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

| Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs Pursuant to Decision D.16-01-044, and to Address Other Issues Related to Net Energy Metering | Rulemaking 20-08-020 (Filed August 27, 2020) |
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# CLEAN COALITION RESPONSE IN SUPPORT OF APPLICATION FOR REHEARING OF D. 22-12-056


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February 2, 2023

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## I. INTRODUCTION

Pursuant to Rule 16.1(d) of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") the Clean Coalition respectfully submits this response in support of the *Application of the Center for Biological Diversity, the Protect Our Communities Foundation, and the Environmental Working Group for Rehearing of Decision 22-12-056*, filed at the Commission on January 18, 2023.

The Commission has the difficult task of ensuring that the state transitions to a carbon free electrical system in a timely manner while maintaining affordable rates in the process. There are multiple different statutes that the Commission needs to balance, which are ingrained in laws, legislative reports, and Commission-produced guiding principles. After reviewing the Application for Rehearing, Clean Coalition agrees with the Applicants that D. 22-12-056 does not meet the statutory requirements of Public Utilities Code section 2827.1(b), nor does it appropriately meet the multitude of other requirements the Commission is intended to evaluate when it comes to customer-sited deployments of distributed energy resources ("DER"), particularly when it comes to disadvantaged communities (DACs). This response will demonstrate, using the Commission's own guiding principles and reports, as well as information from the legislature, exactly why the Net Billing Tariff adopted in D. 22-12-056.

- The Decision does not consider the affordability crisis caused by skyrocketing rates and the pace at which rates are estimated to increase over the next decade when the determination of what constitutes a viable economic outcome for NEM customers.

- The Decision does not prioritize sustainable resource deployment rates that would put the state on target to meet SB 100 Core Scenario goals for customer-sited renewable resources.
- The Decision does not value societal benefits, despite goals in the ESJ Action Plan and the recently approved DER Action Plan 2.0. This results in an inaccurate measure of NEM cost-effectiveness, based on an overestimation of costs and an underestimation of benefits.

## II. DESCRIPTION OF PARTY

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.

## III. COMMENTS

There are two main contentions in the Application that the Commission should find particularly persuasive. First, the analysis of NEM did not fully consider costs **and** benefits of NEM customers, due to an underestimation of avoided costs and zero consideration of non-energy benefits (or societal values) that the state has acknowledged have value. Second, the process of crafting the Net Billing Tariff did not appropriately consider affordability concerns for ratepayers in DACs, especially as electric rates continue to climb steeply.

### A. D. 22-12-056 did not appropriately consider the energy affordability crisis and how it will impact ratepayers in DACs.

The purpose of NEM and other customer-sited renewables programs is to allow ratepayers to save on their energy bills through onsite generation. So long as the savings over time are greater than the cost of deploying the renewable resource, the customer receives more affordable service. However, the reduced compensation rate approved in D. 22-12-056—from the retail rate down to an avoided cost rate—is not an effective tool to mitigate increasing rates because Net Billing Tariff customers will only be compensated for the value of energy and rate increases are mainly due to delivery-related costs. According to the SB 695 report, since 2013, on average rates have increased by at least 5% across the IOUs, with SDG&E at 10% per year. Both SCE and PG&E have had increases faster than the rate of inflation. Importantly, the report notes that, "Starting in 2021, costs related to both operational practices and infrastructure investment to improve wildfire safety have begun to appear in rates in significant amounts."[1] These are costs associated with wildfire mitigation (vegetation management and liability insurance) and increased electric transmission costs. In other words, the past rate escalation will pale in comparison to what is to come over the next decade. The report estimates that through 2025, PG&E will increase rates by 26%, SDG&E will increase rates by 24%, and SCE will increase rates by 16%.[2] These steep increases are going to hit hot areas with a high proportion of low-median income ("LMI") customers the hardest (e.g., the Central Coast, San Joaquin Valley, Coachella Valley, etc.…) since they pay a higher proportion of their bill on wildfire mitigation costs than areas of lower energy usage. Thus, a Net Billing Tariff that has a compensation rate divorced from the actual cost of generating and delivering energy is less and less valuable as rates increase and the price of generating energy decreases. Rather than reducing existing inequities with the number of LMI customers deploying NEM systems, non-appealing compensation rates are not likely to significantly drive-up ratepayer participation, particularly for ratepayers living in DACs, as discussed above. The SB 695 report astutely concludes that, "Without the prudent management of IOU revenue requirements, rate base, rate structures, and **DER incentives**, California's continued progress toward greater electrification and a more efficient grid… may widen this chasm…"[3] D. 22-12-056 did not appropriately consider adoption rates of the Net Billing Tariff based on the most up-to-date resource pricing with rate-escalation

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[1] SB 695 Report on Rate Affordability, at p. 13.
[2] Ibid at p. 13-14
[3] Ibid at p. 16-17

forecasts. There is not sufficient data to conclude that the equity fund in the Net Billing Tariff provides enough of a carrot to incentivize the same number of LMI deployments as under NEM 2.0, if not many more.

### B. The Decision does not put the state on track to meet the ambitious goals laid out for customer-sited renewable resources.

Based on the statutory requirement of Public Utilities Code Section 2827.1(b), any Successor Tariff is required to ensure that customer-sited renewables grow at a sustainable pace. Furthermore, the Commission-approved guiding principles for the creation of the Net Billing Tariff requires that the final tariff should adhere to other existing state edicts, including SB 100. The SB 100 Core Scenario calls for an increase in customer-sited solar from 8.0 GW in 2019 to 12.5 GW in 2030 and 28.2 GW in 2045. Similarly, the Core Scenario calls for an increase in deployed energy storage from 0.2 GW in 2019 to 9.5 GW in 2030 and 48.8 GW in 2045. To achieve that goal, "Construction of clean electricity generation and storage facilities must be sustained at record-setting rates."[4] We do not believe the Net Billing Tariff will put California on a pace to achieve these metrics.

As far as Clean Coalition is aware, there was no data-driven consideration of what type of customer-sited renewables growth might occur under the Net Billing Tariff, only a debate about exactly how the word "sustainable" should be defined. The Commission's reasoning appears to be that it is acceptable to make trade-offs in order to balance statutory requirements, even if none of the requirements are met fully. For example, Decision 22-12-056 includes the phrase, "the growth of the market should not come at the undue and burdensome financial expense of nonparticipant ratepayers,"[5] which is both ambiguous and suggests a false dichotomy. Based on this phrasing, it is unclear what an appropriate level of market growth is and what should be considered "an undue and burdensome financial expense," to ratepayers. Without any specific numbers provided, the Decision's approach to measuring program-success is hand-wavey at best. The Application should be approved because the Net Billing Tariff cannot achieve sustainable

[4] SB 100 Report Summary at p. 13

[5] D. 22-12-056 at p. 58

growth, let alone the number of deployments necessary to align to the SB 100 Core Scenario timeline, and does not provide the necessary information to measure success.

In Decision 22-12-056, the Commission appears to suggest that market growth can only come at the expense of the ratepayers, leading to the incorrect conclusion that reasonable levels of market growth cannot occur without burdening the ratepayers. As the Clean Coalition wrote in comments on the Proposed Decision ("PD"), it is concerning that there is no transparent and effective way to evaluate the Net Billing Tariff because the Commission did not resolve the lack of clarity about what constitutes success. The proposed evaluation, three years from the implementation of the Net Billing Tariff, is too far in the future to effectively implement changes in a timely manner and cannot be completed without clear empirical benchmarks to measure the success of the program. The Decision does not provide the specificity to judge NEM after year one or year three and it is not fair to create metrics ad hoc as the evaluation date gets closer.

**C. D. 22-12-056 does not fully account for costs and benefits of NEM customers.**

In passing D. 22-12-056, a Net Billing Tariff that does not fully value the costs and benefits of NEM, the Commission has violated key components of the ESJ Action Plan and the DER Action Plan 2.0. For example, while the Commission refused to value resilience and societal benefits in this proceeding despite the focus on deployments of solar+storage, Goal 4 of the EJ Action Plan is to, "Increase climate resiliency in ESJ communities." In other words, there is a nonzero value for resilience, particularly in DACs. On the subject of societal benefits, the DER Action Plan 2.0, "seeks to align the CPUC's vision and actions to maximize ratepayer and societal value of an anticipated high-DER future. While Clean Coalition does acknowledge that a Societal Cost Test has not yet been developed and there is currently a High DER proceeding (R. 21-06-017), the Applicant refusing to acknowledge any societal benefits expressly goes against a direct guiding principle of the Commission. Similarly, Vision Element 4B (Action Item 1), a review of all DER customer programs to align them with state goals and ratepayer benefits was not completely (for NEM) or other DER programs. The Commission should approve the Application and conduct a full review. Finally, Clean Coalition agrees with the applicants that the use of an incomplete Avoided Cost Calculator ("ACC") underestimates the benefits that NEM customers provide. We addressed this issue throughout the proceeding, with a focus on

avoided transmission values (which are not uniform among the IOUs and does not account for avoided future transmission).

## IV. CONCLUSION

The Clean Coalition respectfully submits this response to the Application for Rehearing. We urge the Commission to reconsider the benefit-cost analysis used to analyze NEM, with a focus on using the full range of benefits that come from NEM systems and to ensure that the Net Billing Tariff meets statutory requirements.

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