

DOCKETED
12-IEP-1D

TN # 66058

JUL 02 2012

Energy - Docket Optical System

From: Green, Lynette@Energy
Sent: Monday, July 02, 2012 9:58 AM
To: Energy - Docket Optical System
Cc: Parrow, Donna@Energy; Korosec, Suzanne@Energy
Subject: FW: Consider the poor ratepayers

Please docket the forwarded email below under 12-IEP-1D per Chair Weisenmiller's request. Thank you.

From: f.brandt@att.net [mailto:f.brandt@att.net]
Sent: Friday, June 29, 2012 3:43 PM
To: Cross, Catherine@Energy; Awolowo, Ollie@Energy; Graber, Cathy@Energy; McDonnell, Kathleen@Energy
Cc: Jennings, Jennifer@Energy
Subject: Consider the poor ratepayers

Please pass this note and the NY Times article on to the CEC Commissioners.

I receive email from the CEC and I find that the various workshops supporting the IEP consistently ignore the taxpayers and electricity ratepayers of California. The CEC is not being fair to these citizens. I believe the CEC should consider this in future workshops. Eventually these citizens will rebel at the actions of the State government with respect to generation and sale of electricity in the state.

Meaningful reduction of green house gas may be a worthwhile effort. A small reduction of GHG by using non reliable energy sources is not worthwhile.

Frank Brandt, a tax and ratepayer
San Jose, CA

New York Times Business Day
Solar Panel Payments Set Off a Fairness Debate
By DIANE CARDWELL Published: June 4, 2012

In California's sun-scorched Central Valley, the monthly electric bill can easily top \$200. But that's just about what George Burman spent on electricity for all of last year. When the sun is shining, the solar panels on his Fresno condominium produce more than enough power for his needs, and the local utility is required to buy the excess power from him at full retail prices. Those credits mostly offset his purchases from the electric company during cloudy days and at night.

Mr. Burman says the credit system, known as net metering, is a "very nice benefit" for him. But it's not such a good deal for his utility, Pacific Gas and Electric.

As he and tens of thousands of other residential and commercial customers switch to solar in California, the utilities not only lose valuable customers that help support the costs of the power grid but also have to pay them for the power they generate. Ultimately, the utilities say, the combination will lead to higher rate increases for everyone left on the traditional electric system.

"Low-income customers can't put on solar panels — let's be blunt," said David K. Owens, executive vice president of the Edison Electric Institute, which represents utilities. "So why should a low-income customer have their rates go up for the benefit of someone who puts on a solar panel and wants to be credited the retail rate?"

The net metering benefit, which is available to residential and commercial customers with renewable energy systems in more than 40 states and has helped spur a boom in solar installations, is at the heart of a battle. Utilities, consumer advocates and renewable energy developers across the country are fighting over how much financial help to give to solar power and, to a lesser extent, other technologies. Regulators are in the middle, weighing the societal benefits of renewables as well as how best to spread the costs.

Net metering has been so popular that several states are rapidly approaching regulatory limits on how many systems are eligible, meaning new customers have no assurance they can reap the same rewards. The solar industry, which is

growing in size and influence, has been pressing to raise those limits to continue to encourage rooftop installations, while the utilities have generally been opposed.

In a closely watched decision that could influence the path of other states, California regulators decided last month to effectively double the amount of solar power capacity eligible for net metering. More than 60,000 people wrote to the Public Utilities Commission in support of raising the cap, which would allow new customers to continue being credited at a high rate for electricity they produce but do not use.

But representatives of the three major utilities that are covered by the decision said it would simply shift the fixed costs of maintaining the electric grid, which are embedded in electric rates, to other customers.

Other states, including New York, Massachusetts, Louisiana and Virginia, have also been reviewing their programs, which are transforming the fundamental relationship between customers and their utilities.

In Massachusetts, which pays net metering customers close to the retail electricity rate, lawmakers recently revised the tariff program to create separate caps for the public and private sectors. The Department of Public Utilities is currently seeking to clarify which entities, like schools and universities, should count against each cap, an issue of some urgency since the private limit is close to being reached.

Some states have also begun to impose new fees as they have increased the amount of power customers are allowed to generate and sell. When Virginia doubled the size of home systems eligible for net metering to 20 kilowatts last year, it allowed the main utility to start charging a monthly fee this year for owners with systems larger than 10 kilowatts.

The policy choices could have profound and lasting effects. The federal Department of Energy envisions a future in which a typical homeowner might feed power into the system from solar panels, small wind turbines or electric vehicles sitting idle in the garage, offsetting charges for power used at a later time and helping provide energy to the system during periods of high demand. Steven Chalk, the deputy assistant secretary for renewable energy, said that net metering was critical to realizing that future, "where users are very involved in what they're using in terms of demand and what they're also generating."

So far, customers using net metering account for just a sliver of the overall electricity market — about 0.1 percent in 2010, according to the Energy Information Administration. But they have been increasing at a fast clip. Between 2003 and 2010, growth averaged 56 percent a year, rising to 155,841 customers from 6,813, with about half in California.

The formulas used to calculate payments to customers vary, with some states using the wholesale price of electricity and others offering the higher retail rate. In California, the incentive is especially generous because residential customers often earn credits during the day, when rates are higher and solar panels are producing power, and draw power against those credits in the evening, when rates are lower.

At the Mount Diablo Unified School District, which has a large project installing systems at its 51 sites east of San Francisco, the advantage is seasonal. The panels produce power in July and August, when the buildings sit idle and rates are highest because of the demand for air-conditioning. Officials estimate that the project, financed through a large bond offering, will cover 95 percent of its electricity needs, which cost \$3.5 million last year, said Steven Lawrence, the superintendent.

"If you can't net meter in the summer months, it definitely doesn't pencil out," he said.

But the affected utilities, the three large investor-owned companies operating in the state, say solar customers have been getting a free ride on the backs of regular ratepayers. They use the grid essentially as "a big battery" without covering the cost to maintain it, said Steven E. Malnight, a vice president at Pacific Gas and Electric.

And as more solar customers, often big power users, pay the utilities less, the utilities say they will raise rates to recover their costs from a shrinking customer base.

Dan Skopec, a vice president at San Diego Gas and Electric, said that the transfer to net metering customers could add up to \$1.4 billion a year by the time the state reached the new cap. The Public Utilities Commission ordered a study of the costs and effects of net metering on customers when it voted to expand the program. Utility executives would not say whether they would sue over the expansion, but Mr. Skopec said it was "wrong on the law."

Even some consumer advocates who frequently challenge the utilities are arguing that it is time to rethink the generous rate structure, which was initially put in place to encourage the industry at a time when solar systems were far more

expensive to install. With those costs down, it now takes much less time to pay off the investment.

“The goal of net metering should not be to give the shortest possible payback period; we’re not trying to shower people with free money,” said Matthew Freedman, a lawyer at the Utility Reform Network, a California advocacy group that works on behalf of residential ratepayers. “We want to make it a reasonable investment while protecting the interests of all the other customers on the system who have to pay for it.”

For the moment, though, net metering is making evangelists out of customers like Phil Silver. As treasurer of his Santa Monica condominium association, Mr. Silver has seen electric bills plummet for the common areas, which are powered from a solar array. He cannot wait, he said, until they can build a system to feed individual apartments. He is encouraging his sister, who lives in New Jersey, a state with robust incentives, to put panels on her roof.

Calling California an incubator for a fully integrated renewable energy system, he said: “The question we have to ask ourselves is, Do we want to be at the forefront of developing these technologies and providing a market for them, or do we want to lose that momentum that we have?”