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Sent: Tuesday, November 09, 2021 12:08 PM

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Subject: Agenda Item 6.2 NEM - SDG&E Comments

Importance: High

**Warning:
External
Email**

Dear Councilmembers and Mayor,

I write in regards to tonight's item 6.2 "Sustainability Commission: Consideration of Sending a Public Comment to the California Public Utilities Commission Regarding CPUC Net Energy Metering 3.0" and ask that the City Council consider this additional information. In conjunction with the proceeding, the CPUC commissioned a study to review the current NEM program which determined:

- **Current rooftop solar subsidies increase electricity bills for non-solar customers**
- **Areas with higher incomes show higher percentages of solar installations relative to California's population**
- **Rooftop solar subsidies created by the current program are disproportionately paid by younger, less wealthy, and more disadvantaged electricity customers**

Attached you will find a presentation that outlines these issues and ask that the Council consider this information and additional perspectives before submitting a comment in the form of a letter or resolution.

- **This is about equity, not profits.** SDG&E and the other utilities don't profit off reform measures, we are legally not allowed to profit from the sale of energy. This is about spreading costs fairly across all customers that use and depend the grid.
- **More than 80% of customers in SDG&E's service territory are paying more on their electric bill because of the outdated NEM structure.** A recent CPUC white paper concluded:
 - CARE customers are currently seeing **bills that are 13% higher as a result of the current NEM program**
- **This is not a solar vs utility issue.** Other credible environmental groups, consumer advocate groups and community groups are also pushing to update the outdated NEM program
- **Californians simply should not be expected to pay more for energy from rooftop solar** if the same renewable energy and environmental benefits can be achieved at a lower cost

At SDG&E we would like to work with the City of Chula Vista to develop a comment to the CPUC that takes into consideration all the available information, and focuses on the root issue at hand, equity and stopping the cost shift. We would recommend language such as: **The Chula Vista City Council urges the CPUC to adopt a NEM 3.0 that ensures equitable and robust solar rooftop and battery adoption and does not burden non-solar and low-income customers.**

There are currently 11 different proposals submitted to the CPUC, so we would recommend not calling out one proposal in particular (The IOU Proposal) but rather urge the action on any of the proposals so that your recommendations are included in all proposals. This is a huge opportunity for the City of Chula Vista to lead the way and focus on what it would like to see in any of the NEM proposals brought forward by the CPUC.

Here is a list of organizations throughout the State that have joined efforts to focus on equity and stop the cost shift: <https://fixthecostshift.com/supporters/>

Here you will find an article by the UC Berkeley Energy Institute titled “Rooftop Solar: Net Energy Metering hurts the poor. It’s that simple.”

<https://fixthecostshift.com/uc-berkeley-energy-expert-sums-up-whats-wrong-with-californias-rooftop-solar-program/>

We hope that we can work together on this issue. Please let me know if you have any questions.

Thank you,

Roberto Alcantar

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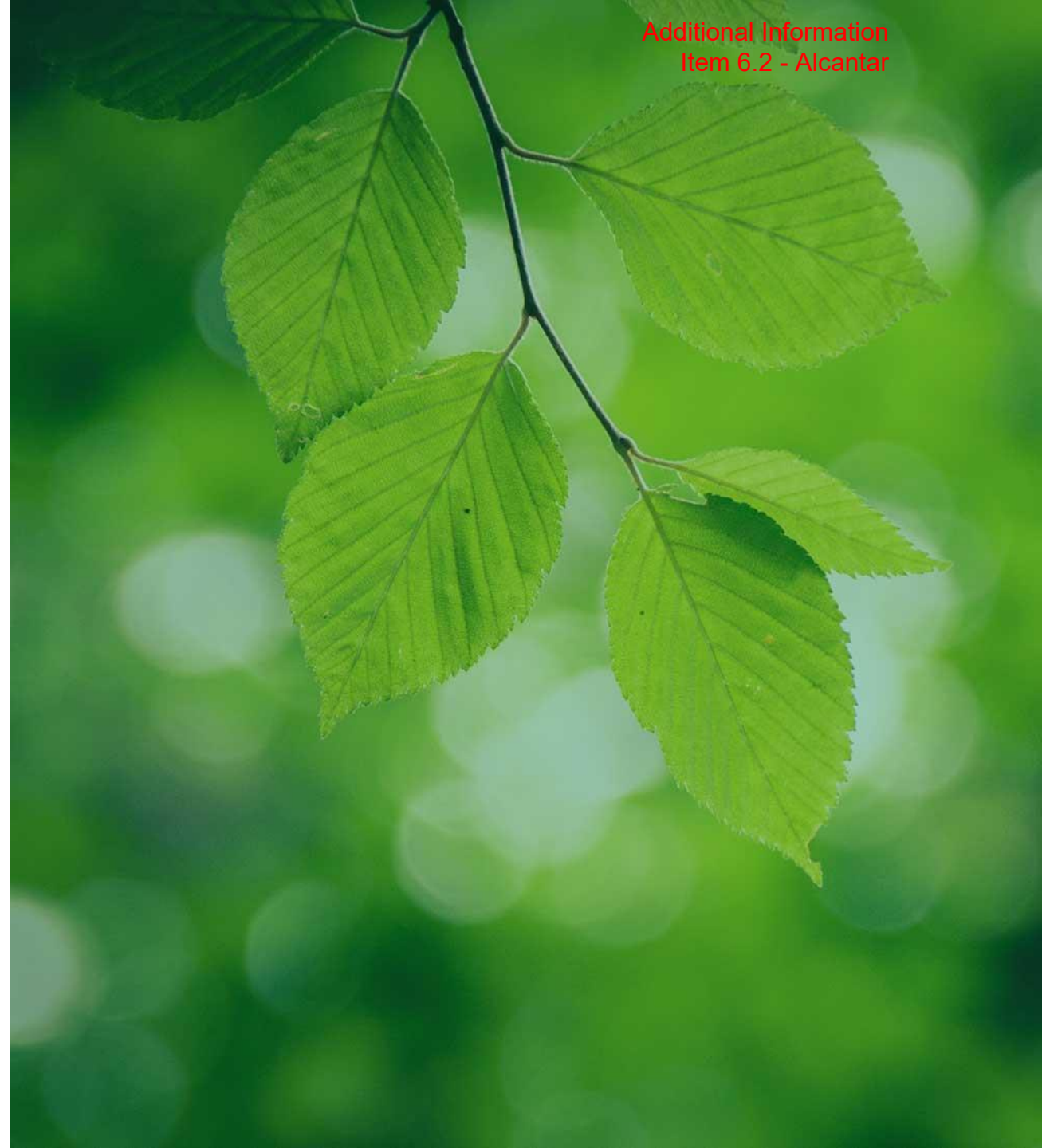


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Net Energy Metering Reform

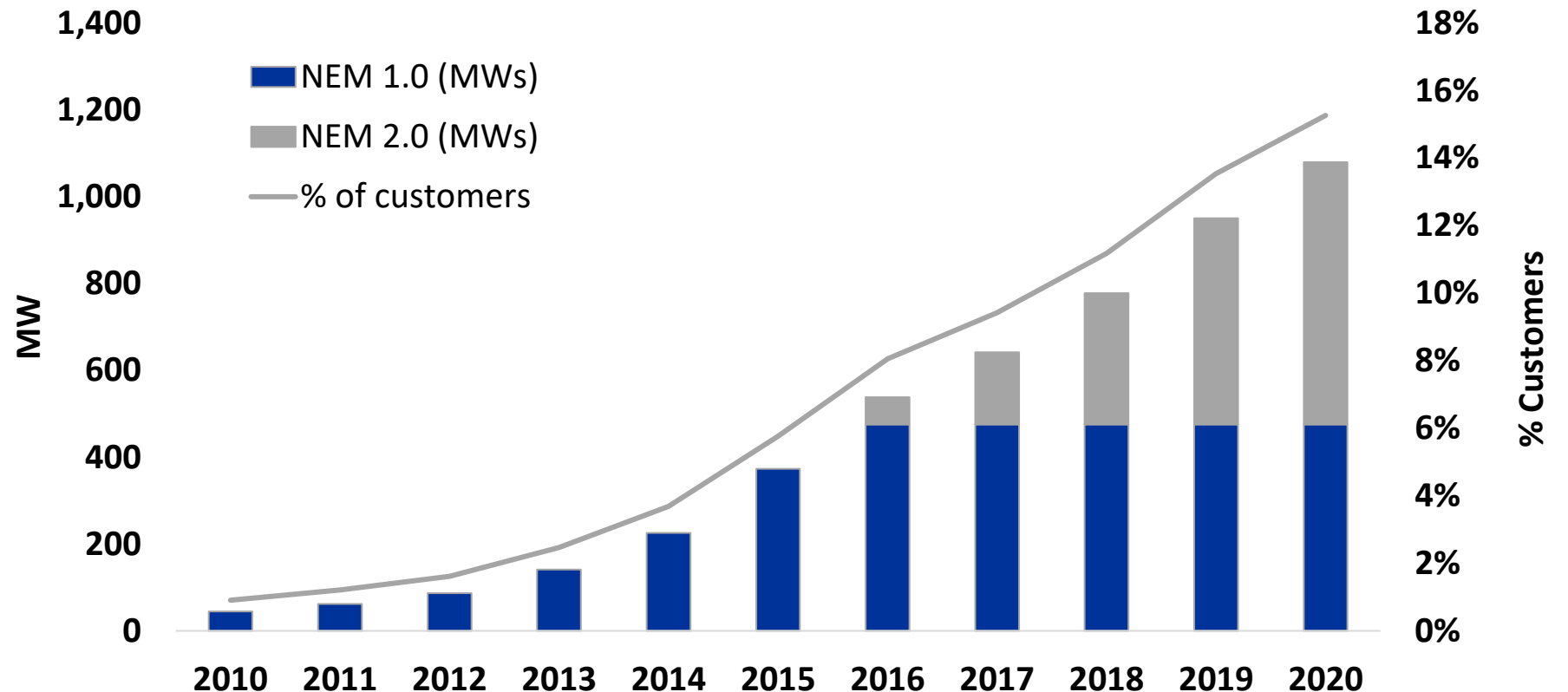
Additional Information
Item 6.2 - Alcantar



Growth of Residential Rooftop Solar

SDG&E continues support rooftop solar and is proud to have one of the highest levels of residential rooftop solar penetration in the U.S.

SDG&E Cumulative Residential NEM Approvals



FastTrack
Interconnection

Renewable
Meter Adapter

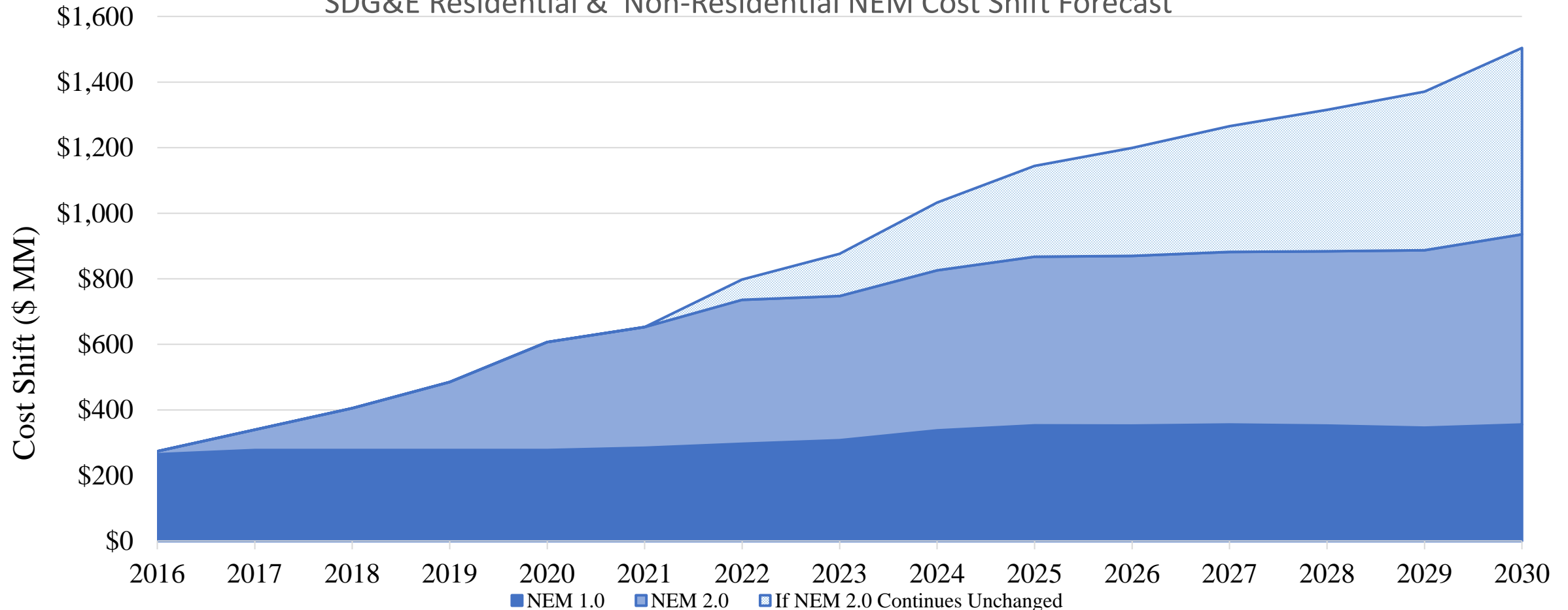
Why is California considering updates to NEM now?

- California **legislation signed in 2013 (AB 327)** provided the California Public Utilities Commission (CPUC) the ability to periodically review NEM
- In 2020, the **CPUC opened a new proceeding** to revisit how rooftop solar customers are compensated and SDG&E was required to submit a proposal to help address the growing cost shift
- In conjunction with the proceeding, **the CPUC commissioned a study** to review the current NEM program which determined:
 - Current rooftop solar subsidies **increase electricity bills for non-solar customers**
 - Areas with **higher incomes** show **higher percentages of solar installations** relative to California's population
 - Rooftop **solar subsidies** created by the current program are **disproportionately paid by younger, less wealthy**, and more **disadvantaged electricity customers**

Current and Projected NEM Cost Shift

If no changes are made, costs shifted from NEM customers to Non-NEM customers could reach \$\$1.5B annually for SDG&E customers

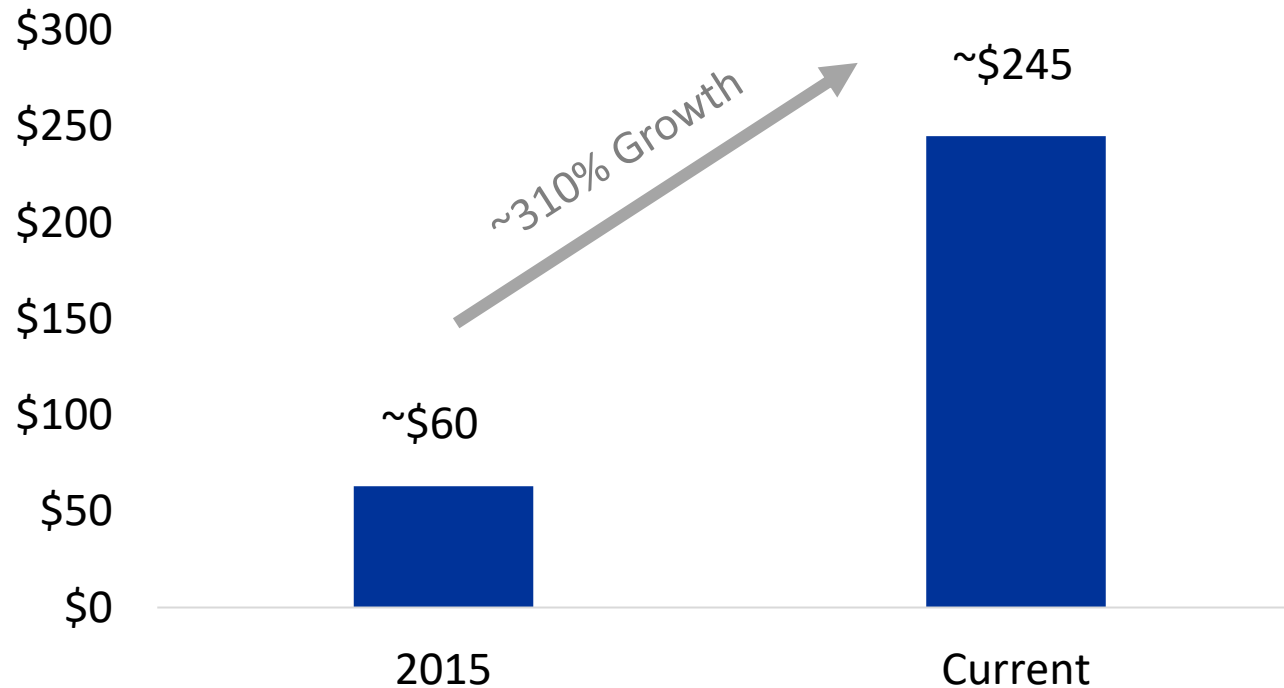
SDG&E Residential & Non-Residential NEM Cost Shift Forecast



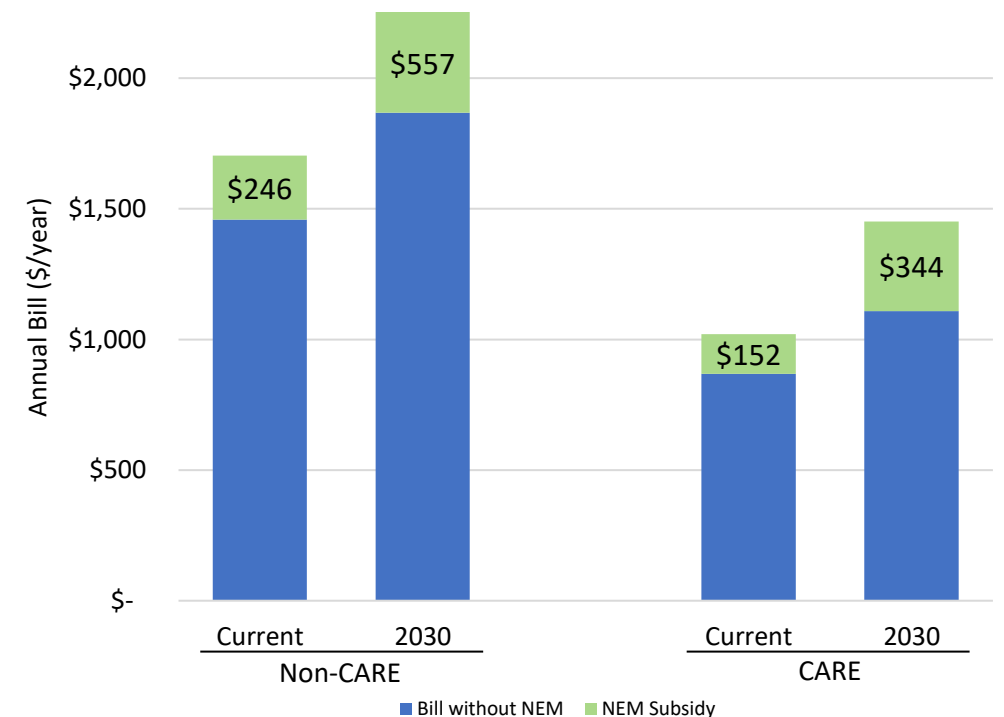
NEM Cost Burden On Customers Without Solar

Customers without rooftop solar will continue to see unnecessarily higher bills if changes are not made to the NEM program

**Estimated SDG&E Avg. Annual NEM Cost Burden Per
Non-NEM, Non-CARE Residential Customer**



**Estimated Current and Future Avg. Annual NEM
Cost Burden Per Non-NEM Residential Customer**



Based on current estimates. Assumes current customer profile for estimates.

Customer Bill Before & After Solar

Customer went solar in April 2021 and is enrolled on an EV pricing plan (EVTOU5)

Customer bill **before** solar

Electric Charges

Electricity Generation	\$81.20
Transmission	\$46.46
Distribution	\$96.94
Nuclear Decommissioning	\$0.08

Customer bill **after** solar (NEM 2.0)

Electric Charges

Distribution	\$16.00
Nuclear Decommissioning	\$0.05

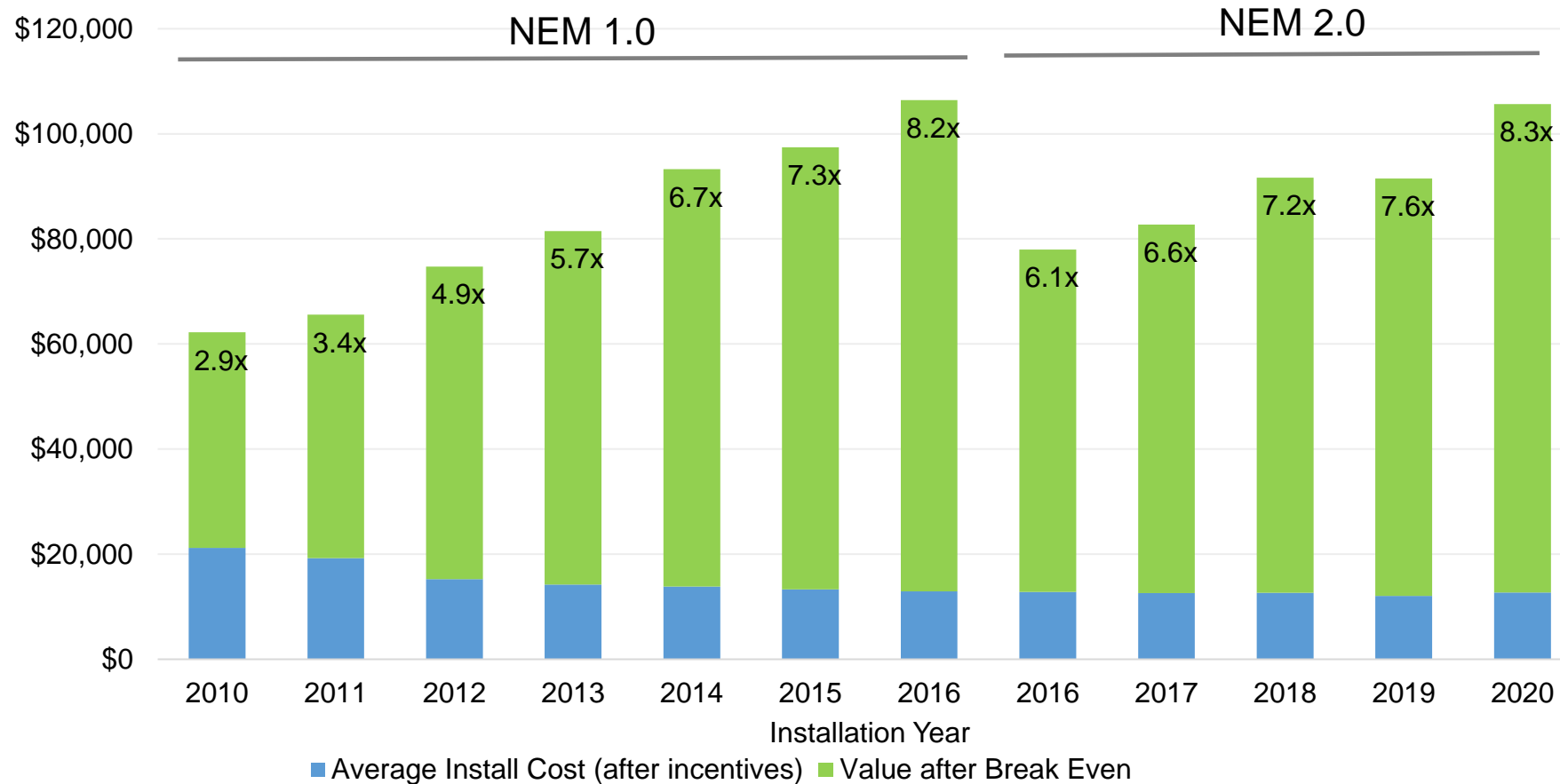
Joint Utility NEM Proposal

SDG&E, with PG&E and SoCal Edison, submitted a joint NEM reform proposal to the CPUC that will help benefit customers across all of California while continuing to encourage clean energy

- 1 Proposal **excludes any changes to existing NEM 1.0 and NEM 2.0 customers**
- 2 **Stops bill increases related to NEM** and helps ensure all customers pay for the electric grid
- 3 Provides **transitional subsidy for lower-income customers** helping provide access to clean energy
- 4 **Encourages adoption of solar + storage** for new customers to help support resiliency and reliability
- 5 Provides **reasonable payback horizon** in-line with other states

SDG&E Lifetime Return of Rooftop Solar

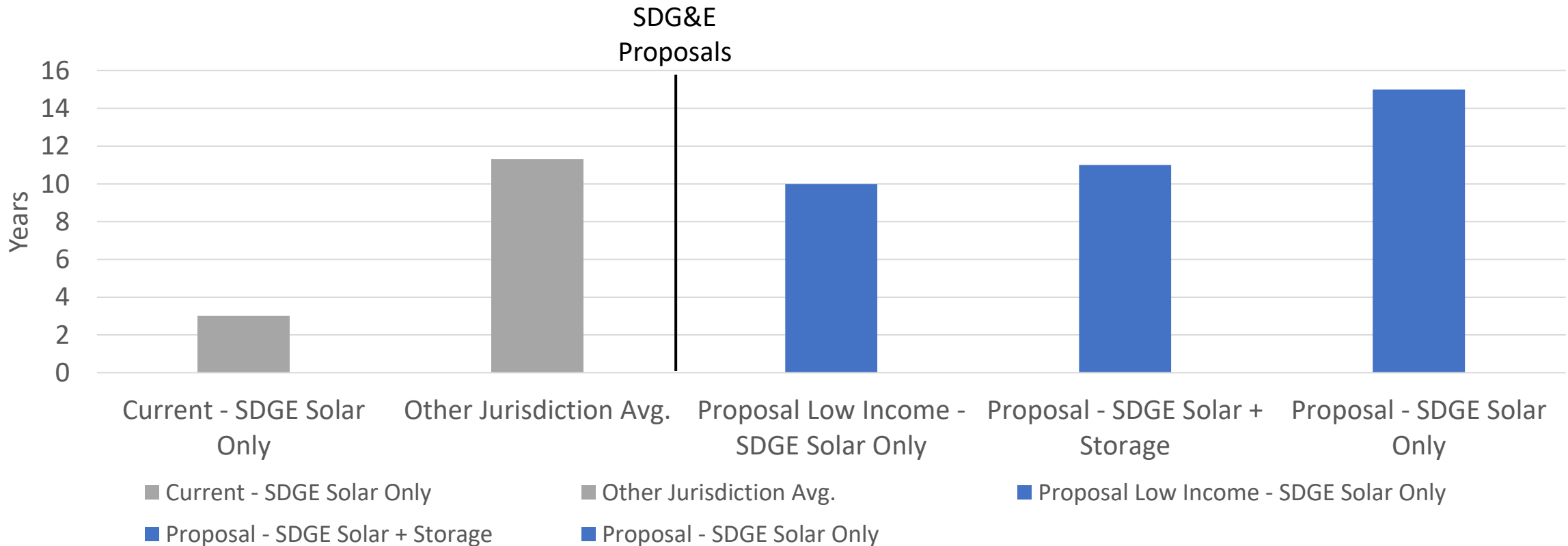
SDG&E Lifetime Return of Rooftop Solar (20 year life)



* Residential Solar Customers

IOU NEM Reform Proposal – Payback Periods

Proposal provides paybacks in-line with other jurisdictions; designed to incentivize low-income and solar + storage adoption



Note: Other jurisdiction average represents solar only customers; estimates derived from a report prepared by the North Carolina Clean Energy Technology Center at North Carolina State University. Report can be found in the appendix of the Joint IOU opening testimony.

Making NEM Sustainable is an Issue of Equity

“...the successor tariff should encourage the adoption of customer-sited renewable generation **without burdening non-NEM customers** with additional costs.”

– **Natural Resources Defense Council**



“NDC strongly supports the goal of this **proceeding** to reform the NEM tariff and appropriately balance costs and benefits for all ratepayers...”

– **National Diversity Coalition**



“The inequitable cost shifts resulting from NEM 1.0 and 2.0, particularly for low-income customers who disproportionately bear the impact of rate increases, **must be addressed**.”

– **The Utility Reform Network**



“...reform of the existing NEM tariff is needed **immediately**.”

– **Public Advocates Office**

“...it is not sustainable for NEM tariffs to **take from the poor to pay the rich** for their rooftop solar... [or] to make ratepayers pay for renewable power that they could obtain more cheaply elsewhere.”

– **Coalition of California Utility Employees**

“...because of SMUD’s NEM rate, our non-solar customers, including our low-income customers, are **paying more than their fair share** of SMUD’s fixed costs.”

– **Sacramento Municipal Utility District**

Key Takeaways

- **This is about equity, not profits.** SDG&E and the other utilities don't profit off reform measures, we are legally not allowed to profit from the sale of energy. This is about spreading costs fairly across all customers that use and depend the grid.
- **More than 80% of customers in SDG&E's service territory are paying more on their electric bill because of the outdated NEM structure.** A recent CPUC white paper concluded:
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Questions?

- ***“Net Energy Metering hurts the poor. It’s that simple.”***
- “It has been well documented – and surprises no one – that **households with solar are disproportionately wealthy** (as well as disproportionately white). So, when a customer installs solar, their share of the fixed costs are shifted to other ratepayers who are poorer on average.”

--UC Berkeley, Energy Institute at Haas, Severin Borenstein