



April 14, 2009

Assemblymember Huffman
State Capitol
Sacramento, CA 95814

**Re: SUPPORT AB 920 IF AMENDED
April 21st hearing of Assembly Utilities and Commerce Committee**

Dear Assemblymember Huffman,

I am writing to inform you that TURN supports passage of AB 920 if the bill is amended to clarify the pricing of “net surplus electricity” and to specify the proper allocation of Renewable Energy Credits for electricity exported to the grid. The legislature must balance the interests of ratepayers who do not own solar systems with the goal of providing appropriate and efficient incentives for the development of distributed renewable generation. We appreciate efforts to honor this goal but believe that AB 920 requires additional changes to achieve a fair outcome for all ratepayers.

Although TURN supports the goal of compensating the owners of solar systems with reasonable payments for excess electricity, we want to ensure that AB 920 does not direct the CPUC to authorize above-market payments to net metered customers, a result which would result in the shifting of costs to non-participating bundled service customers. Furthermore, AB 920 should clarify that the Renewable Energy Credits (RECs) associated with all power exported to the grid will be used to meet the Renewables Portfolio Standard (RPS) obligations of the utility providing either bill credits or cash payments.

Under Section 2827(h)(4)(A), compensation for “net surplus electricity” would be based on the “just and reasonable compensation for the value of net surplus energy, while leaving other ratepayers unaffected” and includes both “the value of the electricity itself” and “the value of the renewable attributes of the electricity.” TURN proposes that these provisions be modified as follows

The net surplus electricity compensation valuation shall be established so as to provide the net surplus customer-generator just and reasonable compensation for the market value of net surplus electricity, while leaving other ratepayers unaffected. The ratemaking authority shall determine whether the compensation will include, where appropriate justification exists, either or both of the following components:



- (i) The market value of the electricity itself.
- (ii) The market value of the renewable attributes of the electricity.

The additions of the word “market” will help to clarify that compensation for “net surplus electricity” is not intended to provide an additional subsidy paid by nonparticipating customers.

Furthermore, TURN believes that it is reasonable for the utility to receive the RECs for any power exported to the grid and eligible for compensation either in the form of a bill credit or monetary payments. In order to accomplish this objective, TURN recommends the following amendment:

2827(h)(5)(A) Upon adoption of the net surplus electricity compensation rate by the ratemaking authority, any renewable energy credit, as defined in Section 399.12, for net surplus electricity purchased by the electric utility, or for electricity generated by the eligible customer-generator and fed back to the electric grid, shall belong to the electric utility. Any renewable energy credit associated with electricity generated by the eligible customer-generator that is simultaneously utilized by the eligible customer-generator shall remain the property of the eligible customer-generator.

This treatment is fair because all customer exports to the grid receiving compensation from the utility (either in the form of direct payments or bill credits) should include the associated RECs. If the RECs are retained by the customer and not transferred, then the power purchased by the utility is not considered renewable and should not be eligible for the uniquely beneficial treatment available through the net metering tariff. Net metering is authorized pursuant to statutory sections limiting eligibility exclusively to solar and wind systems. The same customer generating onsite electricity with a gas-fired system, even if it provides equivalent capacity and local distribution system benefits, is not eligible for net metering.

Net metered customers receive a variety of special benefits in recognition of the value of the renewable attributes including direct subsidies from the California Solar Initiative (CSI), waived interconnection fees, and bill credits for exported energy calculated at fully bundled time-of-use retail rates (up to the customer’s net usage over a 12-month period). Net metered customers therefore avoid paying rates normally charged for distribution service, public goods programs, low-income customer assistance (e.g. CARE), energy crisis costs (e.g. ongoing PG&E bankruptcy costs), and other components of bills not linked to the provision of generation services. To the extent that these costs are not paid by net metered customers, the burden falls disproportionately on the remaining body of ratepayers.



TURN believes that customers should be allowed to retain the RECs for renewable power simultaneously generated and consumed onsite. But it is not reasonable for ratepayers to offer a variety of subsidies to renewable distributed generation, including a requirement to purchase all exported electricity at above-market rates, while being denied the opportunity to count the purchased electricity towards RPS targets.

Please feel free to contact us with any questions about our position.

Sincerely,

Matthew Freedman
Staff Attorney
TURN

cc: Edward Randolph, Assembly Utilities and Commerce Committee Consultant
Assemblymember Felipe Fuentes