

PUBLIC UTILITIES COMMISSION

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February 20, 2014

Advice Letter 4305-E and
Advice Letter 4305-E-A

Brian Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

Subject: Staff Disposition of Supplement -- Revise Electric Rate Schedule NEM
and Establish a New Electric Sample Form for NEM for Load
Aggregation Pursuant to Senate Bill 594 and Resolution E-4610¹

Dear Mr. Cherry:

The Energy Division has determined that the Advice Letters (AL) 4305-E and 4305-E-A are in compliance with Resolution E-4610, and Senate Bill 594 (Wolk 2012).² ALs 4305-E, and 4305-E-A are approved with an effective date of February 20, 2014.³

PG&E submitted AL 4305-E on October 21, 2013 with its proposed revisions to Schedule NEM to satisfy Resolution E-4610 and SB 594. PG&E's Advice Letter was protested by 7 parties.⁴ Of these, EcoPlexus did not serve their protest on the Energy Division, and it appears they did not serve it to the designated service list for this advice letter filing. PG&E filed a Reply to the protests on November 19, 2013. On November 20, 2014, Energy Division (ED) suspended PG&E's advice letter for an additional 120 days to allow time for further staff review.

PG&E's Reply did not resolve most of the protest issues raised by various parties. After several discussions with Energy Division Staff, and in light of the protests filed, ED asked PG&E to provide a supplement to further address the protest issues. PG&E filed

¹ Resolution E-4610:

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M077/K158/77158265.PDF>

² Approved by Governor September 27, 2012. Filed with Secretary of State September 27, 2012.

³ Advice 4305-E-A is a partial supplemental to Advice 4305-E.

⁴ Seven parties filed protests to PG&E's Advice Letter 4305-E: Solar Energy Industries Association (SEIA), SolarCity, Interstate Renewable Energy Council (IREC), California Farm Bureau Federation (CFBF), Agricultural Energy Consumers Association, California Climate and Agriculture Network, and Wine Institute (Joint Ag Parties), Natal Energy, and Recolte Energy.

a partial supplemental Advice 4305-E-A on January 16, 2014, which addressed all of the protests.

Three parties, CFBF, Joint Ag Parties, and Récolte Energy, filed responses in support of PG&E's partial supplemental Advice 4305-E-A. SolarCity filed a protest on the modified billing fees. Under General Order 96-B, Section 7.6.1, ED rejects the protest of SolarCity on the basis of the technical review and analysis attached to this disposition letter (See Attachment 1). The same technical review and analysis summarizes the findings of ED with regard to PG&E Advice 4305-E and Advice 4305-E-A and our decision to approve them.

Please contact Gabe Petlin of the Energy Division staff at 415-703-1677 (gpl@cpuc.ca.gov) if you have any questions.

Sincerely,



Ed Randolph
Director, Energy Division
California Public Utilities Commission

Attachments (1): Technical Review and Analysis

cc:

Susan Buller, for Pacific Gas and Electric Company
Karen Norene Mills, for California Farm Bureau Federation
John Gorman, for EcoPlexus, Inc.
Thadeus B. Culley, for Interstate Renewable Energy Council, Inc.
Jason B. Keyes, for Interstate Renewable Energy Council, Inc.
Michael Boccadoro, for Agricultural Energy Customers Association
Tim Schmelzer, for Wine Institute
Jeanne Merrill, for California Climate & Agriculture Network
Eric Thompson, for Natel Energy, Inc.
Gopal Shanker, for Récolte Energy
David R. Wooley, for Solar City
Jeanne B. Armstrong, for Solar Energy Industries Association

Attachment 1

TECHNICAL REVIEW AND ANALYSIS

Protests

Seven parties submitted protests to PG&E Advice 4305-E. PG&E filed a response to these protests on November 19, 2013, and then filed a partial supplemental Advice 4305-E-A on January 16, 2014. Three parties, CFBF, Joint Ag Parties, and Récolte Energy, filed responses in support of PG&E Advice 4305-E-A. SolarCity filed a protest on the proposed billing fees. The protests, PG&E's responses, and PG&E's partial supplemental Advice 4305-E-A are summarized below. Energy Division staff findings based on a technical analysis and review are included at the end of each of the seven protest issues discussed in this attachment.

For ease of reference the following table displays the protest issues filed by each party:

PG&E Advice 4305-E and 4305-E-A

Protest Party PG&E Advice 4305-E

Protest Issue	Recolte Energy	Natal Energy	Joint Ag Parties	SEIA	CFBF	IREC	Solar City
1) Adjacent & Contiguous	X	X	X	X	X	X	X
2) Bill Credit Allocation	X		X	X	X	X	X
3) Billing Service Fees				X	X	X	X
4) Effective Date	X		X		X		X
5) Clarification Re: NSC				X			
6) Nem Cost Tracking						X	
7) CSI Application Treatment				X			

Protest Party PG&E Advice 4305-E-A

Protest Issue	Recolte Energy	Natal Energy	Joint Ag Parties	SEIA	CFBF	IREC	Solar City
3) Billing Service Fees							X

Protest Issue 1: Interpretation of Adjacent and Contiguous

SB 594 amended Public Utilities (PU) Code Section 2827(h)(4)(A) and (h)(4)(F)2 to state as follows (emphasis added):

*An eligible customer-generator with multiple meters may elect to aggregate the electrical load of the meters located on the **property** where the renewable electrical generation facility is located and on all **property adjacent or contiguous** to the **property** on which the renewable electrical generation facility is located if those **properties** are solely owned, leased, or rented by the eligible customer-generator.*

For the purposes of this paragraph, parcels that are divided by a street, highway, or public thoroughfare are considered contiguous, provided they are otherwise contiguous and under the same ownership.

All protesting parties are concerned with how PG&E may interpret the phrase “adjacent or contiguous” and many requested clarification as to the application of this phrase to accounts that may be eligible for NEM Aggregation (NEMA). For example, Natal Energy in its protest stated that during discussions with PG&E, the utility communicated that it intends to define the term “contiguous” to mean **only immediately adjacent**, rather than **connected by an unbroken chain of common ownership**.

SEIA, in its protest, seeks “Commission confirmation that the language ‘adjacent or contiguous to’ will be interpreted and applied consistent with its plain meaning... The plain meaning of the term ‘adjacent’ is ‘near or close to, but not necessarily touching,’ while the plain meaning of the term ‘contiguous’ is ‘touching at a point or sharing a boundary.’”⁵ Similarly, SolarCity’s Protest pointed to the *The Merriam Webster Dictionary* which defines “adjacent” as “nearby,”⁶ and “Contiguous” is defined to mean: “...connected throughout in an unbroken sequence...contiguous row houses.”⁷

To illustrate their concern, some of the Protesting Parties provided an example in which the Renewable Electrical Generating Facility is located on Parcel A, and Parcel B is under the same ownership and contiguous to Parcel A, and Parcel C is under the same ownership and contiguous to Parcel B, but is not contiguous to Parcel A. The Protesting Parties assert that the statutory language is intended to allow Parcel C to participate in a NEMA arrangement with Parcel A, even though the parcels are not touching.⁸

The Farm Bureau Protest echoed the same concerns and emphasized the need for a common understanding of this language, particularly in rural areas, where property under single management and operated as a single enterprise may be composed of separately designated parcels.⁹

PG&E Responses to Protests Issue 1

In its Reply, PG&E interprets the “adjacent or contiguous” requirement to mean that aggregated accounts must be on parcels that are next to the parcel where the generator is located, or on the parcel where the generator is located.¹⁰ Under this interpretation in the example provided above, Parcel C would not be eligible to participate in an aggregation arrangement where the generator is located on parcel A, because C is not touching or adjacent to A.

⁵ SEIA’s November 12, 2013 Protest of PG&E Advice 4305-E at pp. 2-3.

⁶ <http://www.merriam-webster.com/dictionary/adjacent> cited in SolarCity Protest at 4.

⁷ <http://www.merriam-webster.com/dictionary/contiguous> cited in SolarCity Protest at 4.

⁸ *Id.* at p. 3. See also Protest of Natel Energy at p. 2, IREC Protest at p. 6, Protest of California Farm Bureau Federation at p. 2-3, and SolarCity Protest at p. 3-4.

⁹ Farm Bureau Protest at 5.

¹⁰ PG&E Protest Reply to Advice Letter 4305-E, at 2.

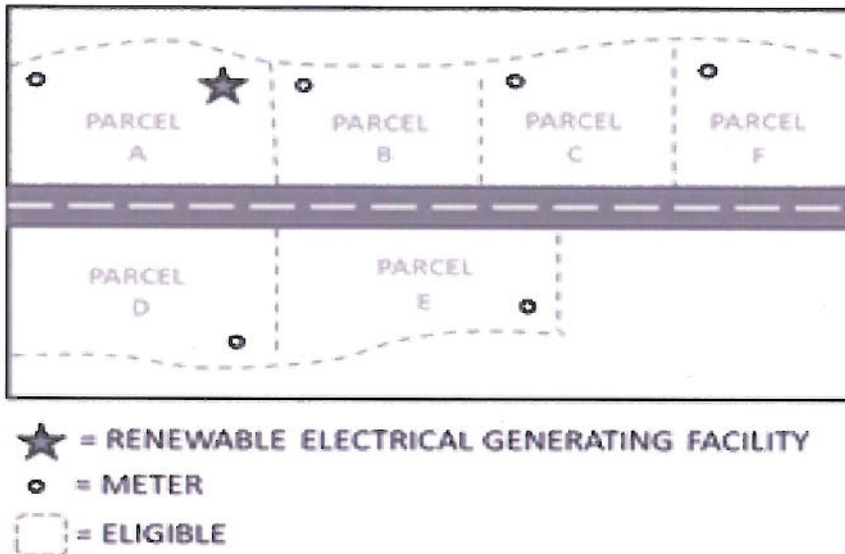
PG&E states that if the Commission rejects PG&E’s position and chooses to adopt the “A, B, C proposal” where C and A are eligible, it is important to require that all three parcels, A, B, C, have the same ownership requirement consistent with PUC Section 2827, that the properties are all “solely owned, leased, or rented by the eligible customer generator.”¹¹

PG&E Partial Supplemental Advice re: Issue 1

In their partial supplemental advice letter, PG&E clarified their interpretation of “adjacent or contiguous” with the addition of the following language and illustrative diagram:

Customer-generators are eligible to participate in Load Aggregation provided that all meters in a Load Aggregation Arrangement are located (i) on the property where the renewable electrical generation facility is located, or (ii) are located within an unbroken chain of contiguous parcels that are all solely owned, leased or rented by the customer-generator. For purposes of Load Aggregation, parcels that are divided by a street, highway, or public thoroughfare are considered contiguous, provided they are within an unbroken chain of otherwise contiguous parcels that are all solely owned leased or rented by the customer-generator, as verified in Form 79-1153.

For example, assume there are five parcels (A, B, C, D, E, and F) that form a cluster of contiguous parcels and D and E are separated from A, B, C and F by a street, highway, or public thoroughfare. For the purposes of participating in Load Aggregation, all five parcels are considered contiguous, provided they are otherwise contiguous and all are solely owned, leased or rented by the customer-generator. Refer to Diagram 1 (for illustrative purposes only).



¹¹ PU Code section 2827(h)(4)(A).

Energy Division Findings re: Issue 1

The Energy Division agrees with PG&E's proposal for modifications to issue 1, including the helpful diagram. No party protested PG&E's revised proposal on issue 1 and supporting comments were received in responses from: Récolte Energy, CFBF, and Joint Ag Parties.

Had the intent of SB 594 been to allow only adjacent parcels that are touching, there would have been no need to use the term contiguous at all as it would be superfluous under PG&E's interpretation.

Under the example presented in PG&E's Protest Reply, unbroken contiguous clusters of parcels under the same ownership or lease will be designated as not adjacent or contiguous due to parcel boundaries. Whereas if the same land was a single parcel the entire property would be eligible according to PG&E. This is an unreasonable interpretation and outcome. The presence of parcel boundaries within contiguous property under single ownership would pose an arbitrary barrier to NEM meter aggregation.

PG&E's revised language allowing parcels in a contiguous and unbroken chain under common ownership or lease to participate in a NEMA arrangement is consistent with the legislative intent of SB 594 to allow aggregation of meters on **property** that is adjacent or contiguous to **property** where the renewable electricity generator is located (emphasis added by ED). This proposed language removes ambiguity, avoids arbitrary results, and is consistent with the plain meaning of "adjacent or contiguous."

Protests Issue 2: Bill Credit Allocation Method

PG&E proposed a bill credit allocation methodology that calculates the proportional allocation of kilowatt-hours (kWh) based on each account's individual consumption compared to the total consumption of the NEMA arrangement as a whole, for each billing period. PG&E believes their proposed method is compliant with the statute.¹²

Récolte Energy (Récolte) protested PG&E's proposed billing methodology because at true up at the end of the 12-month Relevant Period, some meters won't receive their due allocations and others will have more allocated to them than justified by their loads. According to *Section (iii) in Electric Sample Form 79-1153 (NEM Load Aggregation Appendix)*, any excess allocation would be forfeited to PG&E. Récolte argues this is inconsistent with *PU Code Section 2827 (h)(4)(B) on Net Surplus Compensation*.

In lieu of allocating current monthly generation based on current monthly loads only, Récolte proposes an alternative method of bill credit allocation which would allocate current period generation in proportion to the meters' current period loads, *after adjusting for the cumulative*

¹² See: PUC Code Section 2827(h)(4)(C)

allocations that were made in prior billing periods. The Farm Bureau, SolarCity, and Joint Ag Parties support Récolte’s proposal.¹³

Récolte illustrates the problem of under allocation with a hypothetical case of three electricity meters with combined annual loads of 1,500,000 kWh being offset with annual generation of 1,500,000 kWh. In the example, Meter 1 receives less production than its consumption, while meters 2 and 3 receive more production than their respective consumption and forfeit these surplus kWh to the utility. In the example where production and consumption are equal in aggregate, the customer receives credit for approximately 92% of the generation output.

Other parties offered their own solutions to the under allocation of kWh. SEIA proposes that if at the end of a Relevant Period, a NEMA customer has credits remaining on any of its aggregated accounts, then the credits should be applied to other accounts in the load aggregation arrangement.¹⁴

IREC proposes that customers with multiple meters under the same rate schedule be allowed the option of electing allocation percentages per meter account, consistent with the IOUs’ allocation of virtual net metering bill credits.

PG&E Responses to Protests Issue 2

In their Reply¹⁵ PG&E opposed the “Récolte” method. First, they point out that SB 594 states that the “proportionate allocation shall be computed each billing period”. Second, they are concerned that the carryover of usage (kWh) to subsequent months will result in usage being valued at different rates due to changing seasons or other factors such as changing tiers.

In response to the proposal by IREC¹⁶ to have different bill credit allocation methods based on rate schedules, PG&E opposes this approach, arguing it adds complexity and extra expense to the billing of NEMA. PG&E opposes the SEIA proposal for reconciliation at the end of the Relevant Period on the grounds that kWh cannot be credited equitably due to a difference in rate schedules and generation value.

PG&E Partial Supplemental Advice re: Issue 2

After further analysis, PG&E proposed to adopt the “Récolte” method of bill credit allocation. PG&E modified Special Condition 2d¹⁷ to read:

For a customer-generator electing Load Aggregation
For each monthly billing period, the energy (kWh) exported to the grid (in kilowatt-hours or kWh) by the Renewable Electrical Generation Facility shall be allocated to each of the Aggregated Account meters (kWh reading), as well as the Generating

¹³ Farm Bureau Protest at p. 4-5, SolarCity Protest at p. 6-7, Joint Ag Parties Protest at p. 2-3.

¹⁴ SEIA Protest at p. 3-4.

¹⁵ PG&E Protest Reply to Advice Letter 4305-E, at 6.

¹⁶ IREC Protest at p. 5-6.

¹⁷ See: PG&E Advice 4305-E-A at sheet 8.

Account if it has load, based on the cumulative usage at each aggregated account and the cumulative generation from the generating account from the start of the Relevant Period. At the end of the month, once the allocation proportions are known, the kWh for each Generating Account meter interval will be allocated to each of the Aggregated Accounts for the corresponding interval.

Energy Division Findings: Protest Issue 2

Energy Division agrees with PG&E's revised method of credit allocation in Advice 4305-E-A, aka the "Récolte method". No party protested PG&E's revised proposal on issue 2 and supporting comments were received in responses from: Récolte Energy, CFBF, and Joint Ag Parties.

Under the new proposal customer generators will be allocated all of the kWh that they generate, but they could never be "over credited" because SB 594 makes customer generators electing load aggregation ineligible for Net Surplus Electricity Compensation (NSC) per PU Code Section 2827 (4) (B). The original allocation method proposed by PG&E in Advice 4305-E could lead to customer generators receiving less kW than they consume at a particular meter while other meters with a surplus will forfeit those surpluses.

First we reject the original proposed allocation method of PG&E. We can appreciate that PG&E's first proposal was consistent with the bolded portions of PU 2827 (4) (C):

*2827 (4) (C) If an eligible customer-generator with multiple meters elects to aggregate the electrical load of those meters pursuant to subparagraph (A), and different rate schedules are applicable to service at any of those meters, the electricity generated by the renewable electrical generation facility shall be **allocated to each of the meters in proportion to the electrical load served by those meters.** This proportionate allocation shall be computed **each billing period.***

However at the end of the 12-month relevant period, PG&E originally proposed to zero out the surplus credits on the **individual** meters with surplus credit without attempting to reallocate surpluses to other meters with deficits in the aggregation. By focusing on the requirements of monthly proportionate allocation per PU Code Section 2827(4)(C), PG&E's method appeared to disregard another section --2827(4)(A), which instructs them to use "the **aggregated load** for the purpose of determining whether an eligible customer-generator is a net consumer or a net surplus customer-generator during a 12-month period." (emphasis added by ED)

The revised method proposed by PG&E appropriately solves this challenge by enabling all kWh generated to be credited. While it is true, as PG&E has stated, that the carryover of usage (kWh) to subsequent months will result in usage being valued at different rates, this effect can work both for and against the customer and thus should balance out. The prohibition on receiving NSC per PU Code Section 2827 (4) (B) acts as a ceiling to prevent over crediting. On balance this method is more likely to fairly credit the customer generator without leading to unintended consequences and distortions.

Finally, we reject the alternative proposals of IREC and SEIA. IREC is correct in pointing out that the monthly proportionate allocation requirement of PU Code Section 2827 (4) (C) only applies to aggregation arrangements where the benefitting accounts are on different rate schedules. Since the legislation is silent on what method of bill allocation to use when all the benefitting accounts are on the same rate schedule IREC proposes that customers with multiple meters under the same rate schedule be allowed the option of electing allocation percentages per meter account, consistent with the IOUs' allocation of virtual net metering bill credits. IREC believes this option would avoid the problem of "stranded credits" that can occur under PU Code Section 2827 (4) (C).

We reject IREC's proposal for two reasons: first it is only a partial solution as it does not address the issue of under allocation of credits in the context of multiple meters on different rate schedules which is a far more likely scenario in the load aggregation landscape; and second it would be administratively complex and likely more costly for PG&E to manage NEMA with two different bill credit allocation systems. We understand the intent of SEIA's proposal, but we agree with PG&E's response that kWh cannot be credited equitably due to differences in rate schedules and generation values. SEIA did not offer sufficient specific details on how their proposed method would work in practice.

Protest Issue 3: Billing Service Charges

PG&E's proposed set-up fee of \$4 per aggregation account and incremental monthly billing fee of \$15 per account per month were protested by four parties.¹⁸ The combined concerns of the protesting parties are summarized as follows:

- Lack of cost justification was a common concern for all the protesting parties.
- The Commission should reject and delay PG&E's proposed billing service charges and instead require it to submit a detailed accounting underlying their proposed charges (SEIA, IREC, SolarCity)
- IREC finds PG&E's proposed NEM load aggregation billing charges significantly more expensive than its existing virtual net energy metering (VNM) charges. For example, PG&E's Schedule NEMV has a one-time \$12 set up charge for each benefitting account, but does not have monthly recurring charges. Thus, a PG&E customer with five benefitting accounts would pay \$60 in the first year under VNM, but would pay \$920 under PG&E NEM load aggregation billing charges.
- Under IREC's previous bill credit allocation proposal if customers with all meters under the same rate schedule are allowed to elect to allocate credits on a fixed percentage similar to VNM customers, then it would follow that they pay billing charges equal to the VNM tariffs which are far less expensive.
- PG&E "reserves the right to modify the service charges..." and notes that its charges are for manual billing and do not include the cost of upgrading to an automatic billing process. In response several parties propose that no further charges to customers should

¹⁸ See: CFBF at p. 6, SEIA at p. 5, SolarCity at p. 2, and IREC at p. 3.

be allowed without detailed cost justification through at least a TIER 3 Advice Letter (CFBF) or a Tier 2 Advice Letter (SEIA).

- The Commission should consider, spreading cost recovery of any fees over a reasonable period of time to ensure that customers do not face an up-front cost hurdle that act as a barrier to participation in NEMA (SolarCity).
- SEIA asks the Commission to be mindful that residential customers could be disproportionately burdened by billing service charges and asks that the charges be set at level that does not unduly impede residential NEM customers from participating in aggregation.

PG&E Responses to Protests Issue 3

In their Reply¹⁹ PG&E responded to the protests by stating that its costs are reasonable given the additional work required to set up and bill a NEMA customer. Further, PG&E says that its proposed fees represent 100 percent of the incremental costs of providing billing services for NEMA under a manual billing solution. However, PG&E does not include any IT costs to automate the billing at this time, nor does it include future labor costs.

PG&E states that NEMA will leverage existing PG&E NEM system capabilities for account set-up, which explains why their proposed account set-up fee is a modest \$4 per account. They do not propose an automated billing solution at this time, due to the uncertain size of the NEMA market segment. PG&E states that usage data revisions for an aggregated account will impact the generation percentages and allocations to all aggregated accounts. This is how they justify an incremental cost of \$15 per account per month for manual monthly billing.

PG&E Partial Supplemental Advice re: Issue 3

PG&E has agreed to modify their proposed fee structure to: \$25 per account set-up fee (capped at \$500 per NEMA arrangement), and \$5 per account monthly billing fee. PG&E has expressed concern that this level of fees may not fully recover the incremental costs associated with billing services for NEMA. Accordingly, PG&E requested that ED direct PG&E to track costs for billing including the costs to automate billing for NEMA. Following review of actual billing costs PG&E proposes to file for CPUC approval of an adjustment (if warranted) to the NEMA billing fees consistent with statute.

Responses and Protest to PG&E Supplemental re: Issue 3

Supporting comments were received in responses from: Récolte Energy, CFBF, and Joint Ag Parties. SolarCity filed a protest to PG&E Advice 4305-E-A, on January 21, 2014, noting that the changes addressed all of their concerns from their original protest except the billing fees. SolarCity requested that PG&E adopt the same billing fee as proposed by SDG&E: a one-time \$220 per account set-up fee with no monthly recurring fees. SolarCity notes that under a 10-meter configuration the amount of revenue collected under PG&E's revised approach would exceed the amount of revenue that SDG&E asserts it would need to recover its billing costs in the

¹⁹ PG&E Protest Reply to Advice Letter 4305-E, at 8.

program within approximately four years. From the perspective of cost, SolarCity find's SDG&E's approach more reasonable.

SolarCity offers three additional amendments to the billing fee proposal:

- The per meter set-up fee should be reduced after the 1st 10 meters on the expectation that efficiencies and economies of scale are achieved;
- Customers should have the option to pay the \$220 set-up fee in \$5 monthly installments to address the barrier of high upfront costs; and
- Any subsequent changes to the fees charged should only apply to new aggregation arrangements to avoid creating price uncertainty for early adopters.

PG&E Response to Supplemental Protest Issue 3

PG&E did not address each of SolarCity's points, but their primary response was that if the fees proposed for NEM Load Aggregation are determined by the Commission at a future date to be too low or too high and require adjustment, those updated fees should apply equally to all participating customers. To do otherwise would not be consistent with the statute.

Energy Division Findings: Protest Issue 3

Energy Division approves the modified billing service fees proposed by PG&E Advice 4305-E-A: not to exceed \$25 per account set-up (capped at \$500 per NEMA arrangement), and not to exceed \$5 per account monthly billing fee. Energy Division provides the following additional guidance:

- We direct PG&E to track costs for NEMA billing via a memorandum account for one year from the effective date of the NEMA tariff, including the costs of automating the NEMA billing system if such automation is more cost effective for NEMA customers than manual billing.
- After one year from the effective date of the NEMA tariff PG&E may file a Tier 3 Advice Letter proposing modifications to the billing service fees and must include detailed justification for the proposed fees. Should the fee structure change existing customers shall not be retroactively charged or debited and the new fees shall apply to all NEMA customers on a going forward basis.
- If the costs are significantly higher, PG&E should consider spreading cost recovery of any fees over a reasonable period of time to ensure that customers do not face an up-front cost hurdle that act as a barrier to participation in NEMA.

We find this to be a prudent and reasonable approach which, on balance, addressed most of the protest concerns raised on billing fees. The Energy Division views PG&E's original proposed fee structure as a projection. It is difficult to assess a projection for a program that has not been implemented. The risk of over-charging must be weighed against the risk of undercharging. Excessively high fees could deter participation while excessively low fees could result in costs shifting to non-participants. Authorizing an opportunity for a potential revision to the fee structure after one year of program operation mitigates these risks to some degree.

We don't find reasonable the request of some parties to defer setting any billing service fees for one year. This is not consistent with the legislative requirement to have customers remit fees for the cost of billing services. It will give early adopters an unrealistic sense of the cost of participation in the 1st year.

While there is some merit to the fee structure proposed by SDG&E, it is a projection as well, thus tracking actual expenses for one year will provide greater insight into to actual costs. Compared to PG&E's proposal the SDG&E proposal recollects exponentially higher revenue in the 1st year. If the fees are adjusted downwards after the review process this would result in significant over collection. If adjustments are necessary, we are inclined not to require customer crediting or debiting, and thus find the PG&E fee proposal more reasonable. On that basis we deny the SolarCity protest of the supplemental Advice 4305-E-A.

Protest Issue 4: Effective Date

PG&E originally requested an effective date of 120 days from the approval date of the Advice 4305-E while the other two IOUs each requested 30 days from the date of filing for their respective NEM tariff revision advice letter filings in compliance with Resolution 4610 and SB 594.²⁰ Multiple parties²¹ protested and suggested that the effective date be 30 days from the date of filing or upon approval of the Energy Division.

While we don't believe 120 days is necessary for this advice letter to become effective, the date of this disposition letter is nearly 120 days from the October 21, 2013 filing. PG&E agreed in its supplemental filing that the tariff will be effective within 30 days of filing, which has long past. Therefore the advice letter is effective on the date of approval by the Energy Division.

Protest Issue 5: Clarification with Respect to the Permanent Prohibition on Net Surplus Compensation (NSC) for Aggregated Facilities

As part of SB 594, Section 2827 of the PU Code was modified to provide that:²²

If an eligible customer-generator chooses to aggregate pursuant to subparagraph (A), the eligible customer-generator shall be permanently ineligible to receive net surplus electricity compensation, and the electric utility shall retain any kilowatt hours in excess of the eligible customer generator's aggregated electrical load generated during the 12-month period.

In its protest SEIA²³ requested tariff language changes to clarify that the permanent prohibition on receiving NSC only apply to a Generator Account, and not to an Aggregated Account that subsequently separates from a Load Aggregation Arrangement.

²⁰ SCE Advice 2952-E and SDG&E Advice 2529-E, each filed on October 21, 2014

²¹ Joint Ag Parties, p.3; CFBF, p.6; SolarCity, p.7, Recolte Energy, p. 3, and SEIA, p.

²² See CA PUC section 2827(h)(4)(G).

²³ SEIA at p. 6-7.

PG&E did not respond to this protest in its Reply on November 19, 2013. After discussions with ED staff, PG&E agreed to address this protest point in their Supplemental filing.

In Advice 4305-E-A PG&E revised the language in Special Condition 6 to reflect SEIA's requested changes and to preserve statutory compliance. Similar changes were made to Form 79-1153 in the NEM Load Aggregation Appendix²⁴. Special Condition 6 now includes the following additional language: (emphasis added by ED)

If an eligible customer-generator elects Load Aggregation as described in Special Condition 8, the Generating Account shall be permanently ineligible to receive net surplus electricity compensation, and PG&E shall retain any kilowatt-hours and zero out any credits remaining on each account in the Load Aggregation Arrangement at the end of the Relevant Period. **However, if an Aggregated Account that is not a Generating Account is separated from the Arrangement, and subsequently qualifies for NEM, it is also eligible for NSC.**²⁵

This clarification is logical, consistent with the statute, and addresses the protest of SEIA on this point.

Protest Issue 6: NEM Cost Tracking

Resolution E-4610, ordering paragraph 4 states: "Within one year of the effective date of this Resolution, the IOUs will submit reports on the costs of interconnection for all NEM customers, as directed by the Energy Division director, which they will begin tracking immediately."

In their protest IREC recommended that interconnection costs be tracked in at least five cost categories (not an exhaustive list)²⁶. PG&E's response²⁷ to each item is included below:

- **Transformers:** PG&E plans on tracking these costs within the distribution system upgrade cost category.
- **Secondary wires:** PG&E plans on tracking these costs within the distribution system upgrade cost category.
- **Technical analysis time:** PG&E plans to track these costs on a programmatic (not project) level for all NEM interconnection requests.
- **Distribution system upgrades:** PG&E plans to track these costs on a project level for all NEM interconnection requests.
- **Administrative and general costs:** PG&E plans to track these costs on a programmatic (not project) level for all NEM interconnection requests.

²⁴ PG&E Advice 4305-E-A at sheet 17 and Form No, 79-1153 at 2.

²⁶ IREC p. 7.

²⁷ PG&E Protest Reply to Advice Letter 4305-E, at 10.

Energy Division appreciates that consistent and detailed tracking of NEM-related interconnection costs is a priority. The Energy Division will follow-up on with IOUs directly on NEM cost tracking and not as part of this advice letter filing which deals with tariff changes to NEM.

Protest Issue 7: California Solar Initiative (CSI) Application Treatment

SEIA requested clarification in the NEM tariff revisions for treatment of a prospective NEMA customer that has received a CSI incentive reservation for more than one renewable electrical generating facility (i. e., generating account) on a single property: “SEIA requests clarification that two separate generating facilities can be streamlined into one larger generating facility (consistent with the statutory size limit for a single NEM system) and the two CSI incentives combined into one larger incentive equal to the cumulative value of the separate incentives.”²⁸

PG&E responded²⁹ by noting that resolving CSI treatment of such applications is not within the scope of the NEM tariff, suggesting that CSI changes are subject to Senate Bill 1 (SB 1) limits and the CSI Handbook.

According to the CSI Handbook in section 2.2.4 Equipment Must Serve On-Site Electrical Load, “To be eligible for CSI Incentives, the system must be sized so that the amount of electricity produced by the system primarily offsets part or all of the Host Customer’s electrical needs at the Project Site.” Thus, current CSI rules limit the CSI incentive to the total annual electrical load (kWh) at the site where the generating system is located.

The same section of the CSI Handbook describes a different treatment for RES-BCT projects:

Any local governments participating in the RES-BCT tariff (AB 2466) are eligible for incentives up to the total annual electrical load (kWh) at the Site where the generating system is located. The system’s annual production capacity may not exceed the total annual electrical load at the Site where the generating system is located and the Non-Site benefitting account(s) combined. Local government sites participating in the RES-BCT tariff must comply with the 1MW cap per site.³⁰

Changes to the CSI Handbook are handled outside of this advice letter compliance filing and must be consistent with SB 1.

²⁸ SEIA p. 6.

²⁹ PG&E Protest Reply to Advice Letter 4305-E, at 10.

³⁰ California Public Utilities Commission California Solar Initiative Program Handbook, 2013, at p. 23.