Docket No.: R.20-08-020

Exhibit No.: CLC-2

Date: June 18, 2021

Witness: Ben Schwartz

PREPARED DIRECT TESTIMONY OF BEN SCHWARTZ ON BEHALF OF THE CLEAN COALITION

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I. INTRODUCTION

Pursuant to Administrative Law Judge Hymes' ruling, the Clean Coalition submits this testimony on party proposals for the net energy metering Successor Tariff.

II. STATEMENT OF QUALIFICATIONS

Q: Please state your name, position, and business address for the record.

A: My name is Ben Schwartz. I am policy manager for the Clean Coalition, a 501(c)(3) non-profit. My business address is 1800 Garden Street, Santa Barbara, CA 93101.

Q: Please describe your professional background

A: I graduated from UCSB 2020 with a b.a. in History of Public Policy and Environmental Studies. I began my work with the Clean Coalition before graduating from university, starting full time as a policy associate in the summer of 2020 and receiving the title of Policy Manager during the winter of 2020. I am in charge of all regulatory work the Clean Coalition does and have intervened on behalf of the Clean Coalition at CAISO, CARB, the CPUC, the CEC, and FERC.

Q: On whose behalf are you testifying in this proceeding.

A: I am testifying on behalf of the Clean Coalition. The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources ("DER") — such as local renewables, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

Q: Have you previously testified on behalf of the Clean Coalition before the California Public Utilities Commission?

A: No, I have not previously testified before the California Public Utilities Commission.

Q: Are the statements made in your testimony true and correct to the best of your knowledge and belief?

A: Yes, they are.

Q: To the extent that this submitted testimony contains any opinions, do they

represent your best judgement as a professional?

A: Yes.

Q: Do you have anything further to state for the record?

A: No, this concludes my statement of qualifications.

III. ISSUE #4: What program elements or specific features should the Commission include in a successor to the current net energy metering tariff?

A: Regardless of the proposal that is selected, the Clean Coalition is opposed to adding new charges to the list of nonbypassable charges ("NBCs"). Multiple parties, including the Joint Proposal by the IOUs bundles all the NBCs as one Grid Benefits Charge, which has the effect of limiting what the customer is able to view on a normal bill, lowering transparency. According to a data request that the Clean Coalition made, the IOU's proposal would only list one single line-item charge on a customer bill, although the utility accounting will list a delivery and a generation component. Any customer, no matter how well versed on regulatory issues and California's energy landscape, will have absolutely no idea what the cause of a bill increase might be should the utility proposal be accepted. This directly goes against guideline f and sets a dangerous precent if only the utilities can untangle a customer bill. It also goes against the Commission in D. 16-01-044, which explicitly laid out the NBCs that would be featured on a customer bill. Clauses 42 and 43 of the fact finding section specifically state, "The nonbypassable charges to be assessed on NEM successor tariff customers are: public purpose program charge; nuclear decommissioning charge; competition transition charge; and Department of Water Resources bond charge."[1] The Decision continues, "it is reasonable for a NEM successor tariff customer to pay the nonbypassable charges identified in this decision on the customer's total consumption from the grid in each metered interval."[2] In the same Decision, the Commission rejected multiple proposals about including any type of fixed charge for ratepayers taking service under the Successor Tariff. For the utility, having a single line item that represents the majority of a customer bill makes it very easy to hide when one component of the bill is rising at a much faster rate than anything else: Transmission Access Charges ("TAC"). The Clean Coalition strongly believes that the Commission should continue the precedent set in NEM 1.0 and the first NEM Successor Tariff and reject any proposal to include TAC in the list of NBCs for the Successor Tariff under development.

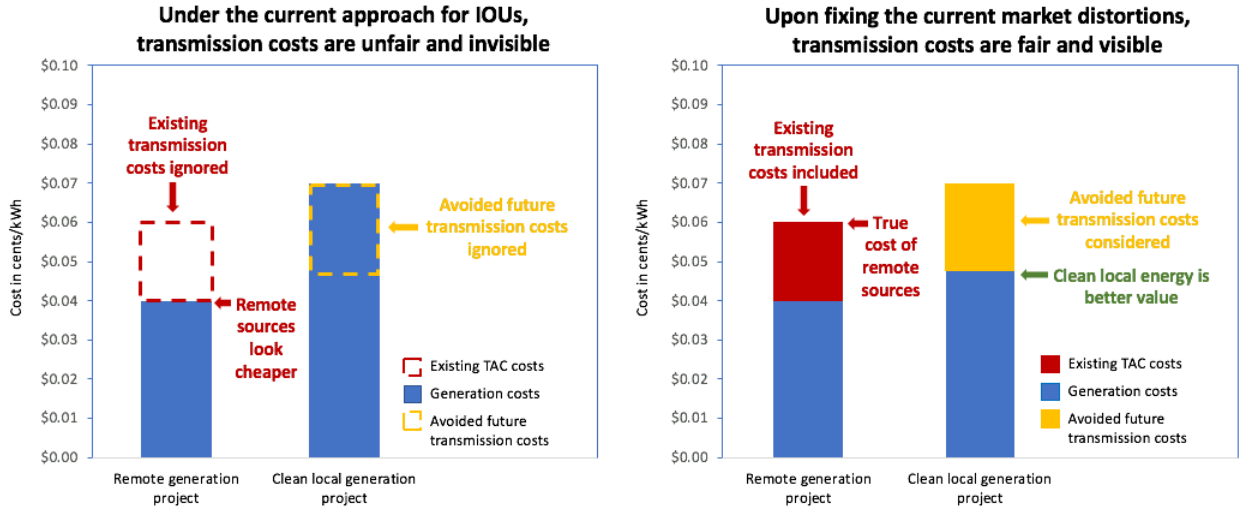
Q: Please explain in detail all the reasons why you believe new successor tariff customers should be exempt from paying the TAC.

A: Unlike remotely generated electricity, locally generated electricity does not require

[1] D. 16-01-044 at 112.

[2] Ibid at 112.

construction of a massive transmission network to move electricity from source to customer. In fact, the closer a generation source is located next to where that energy is used, the less infrastructure is needed, and the less expense is incurred. When this major advantage is priced into the total cost of energy, clean local energy is much more competitive — and actually less expensive in many cases:



Existing transmission costs, assessed as TAC and currently averaging 2¢/kWh, should be added to the cost of remote generation that requires use of the transmission grid to get energy from where it is generated to where it is used, which is almost always on the distribution grid where people live and work. Future transmission investments, currently averaging 2.5¢/kWh in the evenings, can be avoided via dispatchable local generation, and that value should reduce the evaluated cost of local generation. When correctly considering ratepayer impacts of transmission costs, dispatchable local generation provides an average of 4.5¢/kWh of better value to ratepayers than is currently assumed in the majority of instances.

TAC currently steal 2¢/kWh from clean local energy projects — artificially inflating the cost of this energy and needlessly crippling an industry that has the potential to drive economic development for every community in the state. The current cost-shift perpetuated by this market distortion is currently not applied to NEM projects due to the TAC exemption. Adding TAC to the list of nonbypassable charges paid by NEM customers would only further the existing cost shift, rather than fixing it. TAC pay for existing transmission infrastructure, which clean local energy does not use, but clean local energy projects also provide value by avoiding future transmission needs. This value is partly reflected in the Avoided Cost Calculator (ACC) used by the California Public Utilities Commission (CPUC) to value clean local energy projects. Based on an April 2020 CPUC decision, at least a portion of transmission costs will finally be accurately assessed to reflect their true exorbitant costs to ratepayers — specifically, the elements in yellow in the charts above that represent avoided future costs of transmission that would be needed to accommodate forecasted load growth on the transmission grid (measured in MW of peak

load).[3]

Fixing TAC will make clean local energy cheaper, so more of these projects will be deployed. That means less transmission infrastructure will be built — and it will be built only to the extent is it paid for by energy using the system. NEM projects and the energy they use/produce stays within the distribution grid and does not utilize the transmission system. This reduces system demand, which creates tangible value. The more exports from NEM systems within a distribution area, the less energy that will need to be exported from across the state. Since NEM deployments do not use the transmission system, they should not be charged for doing so, particularly since adding TAC to NEM would push back the payback period for a NEM system, making it less economically viable to an average or low-income customer. TAC historically has not been applied to NEM and it should not begin now with the development of this Successor Tariff.

IV. ISSUE #5: Which of the analyzed proposals should the Commission adopt as a successor to the current net metering tariff and why? What should the timeline be for implementation?

A: With the number of party proposals that were submitted on a range of different aspects of NEM, the goal of the proceeding should not be to choose one proposal above all others that will be adopted as the Successor Tariff. The Commission should adopt a plethora of proposals to craft a comprehensive Successor Tariff. The most effective tariff should optimize the full spectrum of NEM programs, not just focus on one market segment or NEM program. Most of the party proposals focus on residential NEM, with a particular focus on improving the penetration of renewables in disadvantaged communities. The proposal that achieves the best results for a residential customer in a disadvantaged community will likely differ greatly from a proposal that compensates commercial and industrial customers while also maximizing the value of energy exported to the grid. The ideal process to shape the Successor Tariff should include portions from at least three different proposals. In this case, one size does not fit all; customer classes are different and those nuanced differences should be considered when developing regulation. The segment of the tariff most used by ratepayers — and most contested by parties — will come from the different proposals for residential NEM customers. A careful balance needs to be struck to ensure that regardless of how the export rate is cut, the payback period for an average NEM system is reasonable enough that Californians will want to make the capital investment. Second, the Commission should consider proposals that define rules for larger NEM generating facilities, including larger commercial and industrial NEM customers.

[3] D. 20-04-010

Compared to residential customers, businesses have more space to deploy renewable resources and the wherewithal to consider the financial gain that will come from a long-term investment. Finally, it is necessary to consider proposals that focus on improvements to other NEM programs, including V-NEM and NEM-A. Although there are only a select few proposals that cover non-residential or commercial NEM, the increase in Virtual Power Plants and multi-unit housing definitely merits improved options in the Successor Tariff.

Q: You mentioned that the Commission should consider "portions from at least three different proposals". Can you explain why you used the phrase, "as least"?

A: Crafting a Successor Tariff that aims solely to revise the programs included in the NEM 2.0 decision only requires three distinct sections. However, **t**he Commission might also consider adding a fourth section to the Successor Tariff: new programs. In their party proposals, groups like the Coalition for Community Solar Access and California Energy Storage Alliance offered creative solutions to increase the penetration of energy storage across the state. The Clean Coalition supports the innovation of both proposals to address the enormous demand in California for energy storage and urges the Commission to think beyond the cost shift argument and toward ways in which NEM can help meet the needs of the state while keeping to statutory limitations.