

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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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 20-08-020

**OPENING COMMENTS  
OF THE PUBLIC ADVOCATES OFFICE  
ON PROPOSED DECISION REVISING NET ENERGY METERING  
TARIFF AND SUBTARIFFS**

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## I. INTRODUCTION

Pursuant to the instructions of Administrative Law Judge (ALJ) Kelly A. Hymes, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits these Opening Comments on the *Proposed Decision of ALJ Hymes Revising Net Energy Metering Tariffs and Subtariffs* (PD) issued on December 13, 2021.<sup>1</sup>

The PD is based on the substantial and thorough evidence provided by the parties in this proceeding. The PD appropriately concludes the current NEM policies are not cost effective,<sup>2</sup> result in a significant cost shift to non-NEM customers,<sup>3</sup> and create inequitable burdens felt disproportionately by low-income households and those in disadvantaged communities (DACs).<sup>4</sup> The PD includes needed reforms to the current NEM policy that would reduce the cost shift, address inequities, and align incentives to continue California’s role as a leader in paired solar and storage energy systems.

The structural elements of NEM reforms in the PD are reasonable and appropriate; however, the PD’s proposed tariff reforms do not go far enough. The PD’s well-reasoned Findings of Fact (FOF) and Conclusions of Law (COL) would justify even greater reforms, as discussed further below. Cal Advocates commends the ALJ for the substantial work taken to evaluate the evidence and consider the interests of all parties. The PD, however, compromises too much by unreasonably delaying the reforms that require immediate action.<sup>5</sup>

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<sup>1</sup> ALJ Tsen’s e-mail ruling extended the deadline for filing of Opening Comments by all parties to January 7, 2022, while retaining the original deadline for Reply Comments of January 14, 2022. ALJ Tsen’s ruling also increased the page limit for Opening Comments from 15 to 20 pages and Reply Comments from 5 to 8 pages.

<sup>2</sup> See COLs 1 through 7.

<sup>3</sup> OP 1.

<sup>4</sup> OP 1(d) “the NEM 2.0 tariff disproportionately harms low-income customers.”

<sup>5</sup> FOF 56. The magnitude and severity of cost shift requires immediate action by the Commission.

## II. SUMMARY OF RECOMMENDED CHANGES TO PROPOSED DECISION

The Commission should make the following changes and clarifications to the successor tariff:

1. The legacy period should be decreased to no more than eight years.
2. Significant cost shift savings from transitioning customers to the successor tariff justifies increasing the duration of the Storage Evolution Fund.
3. The “cost shift savings” should not be used to finance the Equity Fund.
4. The Equity Fund should not expire after four years.
5. Wealthy homeowners in DACs should not be eligible for low-income provisions.
6. The Commission should provide more explicit guidance on what is to be considered in the Equity Workshop.
7. The Commission should provide clarification regarding its choice of Net Billing Tariff-eligible electrification time-of-use (TOU) rates.
8. The Commission should clarify that the Department of Water Resources-Bond Charge should be replaced with the Wildfire Fund Charge in the PD.

## III. DISCUSSION

### A. The PD’s Findings of Fact are Well-Founded and Based on Reliable Evidence Produced During these Proceedings

The PD weighed the statutory requirements, guiding principles, equity, and cost-effectiveness in its analysis of the current NEM tariffs. The PD’s resulting FOF and COL are properly based on a sound analysis of the evidentiary record and the legal requirements to achieve NEM reform that is practical, fair and encourages sustainable growth<sup>6</sup> of solar plus battery adoption by Californians to meet California’s climate goals.

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<sup>6</sup> Cal Advocates agrees with the definition of “sustainable growth” put forth in the PD on guiding principles. Conclusion of Law 7, p. 36 states, “The Commission should not focus the definition of sustainable growth in a narrow manner but, rather, interpret sustainable growth to mean growth whereby  
*(continued on next page)*

The PD’s findings balance statutory requirements, ensure financial benefits to customers,<sup>7</sup> promote the alignment of DER incentives with grid needs,<sup>8</sup> and support the continued growth of customer-sited solar and storage.<sup>9</sup> Throughout the proceeding, evidence was presented that proves the current NEM policies result in a significant cost shift to non-NEM customers.<sup>10</sup> The PD confirms that this cost shift under NEM 2.0 is neither equitable<sup>11</sup> nor cost-effective.<sup>12</sup> The FOFs and COLs correctly identify the urgent need for reform and to balance competing priorities.<sup>13</sup> The FOFs and COLs fully support the PD’s determinations that the existing structure unreasonably burdens customers who

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all customers can sustain the cost of that growth.” See: *Proposed Decision Adopting Guiding Principles for the Development of the Successor to the Current Net Energy Metering Tariff*, R.20-08-020 (January 5, 2021), p. 10. This accords with the Commission’s earlier decision in its Scoping Memo to give parties flexibility to determine their own definition. *Joint Assigned Commissioner’s Scoping Memo and Administrative Law Judge Ruling Directing Comments on Proposed Guiding Principles*, November 19, 2020.

<sup>7</sup> FOF 107. Net energy metering customers cause costs even when not directly importing energy from the grid.

<sup>8</sup> FOF74. The addition of storage provides greater benefits to both the customer and the grid.

<sup>9</sup> FOF 138. The purpose of the Market Transition Credit is to ensure customer-sited renewable distribution generation continues to grow sustainably.

<sup>10</sup> Exh. PAO-03 pp. 2-18 to -19. Exh. TRN-01 p. 9. Exh. CUE-01 p. 2. Exh. IOU-01 pp. 64. E3, “Updated: Cost Effectiveness of NEM Successor Rate Proposals under Rulemaking 20-08-020,” June 15 2021, pp. 7, 19, 21, 23-25.

<sup>11</sup> FOF 20. Lower-income customers are burdened with the additional expense of a portion of the 82 to 91 percent of the cost of service bypassed by NEM 2.0 customers whose bill payments only cover nine to 18 percent of their cost of service.

FOF 21. The Lookback Study indicates that the NEM 2.0 tariff disproportionately harms low-income customers not participating in the tariff.

COL 6. The Commission should affirm the NEM 2.0 tariff disproportionately harms low-income customers.

<sup>12</sup> FOF 9. The Lookback Study indicates NEM 2.0 negatively impacts non-participant ratepayers.

FOF 13. Without changes to the current tariff structure, the financial burden on the shrinking pool of nonparticipants is unsustainable and could fall disproportionately on lower-income customers.

FOF 19. The Lookback Study finds the NEM 2.0 tariff is not cost-effective for the residential customer segment.

<sup>13</sup> FOF 56. The magnitude and severity of cost shift requires immediate action by the Commission.

FOF 202. Public Utilities Code Section 2827.1 and our guiding principles do not rank the requirements for the successor tariff and tell us whose needs should come first: the needs of a particular group of customers, the environment, or the grid.

do not install solar, requires immediate reform, and should promote equity while providing a strong incentive for pairing solar with storage.<sup>14</sup>

**B. The Commission Should Align its Directed Actions with Finding of Facts Detailed in the Proposed Decision**

**1. The Legacy Period Should be Shortened to No More Than Eight Years**

The PD correctly concludes that the current NEM tariffs have created a cost shift that burdens nonparticipants while allowing NEM participants to benefit from use of the grid without paying their fair share of costs.<sup>15</sup> However, the PD as currently written would allow this inequity to continue for several more years. For example, in FOFs 56 and 198, the PD acknowledges the need for immediate action to address the severity of the cost shift and that the PD’s proposed implementation of the successor tariff alone will not address the issue of the cost shift caused by NEM 1.0 and NEM 2.0 customers. Similarly, while OP 1 affirms the detrimental impacts of the current NEM tariff, the PD does not adequately resolve the ongoing cost shift created by legacy customers.

The Commission should shorten the legacy period from 15 years to no more than 8 years for NEM 1.0 and 2.0 customers to alleviate the cost shift and inequity non-participants currently endure. Reducing the legacy period to 8 years would not result in financial injury to NEM 1.0 and 2.0 customers, as 8 years is greater than the length of their payback period.<sup>16</sup> Moreover, a 15-year legacy period is inconsistent with OP 1’s affirmation that NEM 2.0 “negatively impacts non-participant ratepayers” and

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<sup>14</sup> FOF 76. It is the policy of the Commission to encourage paired storage with the benefits and costs in mind.

<sup>15</sup> FOF 107. Net energy metering customers cause costs even when not directly importing energy from the grid.

FOF 196. The Lookback Study found that NEM 2.0 is not cost-effective for residential customers, has negatively impacted non-participant ratepayers, and has disproportionately harmed low-income customers.

<sup>16</sup> All non-CARE IOU customers on the NEM 2.0 tariff have a payback period of less than 8 years. See Cost-effectiveness of NEM Successor Rate Proposals under Rulemaking 20-08-020 June 15, 2021, Table 16 Updated Results for Residential Solar 2023, Non-CARE and Table 17 Updated Results for Residential Solar+Storage 2023, Non-CARE, pp. 53-54.



“disproportionately harms low-income customers,” as well as FOF 13’s assertion that “without changes to the current tariff structure, the financial burden on the shrinking pool of nonparticipants is unsustainable...” As written, the PD commits legal error by allowing the cost shift from NEM 1.0 and 2.0 customers to continue far beyond a reasonable payback period and in opposition to FOF 56 which concludes that the “magnitude and severity of cost shift requires immediate action by the Commission.” Reducing the length of the legacy period will significantly decrease the cost shift for ratepayers,<sup>17</sup> help ensure that rates are just and reasonable, and is supported by the PD’s findings. In light of these concerns, Cal Advocates requests revisions to FOF 206 and COL 52, 53 and 54 as detailed in Appendix A below.

## **2. Significant Cost Shift Savings from Transitioning Customers to the Successor Tariff Justifies Increasing the Duration of the Storage Evolution Fund**

The PD would establish a Storage Evolution Fund (SE Fund) that would provide declining incentive levels and expire after four years.<sup>18</sup> The PD appropriately concludes that transitioning current NEM 1.0 and NEM 2.0 customers to the successor tariff will produce sufficient reductions in the cost shift to justify strong incentives to transition before the expiration of legacy periods. The SE Fund serves two important goals: (1) to increase the proportion of solar with storage to ensure that these renewable sources of energy provide power when it is beneficial to the grid, and (2) provide meaningful cost savings to all customers by converting legacy customers to the more equitable successor tariff prior to the end of the legacy period. However, the end of the SE Fund incentives and the expiration of the legacy period are not in alignment. This will create a period where customers who do not take advantage of the SE Fund in the first four years would have little inducement to add storage and thereby add to the cost shift for the full duration of the legacy period. The PD, therefore, should reduce the legacy period and extend the

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<sup>17</sup> See Opening Brief of the Public Advocates Office, filed August 31, 2021, Appendix A, p. A-11. Transitioning all legacy customers 8 years after interconnection will result in \$9.51 billion in cost burden savings, reducing the cost burden by 23.1% compared to NEM 2.0.

<sup>18</sup> PD, p. 150.

SE fund so that the time from the expiration of the SE Fund to the end of the legacy period is no more than three years.

Based on the evidence presented, the PD correctly finds that a PG&E customer with solar and storage on the successor tariff produces a cost shift of \$614 in the first year,<sup>19</sup> while the same solar-only NEM 2.0 customer produces a cost shift of \$1,817 per year.<sup>20</sup> A solar-only NEM 2.0 customer who adds storage and transitions to the successor tariff, therefore, will create approximately<sup>21</sup> \$1,200 in savings per year. The first-year Storage Evolution Fund credit of \$0.20/Wh would result in a one-time payment of \$1,512 to a typical NEM customer, while the \$1,200 reduction in the customer's cost shift would accrue every year the customer takes service on the successor tariff rather than a NEM rate.<sup>22</sup> This savings justifies stronger efforts to transition customers to the Net Billing tariff prior to the expiration of the legacy period. The incentive, therefore, should be extended to a term more closely aligned with the legacy period. Cal Advocates recommends the Storage Evolution Fund expire three years before the expiration of the NEM 1.0 or 2.0 legacy period. Three years before expiration of the legacy period provides a sufficient buffer to ensure savings to ratepayers, while leaving in place a strong incentive for NEM 1.0 and 2.0 customers to transition to the successor tariff.

### **3. The PD Should Not Use “Cost Shift Savings” to Finance the Equity Fund**

The PD would establish an Equity Fund to help address the low adoption rate of customer-sited distributed generation in low-income households and households in DACs. The Equity Fund would have an annual cap of \$150 million for four years with

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<sup>19</sup> PD Appendix B-2. First-year cost shift for a non-CARE PG&E Residential customer, pre-Market Transition Credit.

<sup>20</sup> “Cost-Effectiveness of NEM Successor Rate Proposals under Rulemaking 20-08-020.” E3, Figure 6.

<sup>21</sup> Here, Cal Advocates relies on the 2023 first-year cost shift values provided in the PD. Assuming that rates continue to rise, this differential will increase.

<sup>22</sup> Assuming a non-CARE PG&E customer purchases a 7.56 kWh battery, as indicated in the Net Billing Tariff PD Model 12-17-2021-1.

funding provided by “cost shift savings.”<sup>23</sup> While Cal Advocates supports the creation of this fund, funding it through cost shift savings represents a substantial re-instatement of the cost shift the Commission is trying to reduce. This will unreasonably those households without solar or storage to resolve a problem they had no part in creating. Instead of reinstating \$600 million of the cost shift over four years, the fund should be collected from non-CARE and non-FERA NEM 1.0 and 2.0 customers. These successor tariff customers, who will still create a cost shift,<sup>24</sup> should start paying into this fund ten years after interconnection via a grid equity charge.<sup>25</sup>

#### **4. The Equity Fund Should Not Expire After Four Years**

As written in the PD, the Equity Fund will expire after four years.<sup>26</sup> The PD offers no rationale for this decision, and it is not reflected in the Ordering Paragraphs. To be consistent with the PD’s findings, the Commission should continue the Equity Fund as long as NEM 1.0, NEM 2.0, and successor tariff customers create a cost shift. Cost-shifting will continue even under the successor tariff<sup>27</sup> resulting in higher electricity rates.<sup>28</sup> These higher rates will continue to negatively impact low-income customers for as long as customers can enroll in the successor tariff. So long as customers can enroll in a solar tariff that shifts costs onto non-participants, there will be inequitable cost shifts and a need for the Equity Fund.

Cal Advocates requests the Commission revise the PD’s Ordering Paragraphs and text as detailed in Appendix A below.

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<sup>23</sup> PD, OP 6.

<sup>24</sup> FOF 157 “The successor tariff makes great strides in addressing the cost shift, thus addressing one element of the equity issue.” The ST works towards reducing the cost shift, but due to balancing the requirements of the statute, it does not completely eliminate a cost shift.

<sup>25</sup> The Public Advocate’s Office Errata Prepared Testimony for a Successor Tariff to the Current Net Energy Metering Tariffs p. 3-68.

<sup>26</sup> PD p. 138.

<sup>27</sup> See Appendix B, Table 1 of the PD. A non-CARE PG&E solar-only customer creates \$282 in cost shifting.

<sup>28</sup> PD FoF 61: “Continuation of the cost shift feeds into higher electricity rates...”

**C. The PD Should Clarify Implementation Mechanics of the Successor NEM Tariff**

**1. The Commission Should Provide Clarification Regarding its Choice of Successor Tariff-Eligible Electrification TOU Rates**

The PD requires successor tariff customers to take service on TOU “electrification” rates that feature high price differentials between summer weekday Peak and summer weekday Off-Peak periods.<sup>29</sup> The PD states that these electrification rates will encourage customers to divert usage to low-cost hours when the solar system is producing, reduce energy usage during times when the grid’s energy is constrained, maximize the value of the on-site generator to the customer and to the system, and ensure equity among all customers.<sup>30</sup> The PD identifies three rate schedules that new customers may take service on under the successor tariff—EV2-A (PG&E), TOU-D-PRIME (SCE), and EV-TOU-5 (SDG&E).<sup>31</sup> The PD would authorize the IOUs to propose eligibility for additional rates for the successor tariff by filing a tier 3 advice letter.<sup>32</sup>

The PD is correct that highly differentiated TOU rates will send stronger price signals that encourage customers to divert usage to low priced hours, will avoid or reduce usage during high price hours, and could promote electrification. However, the PD requires clarification on two points:

- a. Rates that have some TOU period prices that are below the marginal costs of service can result in cost shifting.<sup>33</sup> Therefore, SDG&E should revise its EV-TOU-5 rates in a future proceeding to ensure all TOU rates exceed the marginal costs to serve customers.
- b. Successor tariff-eligible TOU electrification rates should also have TOU rates that are close to the marginal costs differences between TOU periods in order to ensure rates are closely aligned

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<sup>29</sup> PD, pp. 97, 123. OP 3.

<sup>30</sup> PD, p. 97.

<sup>31</sup> PD, p. 124, FoF 3.

<sup>32</sup> PD, p. 124.

<sup>33</sup> Exh PAO-03, Public Advocates Office Errata Direct Testimony for a Successor Tariff, pp. 2-2.

with cost of service and send more accurate peak and off-peak pricing signals.

**a. The Commission should require SDG&E to adjust its EV-TOU-5 rates in a future proceeding so that all EV-TOU-5 time-of-use rates cover the marginal costs of service.**

The Commission should acknowledge there is a risk of cost shifting caused by new electrification load under SDG&E's EV-TOU-5 rate. EV-TOU-5 is an optional un-tiered TOU rate with a fixed charge of \$16.00 and a seasonal three-TOU period structure.<sup>34</sup> EV-TOU-5's super off-peak (SOP) rates are currently below the marginal costs to serve these customers.<sup>35</sup> This means that for every incremental kWh of electrification load that is added during the SOP period, other customers must make up for the loss of revenue and thereby subsidize the new load (i.e., a cost shift occurs).<sup>36</sup> The cost shift for such TOU rates will increase with greater customer participation in these rates as EV adoption and electrification occurs. The Commission should acknowledge the risk of future cost shifting under electrification in situations where rates do not cover the marginal costs of service and provide guidance to address those rates in future proceedings.<sup>37</sup> Thus, the PD should include the proposed language at pages 97 and 124 detailed in Appendix A below.

**b. The Commission should clarify that one of the criteria of residential Net Billing-eligible TOU rates is that they should adhere closely to marginal costs basis.**

The PD should also provide an explanation of why it chose the three electrification rate schedules listed above out of the many rate options available. For instance, PG&E

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<sup>34</sup> Schedule EV-TOU-5 Tariff Sheet, CPUC Sheet No. 35352-E, 1 November 2021, available at [https://tariff.sdge.com/tm2/pdf/ELEC\\_ELEC-SCHEDS\\_EV-TOU-5.pdf](https://tariff.sdge.com/tm2/pdf/ELEC_ELEC-SCHEDS_EV-TOU-5.pdf).

<sup>35</sup> Exh. PAO-03, Public Advocates Office Errata Direct Testimony for a Successor Tariff, p. 2-26 ln 2-4. Exh. PAO-92, Cal Advocates Rebuttal Testimony for the Successor Tariff, pp. 5-38 to 5-39 ln 18-1 and fn 298.

<sup>36</sup> *Ibid.*

<sup>37</sup> See Appendix A for recommended language.

currently offers two household electrification rates, EV-A and EV2-A. Both of these un-tiered TOU rates feature peak to off-peak TOU price differentials that are greater than the marginal costs differentials between TOU periods, especially during winter (the winter peak-to-off-peak price differentials are \$0.26359/kWh for EV-A and \$0.1854/kWh for EV2-A).<sup>38,39</sup> Schedule EV2-A is open to customers who have storage only (no electric vehicle), but it has a customer participation cap of 30,000 storage-only customers.<sup>40,41</sup> Because EV2-A's peak-to-off-peak price differentials are greater than the marginal costs differences between TOU periods, the rate will result in over-compensation of storage customers who charge during the lowest price periods and discharge during highest price periods.<sup>42</sup> However, EV2-A's TOU rates are still closer to marginal cost basis than EV-A and would likely result in less cost shifting by customers who have storage rather than EV-A. The Commission should clarify that part of its

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<sup>38</sup> EV-A differential = \$0.41268 - 0.14909. Schedule EV Tariff Sheet, Revised CPUC Sheet No. 52115-E, 1 December 2021, available at [https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC\\_SCHEDS\\_EV%20\(Sch\).pdf](https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_EV%20(Sch).pdf). EV2A differential = \$.37187 - .18647. Schedule EV2A Tariff Sheet, Revised CPUC Sheet No. 52117-E, 1 December 2021, available at [https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC\\_SCHEDS\\_EV2%20\(Sch\).pdf](https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_EV2%20(Sch).pdf).

<sup>39</sup> In the 2020 PG&E General Rate Case Phase 2 Decision (D.21-11-016), the Commission cites PG&E's statement that the actual winter marginal cost TOU differentials are "very close to zero." The Decision also adopts a winter peak to off-peak price differential for PG&E's E-ELEC rate (a residential optional TOU rate that is designed specifically for customers who own behind-the-meter storage) of \$.03595/kWh, which is presumably closer to the "very close to zero" winter marginal costs differentials. D.21-11-016, pp. 98-99.

<sup>40</sup> Schedule EV2-A Tariff Sheet, Revised CPUC Sheet No. 47572-E, 1 December 2021, available at [https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC\\_SCHEDS\\_EV2%20\(Sch\).pdf](https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_EV2%20(Sch).pdf).

<sup>41</sup> There are also several other safeguards for non-participating customers that were adopted by the Commission regarding schedule EV2, including a requirement for a meet-and-confer "to discuss the future of the program" for storage customers once storage-only customers' participation reaches 15,000, a requirement for PG&E to report the number of storage-only customers on its website in 5,000 customer increments beginning at 5,000 customers, and a requirement for PG&E to annually report the recorded revenue and billing data of storage-only EV2 customers and to estimate the total revenues under alternative rate schedules. A.16-06-013, Motion of PG&E for Adoption of Residential Rate Design Supplemental Settlement Agreement, pp. 9-10, as adopted by D.18-08-013, p. 68.

<sup>42</sup> For instance, PG&E's recently adopted residential optional E-ELEC rate features TOU price differentials that are moderated but close to the marginal costs differences between TOU periods. The E-ELEC peak to off-peak price differentials (\$0.21856/kWh in summer and \$0.03595/kWh in winter) are much smaller than in EV2-A. D.21-11-016, pp. 110. A.19-11-019, Motion of PG&E for Adoption of Residential Rate Design Supplement Settlement Agreement, p. 9.

choice of the successor tariff-eligible rates was to choose rates that were closer to marginal cost basis than other available options by adding the proposed language for Ordering Paragraphs 12 and 13, the PD’s text on page 123 detailed in Appendix A below.

**2. The Commission should clarify that the non-bypassable Department of Water Resources-Bond Charge should be replaced with the Wildfire Fund Charge.**

The PD would include four non-bypassable charges (NBCs) in the successor tariff—the Nuclear Decommissioning Charge (NDC), Competition Transition Charge (CTC), Public Purpose Program (PPP) charge, and Department of Water Resources (DWR) Bond Charge (DWRB-C).<sup>43</sup> However, the PD rejects several parties’<sup>44</sup> recommendations to expand the list of NBCs, including the Wildfire Fund Charge.<sup>45</sup> The PD states that parties did not provide sufficient evidence for expanding the list of NBCs beyond the four NBCs of the NEM 2.0 rates.<sup>46,47</sup>

The PD’s rejection of the Wildfire Fund Charge is at odds with the PD’s inclusion of the DWRB-C as an NBC and with record evidence in this proceeding. In D.19-10-056, the Commission adopted the Wildfire Fund as a replacement of the outgoing DWRB-C revenue requirement.<sup>48,49</sup> The Commission established the then-incoming Wildfire Fund Charge to accrue to a Wildfire Fund to reduce the costs to ratepayers associated with catastrophic wildfires caused by utility equipment and allows

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<sup>43</sup> Proposed Decision, Finding of Facts 113 and 114 p. 166.

<sup>44</sup> TURN, CalWEA, CUE, IEPA, NRDC, and Public Advocates Office.

<sup>45</sup> Proposed Decision, pp. 101 and 102.

<sup>46</sup> These are the same four NBCs that are listed at the start of this paragraph, i.e., NDC, CTC, PPP, and DWRB-C. Proposed Decision, p. 101.

<sup>47</sup> Cal Advocates identified that the Commission replaced the DWRB-C with a wildfire fund charge. Cal Advocates constructed its grid benefits charge using the Wildfire Fund Charge in place of the DWRB-C. Exh. PAO-03, Public Advocates Office Errata Direct Testimony for a Successor Tariff, p. 3-15 fn 230.

<sup>48</sup> The Commission established the Wildfire Fund’s revenue requirement to match the historical average (2013-2018) annual revenue requirement of the DWRB-C for the three IOUs, consistent with the requirement of Assembly Bill 1054 that the Wildfire Fund’s annual revenue requirement must be based on historical collections of the DWRB-C. D.19-11-056, pp. 2, 12-14.

<sup>49</sup> Exh. PAO-03, Public Advocates Office Errata Direct Testimony for a Successor Tariff, p. 3-15 fn 230.

the IOUs to attract lower-cost capital to carry out necessary improvements, including the mitigation of wildfire threats posed by utility infrastructure.<sup>50,51</sup> The Commission explicitly identified the Wildfire Fund Charge as a NBC.<sup>52</sup> As SEIA admitted during hearings, installation of rooftop solar does not avoid the need for capital-related wildfire mitigation expenditures such as undergrounding of power lines.<sup>53</sup> SEIA also does not oppose treatment of the Wildfire Fund Charge as a NBC for successor tariff customers.<sup>54</sup> Since solar customers still rely on the grid for safe, reliable service and benefit from reduced risk of wildfires associated with utility infrastructure, the Wildfire Fund Charge should be included in the list of NBCs for the successor tariff.<sup>55</sup>

The Commission should also clarify that the DWRB-C has been eliminated and replaced by the Wildfire Fund Charge, and that the Wildfire Fund Charge should be included in the list of NBCs of the successor tariff. By doing so, the Wildfire Fund Charge would be included in the cost components of the grid participation charge (GPC) but would not increase the total size of the GPC.<sup>56</sup>

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<sup>50</sup> The Wildfire Fund nonbypassable charge is now reflected in rates. For SDG&E, the “Current DWR-BC as presented is now used for collecting the California Wildfire Fund Charge effective Oct 1, 2020 (See Schedule WF – NBC). DWR BC will be renamed at implementation of SDG&E’s new customer information system.”

See [https://tariff.sdge.com/tm2/pdf/ELEC\\_ELEC-SCHEDS\\_DR.pdf](https://tariff.sdge.com/tm2/pdf/ELEC_ELEC-SCHEDS_DR.pdf).

Similarly for SCE, “DWRBC = Department of Water Resources (DWR) Bond Charge. The DWR Bond Charge is the Wildfire Fund Non-Bypassable Charge which supports the California Wildfire Fund and is not applicable to exempt Customers pursuant to D.19-10-056.”

See, <https://www.sce.com/regulatory/tariff-books/rates-pricing-choices>, “residential rates”, “ELECTRIC\_SCHEDULES\_D.pdf.

PG&E no longer displays the DWRB-C.” See [https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC\\_SCHEDULES\\_E-1.pdf](https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDULES_E-1.pdf).

<sup>51</sup> D.19-11-056 p. 2.

<sup>52</sup> D.19-10-056, pp. 15-18, OP 14.

<sup>53</sup> “Q: Wildfire mitigation costs which typically involve grid hardening of existing facilities. A: Yeah, I'm not talking about hardening existing facilities. I don't think that those can be avoided.” Testimony of Thomas R. Beach, Hearing Transcript, Vol. 8, p. 1352, ln. 13-15.

<sup>54</sup> Testimony of Thomas R. Beach, Hearing Transcript, Vol. 8, p. 1317, ln. 25-27.

<sup>55</sup> Exh. PAO-01, Public Advocates Office Direct Testimony, p. 3-24 ln 6-8, p. 3-28 ln 9-13.

<sup>56</sup> The total GPC would remain as \$8.00/kW of installed generation capacity for all three IOUs. Proposed Decision, p. 127.



### **3. The Commission Should Provide More Explicit Guidance on What is To Be Considered in the Equity Workshop**

The PD directs the IOUs to conduct a workshop no later than April 30, 2022, to “solicit stakeholder input on a) use of the Equity Fund adopted in Ordering Paragraph 6, including the potential expansion and improved alignment of existing low-income programs and new programs; and b) use of the Storage Evolution Fund...”<sup>57</sup> The PD should provide more explicit guidance on which programs should be considered by stakeholders during the workshop.

Parties have proposed a variety of mechanisms to address inequities in the NEM tariffs. The PD explicitly denies some of these proposals.<sup>58</sup> Other proposals are not addressed but may be worthy of consideration. For example, the Coalition for Community Solar Access’s proposal received minimal treatment in the PD, despite several parties stating that it should be considered.<sup>59</sup> If any new proposal is meant to be a candidate for discussion at the Equity Workshop, it should be explicitly directed in the Decision. Similarly, the workshop would proceed more smoothly if proposals deemed inappropriate are explicitly excluded from consideration. While it may not be possible to create an exhaustive list of all potential uses for the Equity Fund, additional clarity could significantly improve the workshop by narrowing the avenues of potential discussion.

### **4. The PD Should Clarify that Wealthy Homeowners in DACs Are Not Eligible for Low-Income Provisions**

The PD should refine eligibility for the successor tariff to specifically target low-income homeowners in DACs. Currently, the PD lists all single-family resident homeowners in DACs as eligible for the low-income tariff.<sup>60</sup> As written, the PD would

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<sup>57</sup> PD OP 7.

<sup>58</sup> PD p. 136: “First, we decline any proposal to maintain the status quo, *ie*, NEM 2.0.”

<sup>59</sup> See Cal Advocates Opening Brief p. 34, TURN Opening Brief p. 13.

<sup>60</sup> The PD defines a low-income household as “residential customers eligible for California Alternate Rates for Energy (CARE) and the Family Electric Rates Assistance (FERA) programs, *resident-owners of single-family homes in disadvantaged communities* (as defined in Decision (D.) 18-06-0127), or  
(continued on next page)

allow wealthy homeowners in DACs to unfairly benefit from the low-income provisions in the PD without clear justification. The PD should clarify that non-CARE/FERA homeowners in DACs are not eligible for low-income provisions of the successor tariff. While allowing wealthy homeowners to benefit from low-income provisions may increase adoption in DACs, this provision risks re-creating the inequities of NEM 2.0 in microcosm: wealthy homeowners, who are disproportionately likely to adopt rooftop solar under NEM 2.0,<sup>61</sup> are also likely to benefit disproportionately under this provision of the successor tariff. The PD should restrict the low-income provisions such that they only apply to CARE and FERA-eligible residents of DACs instead of all single-family resident homeowners in DACs.

#### IV. CONCLUSION

For the reasons stated here, Cal Advocates' proposed changes to the Proposed Decision should be adopted.

Respectfully submitted,

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residential customers who live in California Indian Country (as defined in D.20-12-003) and take service on either the standard successor tariff or aggregated net energy metering subtariff.”

<sup>61</sup> Verdant's Net Energy Metering 2.0 Lookback Study, January 21, 2021. “ZIP codes with higher median incomes show a higher fraction of homes with solar, but NEM 2.0 systems are slightly less concentrated in ZIP codes with the highest income brackets, versus those over just \$75,000, than NEM 1.0 systems.” p. 34.

PD FOF 164. Installation of distributed generation is less frequent in low-income households and disadvantaged communities.

## Appendix A

### Proposed Revisions to the Proposed Decision's Finding of Fact, Conclusion of Laws, Ordering Paragraphs and Text

#### Findings of Fact

FOF 206. Revising the NEM 1.0 and NEM 2.0 tariff legacy periods to ~~15~~8 years for existing residential customers will continue to ensure these customers have reasonable payback of their investment.

#### Conclusions of Law

COL 52. The Commission should require existing residential NEM 1.0 and NEM 2.0 tariff customers to transition to the successor tariff no later than ~~15~~8 years after the date of interconnection

COL 53. The Commission should revise the legacy period of new residential NEM 2.0 customers to ~~15~~8 years.

COL 54. The Commission should revise the legacy period of customers taking control of a residential system to ~~15~~8 years.

#### Ordering Paragraphs

OP 2. For the purposes of this decision, a low-income household is defined as residential customers eligible for California Alternate Rates for Energy (CARE) and the Family Electric Rates Assistance (FERA) programs, CARE/FERA eligible resident-owners of single-family homes in disadvantaged communities (as defined in Decision (D.) 18-06-0127), or residential customers who live in California Indian Country (as defined in D.20-12-003) and take service on either the standard successor tariff or aggregated net energy metering subtariff.

OP 6. An Equity Fund is established to address the low adoption rate of customer-sited distributed generation in low-income households and households in disadvantaged communities. We establish an annual cap of \$150 million, with funding provided through non-CARE and non-FERA NEM 1 and 2 customers, and successor tariff customers after ten years of interconnection via a grid equity charge. ~~the cost shift savings generated by the reforms adopted in this proceeding.~~ Additional details will be finalized in a future decision, following a workshop and party comment.

OP 12. The original Net Energy Metering tariff, referred to as NEM 1.0, and its successor, referred to as NEM 2.0, are revised as follows:

(a) Existing non-California Alternate Rates for Energy (CARE) residential customers on these two tariffs shall transition to the tariff we approve in Ordering Paragraph 3 above no later than ~~15~~8 years after the customer's interconnection date.

(b) Existing NEM 2.0 tariff customers who voluntarily transfer to the net billing tariff adopted in this decision, within four years from its inception, are eligible to receive a \$0.20 per watt hour storage rebate. The storage rebate is available until 3 years before the expiration of the NEM 1.0 or 2.0 legacy period ~~for a total of four years but will decrease by 25 percent a year over the subsequent four years.~~ Customers are eligible for the storage rebate in the year they transition to the successor tariff. Customers must claim the rebate within three years of their transition to the net billing tariff by submitting proof of an energy storage system installation.

(c) Immediate replacement of the 20-year legacy period with a ~~15~~8 year legacy period for all future NEM 2.0 tariff customers, including residential customers who take service under NEM 2.0 after the adoption of this decision, as well as customers taking control of (i.e., owning, leasing, or paying a power purchase agreement for) a residential system, other than when the subsequent customer is the legal partner (i.e., spouse or domestic partner) of the original customer.

OP 13. No later than five business days after the adoption of this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company (Joint Utilities) shall submit Tier 1 Advice Letters revising the legacy period for residential non-California Alternate Rates for Energy (CARE) customers on the current net energy metering tariff (NEM 2.0) and the previous net energy metering tariff (NEM 1.0) from 20 years to ~~15~~8 years, with an effective date of five days after the advice letter submittal date. Joint Utilities shall inform solar providers of the change on the date that they submit these advice letters. Each of the Joint Utilities shall email and send an automated phone call to all solar providers who submitted an interconnection application in the three years preceding this date, and for whom the utilities have the requisite contact information. The Joint Utilities shall each mail a letter to all solar providers who submitted an interconnection application in the year preceding this date.

### **Textual Revisions**

P 138: We establish the Equity Fund with an annual cap of \$150 million ~~over a four year period.~~

P.97: As a result, these rates are closer to the cost of service. However, an exception is when certain TOU periods are priced below the marginal costs price floor (marginal costs of service plus non-bypassable charges), such as in the super off-peak prices of SDG&E's EV-TOU-5 rate.<sup>25</sup> These rates do not reflect cost of service and require cross-subsidization (cost shifting) for every new kWh added by customers during these TOU

periods. This Requiring highly differentiated TOU rates that also cover the marginal costs of service during each TOU period maximizes the value of the generation to all customers and to the electrical system and ensures equity among all customers.

P. 102: These parties provided no evidence as to why the list of nonbypassable charges should be expanded to include these charges, with the exception of the Wildfire Fund Charge. The Commission adopted the non-bypassable Wildfire Fund as a replacement of the outgoing DWRB-C revenue requirement.<sup>44</sup> SEIA's testimony acknowledges that distributed solar generation does not avoid the need for utility expenditures on capital-related wildfire mitigation measures, and as such the non-bypassable Wildfire Fund Charge should apply to Net Billing Tariff customers.

P. 123: As previously stated, requiring highly differentiated time-of-use rates will vastly improve the pricing signal to customers and meet several guiding principles in this proceeding. Choosing successor tariff-eligible rates that include TOU rates that are close to the marginal costs differences between TOU periods is also consistent with the intention to align successor tariff-eligible rates with cost of service and reduce cost shifting. This was one of our considerations in choosing the successor tariff-eligible TOU rates and is an important consideration for any future successor tariff-eligible rates. Table 6 below provides the existing electrification rates that are initially eligible for the successor tariff.

P. 124 (immediately following Table 6, which identifies the Net Billing Tariff-eligible TOU rates of each IOU): These rates will align customers' price signals closer with the costs to serve them. However, one exception is that the super off-peak prices of SDG&E's EV-TOU-5 rate are currently set below the marginal costs incurred to serve customers—a situation that is misaligned with cost of service and the important rate design principles that rates should be based on marginal costs, rates should generally avoid cross subsidies unless they explicitly support state policy goals, and rates should encourage economically efficient decision making.<sup>26</sup> Therefore, SDG&E is required in its next General Rate Case Phase 2 or sooner in a rate design window to propose revisions to its EV-TOU-5 super off-peak rates so they meet or exceed the marginal costs of service plus non-bypassable charges.