

CALIFORNIA ENERGY COMMISSION

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2013 Integrated Energy Policy Report)
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Docket No. 13-IEP-1)
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Docket No. 13-IEP-1

<p>California Energy Commission</p> <p>DOCKETED</p> <p>13-IEP-1</p> <hr/> <p>TN # 71477</p> <p>JUNE 28 2013</p>

COMMENTS OF THE CITY OF SAN DIEGO IN SUPPORT OF THE JOINT PETITION FOR SOCIETAL COST-BENEFIT EVALUATION OF CALIFORNIA’S NET ENERGY METERING PROGRAM

Pursuant to the “Notice Requesting Public Comments: Petition for Societal Cost-Benefit Evaluation of California’s Net Energy Metering Program,” dated June 7, 2013, the City of San Diego (City) respectfully submits these comments.

On June 5, 2013, a coalition of parties submitted a joint petition to the CEC: “Petition of American Lung Association in California, Asian Pacific Environmental Network, Brightline Defense Project, California Center For Sustainable Energy, California Environmental Justice Alliance, California Solar Energy Industries Association, Coalition For Clean Air, Distributed Energy Consumer Advocates, Environment California Research & Policy Center, Environmental Defense Fund, Interstate Renewable Energy Council, Inc., Local Energy Aggregation Network, Dr. Luis Pacheco, Presente.Org, Sierra Club, Solar Energy Industries Association, and The Vote Solar Initiative for Societal Cost-Benefit Evaluation of California's Net Energy Metering Program” (Petition). The Petition requests the California Energy Commission (Energy Commission) to “undertake a study of the societal costs and benefits of the net energy metering (NEM) program authorized by Public Utilities Code Section 2827 and prepare a report to the Legislature under the general authority granted to the Commission by Public Resources Code Sections 25400, 25000.1, and 25001.

The City strongly supports the goals of the Petition. In these comments, the City offers additional support for the Petition and makes suggestions regarding the scope of such a study called for in the Petition.

The City has installed several solar projects that rely on NEM. In addition, the City has established a policy goal to install up to 5 MW of solar photovoltaic (PV) projects on City facilities. Aside from actions being taken at City facilities, the City also has a draft Climate Action Plan (CAP) that has a target to reduce greenhouse gas emissions by 83% relative to baseline by 2050. A key component of this plan is to have citizens and businesses reduce their carbon footprint by self-generation of carbon-free energy. The

City expects that rooftop solar will play an important role in meeting its greenhouse gas reduction targets in both the near- and long-term.

As noted in the Petition, Energy and Environmental Economics (E3), as a contractor to the California Public Utilities Commission (CPUC), is examining a single perspective in its evaluation of the cost-effectiveness of NEM. Similarly, Black and Veatch is conducting a cost/benefit analysis of NEM for solar PV in SDG&E's territory on behalf of the Energy Policy Initiatives Center (EPIC) at the University of San Diego School of Law. This study is narrowly focused on the costs and benefits of NEM PV to the electric system. Neither study will attempt to quantify or explore potential societal benefits associated with NEM. The City is concerned that these efforts and other similar studies, with their field of view constrained and limited to the costs and benefits of NEM to the electric system, will present a substantially incomplete picture of the total benefits of NEM, and as a result NEM may be curtailed or significantly changed in the future.

In order to avoid presenting policymakers with an incomplete evaluation of the range of benefits and costs associated with NEM, the City believes that a multi-faceted cost-effectiveness evaluation is necessary. This has been the approach that has been used in the past by the CPUC to evaluate the cost-effectiveness of different resources, such as Energy Efficiency and Demand Response. This is also a goal of the Petition: to ensure that the policymakers understand the various attributes and value associated with NEM.

The Energy Commission is likely aware that the CPUC just recently embarked on an effort to develop a Social Cost Test for demand-side resources.¹ The CPUC's Energy Division held a workshop on June 13, 2013, in which its contractor, E3, presented its research and some very preliminary results associated with three factors that E3 believes would be important to consider in a Societal Cost assessment of demand-side resources: (1) CO₂ costs, (2) criteria pollutant health impacts, and (3) societal discount rate. It should be noted that those three factors are a subset of the very comprehensive list of potential societal benefits outlined in the Petition that could be evaluated in the proposed study.

The results presented at the workshop, while preliminary, were eye-opening. By including the effects of the societal discount rate, health adder, and carbon adder in the benefits of the Total Resource Cost test, the benefits for several energy efficiency programs increased between 40% and 250%, depending on the program and assumption for the three factors. While these results are not for NEM, they do indicate that failure to consider various societal benefits could well result in a significant understatement of the cost-effectiveness of NEM.

The City recognizes that there will be societal benefits and costs that are difficult to quantify. However, difficulty in quantification should not result in the Energy Commission assuming that there is no societal benefit or cost associated with the factor. Failure to even acknowledge the existence of the benefit is effectively the same as

¹ Materials for the workshop are available on the CPUC's website at the following link: <http://www.cpuc.ca.gov/PUC/energy/Energy+Efficiency/Cost-effectiveness.htm>

assuming that there is no effect of the factors. Rather than “assuming away” the hard-to-quantify factors, it is important to both identify the factors and describe how it may provide a qualitative score to factors that are not quantified.

The City, while supportive of a complete assessment of societal benefits and costs, believes that there needs to be a balancing of level of effort relative to cost and time expended on such a study. For this reason, the City believes that the first step in the proposed study by the Energy Commission is to develop a comprehensive list of potential societal benefits and costs. Once such a list is developed, the next step should be to prioritize the work scope to focus effort on quantification of the potential benefits and costs that would have the greatest impact on the Societal Cost Test results.

In addition to narrowing the scope of factors being quantified, the City believes that the Energy Commission should strive to leverage work already completed (or soon to be completed) by the CPUC’s contractor in its development of a Societal Cost test. This will allow the Energy Commission’s study to evaluate societal benefits and costs that the CPUC is not addressing in its study and, as a result, improve on the analysis.

The City recognizes that there will be societal benefits and costs that are difficult to quantify. However, difficulty in quantification should not result in the Commission ignoring the factor. Instead, the study should describe and assign a qualitative score to factors that are not quantified.

For the reasons stated above, the City of San Diego supports the Petition’s request for a focused study of the societal benefits of Net Energy Metering.

APPROVED: JAN I. GOLDSMITH, City Attorney

By 

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