

June 28, 2013



California Energy Commission
Docket Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket Number 13-IEP-1 Comments on Petition for Societal Cost-Benefit
Evaluation of California's Net Energy Metering Program

Dear Commissioners:

On June 5, 2013, 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 (Petitioners) submitted a Petition for Societal Cost-Benefit Evaluation of California's Net Energy Metering Program (Petition) to the California Energy Commission (CEC) in the above-referenced proceeding. In the Petition, Petitioners specifically request that the CEC:

1. Undertake a narrowly tailored study of the societal costs and benefits of the net energy metering (NEM) program — quantifying the value of energy generated by NEM customers that is exported to the grid and the value of all energy generated by NEM customers that is used on-site — to supplement the California Public Utilities Commission's (CPUC) forthcoming ratepayer impact cost-effectiveness evaluation of the NEM program, and prepare and submit a report on the Commission's study to the Legislature by December 1, 2013; and

2. Establish an expedited process to incorporate consideration of the societal costs and benefits of the NEM program into the 2013 [Integrated Energy Policy Report.]¹

The CEC Staff invited parties to submit written comments on the Petition by June 28, 2013, and reply comments by July 15, 2013. In response, Southern California Edison Company (SCE) submits these comments on the Petition. In principle, SCE supports comprehensive assessments of the cost-effectiveness of utility programs from a variety of perspectives. However, careful and balanced approach that fully assesses the societal benefits *and costs* of NEM is critical to any valid assessment. Further, before any purported non-energy benefits (NEBs) that are uncertain and highly subject to debate are included in any NEM cost-effectiveness analysis, fully comprehensive and publically vetted studies should be conducted.

I. SCE is Concerned that a Comprehensive Study of Societal Costs and Benefits Cannot be Adequately Completed in the Timeframe Proposed by Petitioners.

In the Petition, Petitioners request a study of societal costs and benefits of the NEM program to supplement the CPUC's upcoming ratepayer impact cost-effectiveness evaluation of the NEM program.² The CPUC ordered the Energy Division to oversee the preparation of an updated NEM cost-effectiveness report to be completed no later than October 1, 2013. The report will, among other things, quantify the costs and benefits of NEM to participants and non-participants and will further disaggregate the results by utility, customer class, and household income groups within the residential class.³

The Energy Division contracted with Energy and Environmental Economics, Inc. (E3) to complete the NEM study. Subsequently, on October 22, 2012, the Energy Division hosted a public workshop to discuss the revised scope of work and E3's proposed methodology for conducting the NEM study and invited parties to submit informal comments on Phase 1 of the NEM study. E3's study has been progressing for almost one year. A thorough study of the societal costs and benefits cannot possibly be adequately conducted by December 1, 2013, as proposed by the Petitioners. If the CEC feels that such a study is desired, then SCE urges the CEC to postpone such a study until after the E3 study for the CPUC is completed and stakeholders have an opportunity to thoroughly review and provide comments on the findings.

¹ Petition, p. 2.

² Petition, p. 2.

³ D.12-05-036, Ordering Paragraph 5, p. 21.

II. The Scope of any Societal Cost-Benefit Analysis Undertaken Should be Predicated on Comprehensive and Transparent Studies that Assess all the Societal Benefits and Costs of NEM.

In the Petition, Petitioners only focus on including the following set of highly speculative benefits in the proposed societal cost-benefit study of NEM:

1. Increased employment and downstream economic effects;
2. Market price impacts of NEM resources;
3. Encouraging other NEM-eligible technologies;
4. Grid security benefits;
5. Leveraging private capital;
6. Leveraging available federal tax benefits;
7. Avoided energy expenditures enable customers to increase discretionary spending and stimulate their local economy;
8. Increased tax base for state and local governments;
9. Avoided morbidity and mortality associated with fossil-fuel generation;
10. Increased welfare and productivity;
11. Reduced GHG emissions/climate change impacts;
12. Avoided air pollution costs;
13. 100% Renewable Attribute Value;
14. Avoided environmental, safety and economic costs;
15. Reduced water consumption;
16. Improved residential and recreational visibility benefits due to pollution reduction;
17. Avoided land use impacts; and
18. Ratepayer impacts.⁴

If the CEC chooses to conduct a NEM societal cost-benefit analysis, a comprehensive and careful study would need to be conducted that seeks to define and quantify all potential societal costs and benefits of NEM. At a minimum, this study would need to examine all net effects of NEM on California's economy, including the effects of any lost jobs or tax revenues arising from reductions in central station power plant construction and operation, as well as the effects of shifts that may occur from non-energy spending to energy spending as electricity customers are increasingly burdened with the cost of subsidizing NEM customers. Additionally, other obvious and more explicit costs would need to be included in any societal cost test, including distributed generation system costs, distribution system upgrade costs, NEM program administration costs, and system reliability costs. In addition, to determine which non-energy benefits and costs to include in a cost-effectiveness analysis, several questions must be addressed, such as:

- Are the identified benefits already included as part of the avoided capacity, avoided energy, and avoided Transmission & Distribution cost?

⁴

Petition, pp. 22-28.

- Can we reasonably quantify the non-energy benefits and costs?
- How significant is the value of the benefit or cost to the program that is under evaluation?

Most of the societal non-energy benefits included in the Petitioner's list are highly uncertain and mostly unquantifiable, and attempts to quantify these effects for valuation often lead to unreliable results.⁵ Because NEBs and non-energy costs (NECs) are inherently debatable, SCE recommends that, if the CEC proceeds with the proposed study of societal costs and benefits, the CEC should ensure that the study is fully transparent and that stakeholders have ample opportunities to review and provide comments on the analysis. As part of this vetting process, SCE recommends that the CEC conduct careful studies with stakeholder input on the candidate NEBs and NECs to quantify them before conducting a societal cost effectiveness study.

III. A Societal Cost-Benefit Test is Ill-Equipped to Assist in Resolving Fundamental Issues about the Current NEM Tariff.

The Petitioners claim that they "are not aware of any societal costs of NEM for non-participant ratepayers" and claim that "it is not necessary or appropriate for the Commission to consider any cost of the NEM program to participants as a societal cost."⁶ However, E3's 2010 cost-effectiveness study that was commissioned by the CPUC concluded that the NEM program imparted significant costs to non-participating ratepayers. Unfortunately, these costs to ratepayers are benefits to solar customers through the NEM subsidy and thus would be masked as transfer payments in a societal cost effectiveness analysis. A societal cost-effectiveness test for NEM would therefore fall short in assisting utilities, regulators, customers, and other stakeholders in coming to agreement on the fundamental question of how to support California's clean energy goals without burdening ratepayers with the cost of providing solar customers with a heavy and unsustainable subsidy.

IV. Conclusion

SCE appreciates the opportunity to provide these comments on the Petition.

Respectfully submitted,

/s/ Manuel Alvarez

Manuel Alvarez

⁵ See paper prepared by the CPUC Energy Division Staff entitled *Addressing Non-Energy Benefits in the Cost-Effectiveness Framework*, which was based on research provided by Ed Vine of the California Institute for Energy and the Environment, p. 2.

⁶ Petition, p. 2 and fn. 2.