IV. CONCLUSION

For the reasons discussed above, the Resolution is modified as specified in the Ordering Paragraphs below. Rehearing of the Resolution, as modified, is denied.

THEREFORE, IT IS ORDERED that:

1. The third sentence in the first full paragraph on page 31 of Resolution E-5374, starting with “This resolution makes clear ... ,” is modified to read:

“This resolution makes clear that D.05-08-013’s policy to allow access to multiple tariffs applies to benefiting account customers under VNEM (including SOMAH and MASH tariffs) and VNBT arrangements.”

2. Finding 35 on page 40 of Resolution E-5374 is modified to read:

“D.05-08-013’s policy for allowing access to multiple, customer-generation tariffs applies to VNBT and VNEM tariffs.”

3. The first bullet on A-2 of Appendix A to Resolution E-5374, starting with “System Sizing ... ,” is modified to read:

“System Sizing: If a multi-tariff customer chooses to access NBT and VNBT, they must abide by the existing VNBT and NBT rule to cap the size of their combined facilities’ load at

no more than part or all their prior annual usage (kWh), unless able to demonstrate the requirements to use the higher system capacity allowed in D.22-12-026 Ordering Paragraph 1(e), only for the system pursuant to NBT. Annual usage (kWh) will be determined in this manner as the NBT renewable generation facility is for individual, behind-the-meter use. In other words, a VNBT multi-tariff customer with an NBT facility may have the capacity of their combined facilities (installed and allocated capacity) together generate up to 150% of that customer's prior annual usage but the combined capacity may not include a virtual capacity allocation that exceeds 100% of the customer's prior annual usage."

4. The last bullet starting on A-3 and ending on A-4 of Appendix A to Resolution E-5374, starting with

"If a multi-tariff customer chooses to access NBT ... ," is modified to read: "If a multi-tariff customer chooses to access NBT and VNEM, they must abide by the existing VNEM rule and NBT to cap the size of their combined facilities' load at no more than part or all their prior annual usage (kWh), unless able demonstrate the requirements to use the higher system capacity allowed in D.22-12-026 Ordering Paragraph 1(e), only for the system pursuant to NBT. Annual usage (kWh) will be determined in this manner as the NBT renewable generation facility is for individual, behind-the-meter use. In other words, a VNEM multi-tariff customer with an NBT facility may have the capacity of their combined facilities (installed and allocated capacity) together generate up to 150% of that customer's prior annual usage but the combined capacity may not include a virtual capacity allocation that exceeds 100% of the customer's prior annual usage.

5. The first sub-bullet on page A-4 of Appendix A to Resolution E-5374, starting with "As the VNEM tariff was sunset ...," is modified to read:

"As the VNEM tariff was sunset by D.23-11-068, there is only a narrow possibility of a scenario whereby an NBT or non-export facility could have been installed prior to the VNEM tariff generator(s)."

6. The fourth bullet on page A-4 of Appendix A to Resolution E-5374, starting with “Multi-tariff customers with access to VNEM and NBT will follow ...,” is modified to read:

“Multi-tariff customers with access to VNEM and NBT will follow the NBT export compensation intervals. If this requires meter upgrades that will be at the cost of the VNEM multi-tariff customer(s) and/or property owner.”

7. Rehearing of Resolution E-5374 as modified, is denied.

8. This proceeding, Application 25-07-010, is closed.

This order is effective today.

Dated May 14, 2026, at San Francisco, California.

JOHN REYNOLDS

President

DARCIE L. HOUCK

KAREN DOUGLAS

CHRISTINE HARADA

Commissioners

Commissioner Matthew Baker recused himself and did not participate in the vote of this item.