

February 29, 2012

Mr. Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Reply Comments of the Interstate Renewable Energy Council, Inc., Solar Energy Industries Association, the Vote Solar Initiative, California Solar Energy Industries Association, and Récolte Energy on Draft Resolution E-4481 (Implementation of Expanded Virtual Net Metering)

Dear Mr. Gatchalian,

The Interstate Renewable Energy Council, Inc., Solar Energy Industries Association, the Vote Solar Initiative, the California Solar Energy Industries Association, and Récolte Energy (collectively “Joint VNM Parties”) respectfully submit these reply comments on the above referenced Energy Division Draft Resolution, which approves the advice letter filings of San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E), regarding the implementation of the tariffs on expanded Virtual Net Metering (VNM), as approved by Commission Decision 11-07-031.

In opening comments, the Joint VNM parties primarily emphasized the importance of clarifying the applicability of expanded VNM to multi-meter properties and expanding what constitutes a service delivery point (SDP). Both the California Farm Bureau Federation¹ (“Farm Bureau”) and California Center for Sustainable Energy² support the Joint VNM Parties’ assertion that greater clarity is needed on how SDP is defined and that an overly restrictive definition of SDP will limit

¹ California Farm Bureau Federation Comments on Draft Resolution at pp. 1-2. (Hereinafter, “Comments” refers to Comments on Draft Resolution E-4481, submitted by February 24, 2012).

² California Center for Sustainable Energy Comments at p. 3.

the applicability of VNM to many customers the Commission intended to benefit in Decision 11-07-031.

The Joint VNM Parties submit these reply comments in support of several proposals made by the IOUs aimed at removing administrative barriers to a successful expansion of VNM, including the designation of a single benefiting account for unallocated credits and modifying the requirement that VNM be treated identically to NEM in respect to calculating demand credits. The Joint VNM Parties oppose, however, the IOUs further proposals to include a site assessment fee, as such a fee appears related to interconnection and should be barred by Commission policy exempting NEM systems from interconnection costs.

Distribution of Unallocated Credits to Benefiting Accounts

The IOUs all commented in opposition to the Draft Resolution's requirement that the utilities provide the "system operator the option to designate the disposition of unallocated credits to either the Generating Account, the Common Area Account, or evenly to all Benefiting Accounts."³ SDG&E notes that "applying credits evenly to all benefiting accounts is extremely problematic from a billing perspective."⁴ SCE, similarly, argues that there will be "an increase in system development costs for billing the unallocated credits for VNM."⁵ PG&E expresses concern that it lacks the information to know when a unit associated with a benefiting account will go vacant, and that re-billing to account for potential frequent occupancy changes could be extremely resource intensive."⁶

The Joint VNM Parties believe that eliminating administrative inefficiency, where possible, is essential to a successful VNM program. In this spirit, the Joint VNM Parties recognize the IOUs' concern that administering unallocated credits could prove inefficient and support SDG&E's proposal that the Commission require the operator to designate a single account for the utility to apply the unallocated credit. The Joint VNM Parties, however, suggest that the owner have the prerogative of designating the account, and that the designated account need not be a "common area" account, as SDG&E proposes.⁷ The Joint VNM Parties suggest that the Commission adopt SDG&E's proposal, with the caveat that an owner have greater latitude in designating a benefiting account to receive all unallocated credits.

Proposal for Workshops on Verification of Credit Allocations to Benefiting Accounts

SCE proposes in its comments that the Energy Division conduct a workshop "for the parties to discuss the issues and reach a mutually agreeable solution" on Conclusion Issue 5: Generating Account Holder's Ability to Verify Allocations Made to Benefiting Accounts."⁸ The Joint VNM

³ See Draft Resolution at p. 24.

⁴ SDG&E Comments at p. 1.

⁵ SCE Comments at p. 4.

⁶ PG&E Comments at pp. 5-6.

⁷ See SDG&E Comments at p. 1.

⁸ SCE Comments at p. 4 (citing Draft Resolution at pp. 26-27).

Parties support SCE’s proposal and look forward to the opportunity to participate and work toward a solution in a cooperative and transparent manner.

Proposal to Remove Demand Charges

The IOUs all propose that “demand” charges be dropped from Draft Resolution Ordering Paragraph 12, which requires a VNM customer to be treated identically to a NEM customer “for purposes of calculation of all customer charges, standby charges, and demand charges.” The IOUs all observe that VNM customers and NEM customers are not identical for purposes of calculating demand; an eligible customer-generator serves the on-site load of a NEM customer, but does not offset the demand of a VNM customer. Further, as SCE notes, “creating a structure for ‘virtual’ demand credits can be an exceedingly expensive and complicated task.”

The Joint VNM Parties agree that demand credits may not be appropriate in the context of VNM, and, in any respect, the potential benefit to VNM customers is likely to be outweighed by the additional complexity and costs of administration for the IOUs. The Joint VNM Parties generally understand the IOUs request to remove “demand” charges from the list in Ordering Paragraph 12 to encourage ease of administration, but also believe that SCE and PG&E offer a practical compromise that should be pursued at this time: allow utilities to charge the incremental billing costs to customers who wish to receive a demand credit.⁹ This later option will preserve ability of customer to weigh the benefit of calculating demand credits versus the additional cost based on their own particular circumstances.

However, the Joint VNM Parties support the Decision’s intent that, in all other respects, VNM customers should be treated the same as NEM customers. We also request that the fees charged for these services remain subject to review for reasonableness at the time they are established.

Site Assessment Fees Are Inappropriate for VNM

The Joint VNM Parties support the Draft Resolution’s express rejection of the IOUs’ proposed site assessment fees.¹⁰ While the Draft Resolution rejects the fees on the grounds that a site assessment may not always be essential, and requires the IOUs to collect data over the next year in expectation that those costs could be collected through a general rate case,¹¹ the Joint VNM Parties suggest that site assessment fees cover activities that are properly charged to, if not indistinguishable from, the interconnection process. According to Commission policy, NEM generators are not responsible for interconnection costs, a policy that should extend to VNM.

The IOUs defense of proposed site assessment fees underline the fact that many of the associated activities could also be considered interconnection costs. For example, PG&E notes that the site visit might provide an opportunity “for the utility coordinator and the applicant to determine the connection procedures, which would include arrangements to disconnect and reconnect the electric service in order for the applicant’s contractor to make a safe and reliable connection to

⁹ See, e.g., SCE Comments at p. 5; PG&E Comments at p. 9.

¹⁰ See Draft Resolution at p. 19.

¹¹ *Id.*

the electric grid.”¹² SCE adds that a site inspection would provide the utility the opportunity to “identify the location of the Net Generation Output Meter, line and load disconnects, and potential clearance constraints...” and to identify “the point of interconnection that meets the requirements.”¹³ To the extent the IOUs seek to recover interconnection related costs through a site assessment fee, the Joint VNM Parties agree that the Draft Resolution is correct on its stated policy grounds, and is independently justified on legal grounds. Any “subsidy” that results is entirely consistent with California policy favoring the interconnection of NEM generators.¹⁴

Proposals to Modify the Definition of “Qualified Customer”

The Joint VNM Parties generally support the Draft Resolution’s definition of “Qualified Customer,” but do urge one clarification to make the definition more consistent with Decision 11-07-031. The Draft Resolution adopts SCE’s recommended definition, which PG&E supported in opening comments (p. 7):

*Qualified Customer: A Qualified Customer is either: (i) the Owner or Operator of the multi-tenant Property with one or more separately metered Bundled Service Accounts; (ii) an entity authorized by the owner to install and/or operate the generating facility and who will be SCE’s customer of record for the Generating Facility; or (iii) a tenant/occupant of the Property with a separately metered Bundled Service Account, which is physically connected to the same SDP, as defined in Rule 16 to which the Eligible Generator is connected.*¹⁵

Because D.11-07-031 expanded VNM to multi-tenant and multi-metered properties,¹⁶ the Joint VNM Parties suggest replacing subsection (i) of this definition with the following:

(i) the Owner or Operator of the multi-tenant or multi-meter Property with one or more separately metered Bundled Service Accounts;

Adding the term “multi-meter” will clarify the intent of D.11-07-031 to “all multi-tenant or multi-meter customers.”¹⁷ The Joint VNM Parties do not support SDG&E’s request to remove the phrase “one or more” from the definition of Qualified Customer as a Qualified Customer could have one or more meters to which it seeks to provide VNM credits. For example, a landlord could have several meters related to common area load or a farm might have multiple meters.

¹² PG&E Comments at p. 3.

¹³ SCE Comments at p. 3.

¹⁴ See, e.g., D.00-12-037; D.02-03-057.

¹⁵ Draft Resolution at p. 22.

¹⁶ See D.11-07-031 at p. 13.

¹⁷ *Id.*

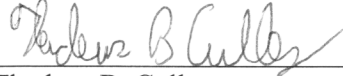
Applicability of SDG&E's Schedule DG-R to Benefiting Accounts

SDG&E believes that “VNM customers should not be allowed to take service on Schedule DG-R because of the structure of the demand and energy charges on that Schedule.”¹⁸ As SDG&E notes, Schedule DG-R was “established with the primary purpose of providing NEM customer with onsite generation a more energy-based rate with lower demand charges” and that an account must meet certain conditions to qualify for DG-R, “including being host to a distributed generation facility.”¹⁹ The Joint VNM Parties understand SDG&E’s concern and agree that Schedule DG-R might be inappropriate for a large number of benefiting accounts. However, SDG&E’s tariff should, at least, leave open the possibility that a benefiting account might also satisfy the conditions for DG-R and rightfully take service under that schedule. Accordingly, the Joint VNM Parties support SDG&E’s position that Schedule DG-R should not apply to benefiting accounts that would not otherwise qualify to take service under that schedule.

IV. Conclusion

The Joint VNM Parties appreciate the opportunity to submit these reply comments on Draft Resolution E-4481.

Respectfully submitted,



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Service List (R.10-05-004)

¹⁸ SDG&E Comments at p. 2.

¹⁹ *Id.*