

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: June 10, 2015

To: The Commission
(Meeting of June 11, 2015)

From: Lynn Sadler, Director
Office of Governmental Affairs (OGA) – Sacramento

Subject: **SB 793 (Wolk) – Green Tariff Shared Renewables Program.
As amended: May 5, 2015**

RECOMMENDED POSITION: SUPPORT

SUMMARY OF BILL

This bill would specify that Green Tariff Shared Renewables Program (GTSR) subscriptions may be set for periods of up to 20 years and mandate that the bill credits and bill charges during the subscription period be “reasonably estimated.”

CURRENT LAW

- SB 43 (Wolk, 2013) created the GTSR program to expand ratepayer access to renewable energy generation. Essentially, participating customers would be able to pay for up to 100% renewable generation of their electricity needs. The GTSR program is capped at 600MW statewide and includes minimum requirements for residential subscription, and minimum procurement in census tracts identified by the California Environmental Protection Agency as the most disadvantaged along socio-economic and environmental lines.
- D.15-01-051 (implementing SB 43)

AUTHOR’S PURPOSE

SB 793 does not describe an explicit purpose, however the bill would mandate some measure of cost/benefit certainty for customers, IOUs and solar developers for up to 20 years.

EXPLANATION OF BILL’S IMPACT ON CPUC PROGRAMS, PRACTICE & POLICY

D.15-01-051 implements the GTSR program. The decision sets a maximum subscription term of one year, and does not specify that bill credits and charges need to be “reasonably estimated”. In fact, the decision’s rationale for the one-year subscription

limitation is that charges and credits are likely to fluctuate annually and therefore GTSR customers should be protected from unpredictable swings in charges/credits.

The bill would impact this element of the D.15-01-051 as it would mandate “reasonably estimated” charges and credits over the term of a subscription – up to 20 years. More discussion on this issue appears below.

Per SB 43 (Wolk), D.15-01-051 also allows IOUs to close the GTSR program at the end of 2018. Existing customers would continue to be served under the program after that date, and IOUs have the option of extending the GTSR program past 2019 if they desire to do so.

SAFETY IMPACT

SB 793 does not appear to reduce or enhance the safety of California citizens.

RELIABILITY IMPACT

SB 793 does not appear to reduce or enhance reliability of service.

RATEPAYER IMPACT

The GTSR program by definition must maintain ratepayer indifference. Therefore, the changes proposed by SB 793 would not impact non-GTSR ratepayers. However, the bill may affect the rates paid by GTSR customers to the extent GTSR charges and credits must be increased or decreased to comply with the “reasonable estimation” mandate of SB 793.

FISCAL IMPACT

The bill would likely have a fiscal impact as it would require the oversight of new, reasonably estimated charges and credits for program participants. This would affect both the Procurement and Retail Rates teams in Energy Division. To the extent that this bill requires incremental analysis additional to the initial implementation of the GTSR program, it would require 0.5 PURA III PY and 0.5 ALJ II PY.

ECONOMIC IMPACT

Direct economic impact is unlikely as the GTSR program would remain an elective, optional program for participants. As the total quantity of GTSR procurement is unchanged by the bill, it is unlikely that the bill would result in additional green energy employment.

LEGAL IMPACT

None anticipated.

LEGISLATIVE HISTORY

SB 43 (Wolk, 2013) created the GTSR program. SB 793 would amend SB 43 by creating new features for the program: (1) a maximum 20-year subscription period, and (2) “reasonably estimated” GTSR charges and credits for up to a 20-year period.

BACKGROUND INFORMATION ON IMPACTED PROGRAMS, PRACTICE OR POLICY

The main impacts of this bill are: 1) creation of a maximum 20-year GTSR subscription period and 2) a new mandate for “reasonably estimated” GTSR charges and credits for up to 20 years.

20-year maximum subscription

The creation of a maximum 20-year GTSR subscription period may have a significant impact on existing policy. D.15-01-051 limits GTSR subscription periods to no more than 1 year. This was intended to protect GTSR early-adopter customers from being “locked in” to a GTSR tariff that would become expensive compared to mature GTSR tariffs over time. The theory is that as the program matures, solar procurement and administrative costs would decrease and therefore late-adopters would pay less for the same amount of GTSR energy. Applying a 1-year limit of subscription terms mitigates this risk exposure.

However, for Enhanced Community Renewables (ECR) customers, the Decision contemplates that they will sign long-term contracts with solar developers – perhaps as long as 20 years. While the Decision limits an ECR customer’s contract with the *utility* for no longer than 1 year, it is expected that almost all ECR customers will renew their contract each year to match the long-term contract they previously signed with a developer. ECR customers may, therefore, be good candidates for the 20-year maximum term.

“Reasonably estimated” charges and credits

GTSR credits are comprised of the following: 1) average class generation cost (ie, the cost of generation if the customer had stayed a non-GTSR customer), and 2) Solar Value Adjustment (SVA, equaling the additional benefits of solar such as the Resource Adequacy (RA) value). For an ECR customer, they receive an additional “value of solar subscription” credit which theoretically will balance out the cost of their subscription paid to the developer.

The average class generation cost (which is a credit to the GTSR customer) is simply not predictable as it is based on fuel and procurement costs for the utility as a whole. In the short-term, such costs may be predictable, but over a several-year period it becomes difficult to predict the costs of natural gas, solar procurement, etc.

The SVA may be predictable over the short term, but because it is based on the benefit of solar to a utility's profile in a given year it is unpredictable over the long term as well.

The ECR "value of solar subscription" credit may be much more predictable. The Decision envisions that it will be based on the renewable market adjusting tariff (ReMAT) price struck between the developer and the utility, which should be predictable over the long term.

GTSR charges are comprised of the following: 1) GTSR administrative and marketing costs, 2) indifference adjustments (ie, primarily the Power Charge Indifference Adjustment and Competition Transition Charge), 3) the Renewable Power Rate that reflects the cost of solar procurement for non-ECR customers (for ECR customers, the procurement costs are reflected in the ReMAT price).

As with GTSR credits, the GTSR charges are unpredictable. Administration and marketing costs may reach a steady state after several years, but in the first years of the program we expect them to be variable. Indifference adjustments vary from year to year based on the broader market for energy procurement. As with the class average generation credit, these costs are determined in the context of utility-wide procurement, are inherently market-driven, and therefore unpredictable.

The cost of solar procurement may become more predictable over time, but the dramatic decline in solar procurement costs over the last several years suggests that these costs may continue to shift. Attempting to predict solar procurement costs, particularly over the long-term, may expose a GTSR customer to significant risk.

However, an ECR customer's procurement costs are fixed over the long-term by the terms of the ReMAT contract. As with the credits for an ECR customer, it may be possible to predict these costs over the life of a ReMAT power purchase agreement.

For non-ECR GTSR customers, there is almost no predictability to the charges and credits they may face over the long term. Indeed, this was one of the Decision's rationales for limiting GTSR customers to 1-year subscription terms.

For ECR customers, there is more predictability to some of their credits and charges, but there is still uncertainty with respect to their class average generation credit, indifference charge, and administrative charge.

By specifying that bill credits and bill charges be "reasonably estimated" rather than "predictable", the CPUC will have greater flexibility in determining how to structure the program moving forward.

OTHER STATES' INFORMATION

Unknown.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION

This bill should be **supported** for the following reason(s):

- (1) SB 793 will allow GTSR customers to receive more predictable bill credits and bill charges.

SUMMARY OF SUGGESTED AMENDMENTS

None.

SUPPORT/OPPOSITION

SUPPORT

Borrego Solar
California Environmental Justice Alliance
California Solar Energy Industries Association
Environmental Defense Fund
Large-Scale Solar Association
Recurrent Energy
Sierra Club California
Solar Energy Industries Association
SolarCity
Vote Solar

OPPOSITION

The Utility Reform Network

VOTES

Senate Floor: 23-13 (5/18/15)

Senate Appropriations Committee: 5-2 (5/11/15)

Senate Energy, Utilities and Communications Committee: 8-3 (4/21/15)

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BILL LANGUAGE

SECTION 1.

Section 2833 of the Public Utilities Code is amended to read:

2833.

(a) The commission shall require a green tariff shared renewables program to be administered by a participating utility in accordance with this section.

(b) Generating facilities participating in a participating utility's green tariff shared renewables program shall be eligible renewable energy resources with a nameplate rated generating capacity not exceeding 20 megawatts, except for those generating facilities reserved for location in areas identified by the California Environmental Protection Agency as the most impacted and disadvantaged communities pursuant to paragraph (1) of subdivision (d), which shall not exceed one megawatt nameplate rated generating capacity.

(c) A participating utility shall use commission-approved tools and mechanisms to procure additional eligible renewable energy resources for the green tariff shared renewables program from electrical generation facilities that are in addition to those required by the California Renewables Portfolio Standard Program (Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1). For purposes of this subdivision, "commission-approved tools and mechanisms" means those procurement methods approved by the commission for an electrical corporation to procure eligible renewable energy resources for purposes of meeting the procurement requirements of the California Renewables Portfolio Standard Program (Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1).

(d) A participating utility shall permit customers within the service territory of the utility to purchase electricity pursuant to the tariff approved by the commission to implement the utility's green tariff shared renewables program, until the utility meets its proportionate share of a statewide limitation of 600 megawatts of customer participation, measured by nameplate rated generating capacity. The proportionate share shall be calculated based on the ratio of each participating utility's retail sales to total retail sales of electricity by all participating utilities. The commission may place other restrictions on purchases under a green tariff shared renewables program, including restricting participation to a certain level of capacity each year. The following restrictions shall apply to the statewide 600 megawatt limitation:

(1) (A) One hundred megawatts shall be reserved for facilities that are no larger than one megawatt nameplate rated generating capacity and that are located in areas previously identified by the California Environmental Protection Agency as the most impacted and disadvantaged communities. These communities shall be identified by census tract, and shall be determined to be the most impacted 20 percent based on results from the best available cumulative impact screening methodology designed to identify each of the following:

(i) Areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation.

(ii) Areas with socioeconomic vulnerability.

(B) (1) For purposes of this paragraph, "previously identified" means identified prior to commencing construction of the facility.

(2) Not less than 100 megawatts shall be reserved for participation by residential class customers.

(3) Twenty megawatts shall be reserved for the City of Davis.

- (e) To the extent possible, a participating utility shall seek to procure eligible renewable energy resources that are located in reasonable proximity to enrolled participants.
- (f) A participating utility's green tariff shared renewables program shall support diverse procurement and the goals of commission General Order 156.
- (g) A participating utility's green tariff shared renewables program shall not allow a customer to subscribe to more than 100 percent of the customer's electricity demand.
- (h) Except as authorized by this subdivision, a participating utility's green tariff shared renewables program shall not allow a customer to subscribe to more than two megawatts of nameplate generating capacity. This limitation does not apply to a federal, state, or local government, school or school district, county office of education, the California Community Colleges, the California State University, or the University of California.
- (i) A participating utility's green tariff shared renewables program shall not allow any single entity or its affiliates or subsidiaries to subscribe to more than 20 percent of any single calendar year's total cumulative rated generating capacity.
- (j) To the extent possible, a participating utility shall actively market the utility's green tariff shared renewables program to low-income and minority communities and customers.
- (k) Participating customers shall receive bill credits for the generation of a participating eligible renewable energy resource using the class average retail generation cost as established in the participating utility's approved tariff for the class to which the participating customer belongs, plus a renewables adjustment value representing the difference between the time-of-delivery profile of the eligible renewable energy resource used to serve the participating customer and the class average time-of-delivery profile and the resource adequacy value, if any, of the resource contained in the utility's green tariff shared renewables program. The renewables adjustment value applicable to a time-of-delivery profile of an eligible renewable energy resource shall be determined according to rules adopted by the commission. For these purposes, "time-of-delivery profile" refers to the daily generating pattern of a participating eligible renewable energy resource over time, the value of which is determined by comparing the generating pattern of that participating eligible renewable energy resource to the demand for electricity over time and other generating resources available to serve that demand.
- (l) Participating customers shall pay a renewable generation rate established by the commission, the administrative costs of the participating utility, and any other charges the commission determines are just and reasonable to fully cover the cost of procuring a green tariff shared renewables program's resources to serve a participating customer's needs.
- (m) A participating customer's rates shall be debited or credited with any other commission-approved costs or values applicable to the eligible renewable energy resources contained in a participating utility's green tariff shared renewables program's portfolio. These additional costs or values shall be applied to new customers when they initially subscribe after the cost or value has been approved by the commission.
- (n) Participating customers shall pay all otherwise applicable charges without modification.
- (o) A participating utility shall permit a participating customer to subscribe to the program and receive a reasonably estimated bill credit and bill charge, as determined by the commission, for a period of up to 20 years.*
- ~~(o)~~ (p) A participating utility shall provide support for enhanced community renewables programs to facilitate development of eligible renewable energy resource projects located close to the source of demand.

(q) The commission shall ensure that charges and credits associated with a participating utility's green tariff shared renewables program are set in a manner that ensures nonparticipating ratepayer indifference for the remaining bundled service, direct access, and community choice aggregation customers and ensures that no costs are shifted from participating customers to nonparticipating ratepayers.

(r) A participating utility shall track and account for all revenues and costs to ensure that the utility recovers the actual costs of the utility's green tariff shared renewables program and that all costs and revenues are fully transparent and auditable.

(s) Any renewable energy credits associated with electricity procured by a participating utility for the utility's green tariff shared renewables program and utilized by a participating customer shall be retired by the participating utility on behalf of the participating customer. Those renewable energy credits shall not be further sold, transferred, or otherwise monetized for any purpose. Any renewable energy credits associated with electricity procured by a participating utility for the shared renewable energy self-generation program, but not utilized by a participating customer, shall be counted toward meeting that participating utility's renewables portfolio standard.

(t) A participating utility shall, in the event of participant customer attrition or other causes that reduce customer participation or electrical demand below generation levels, apply the excess generation from the eligible renewable energy resources procured through the utility's green tariff shared renewables program to the utility's renewable portfolio standard procurement obligations or bank the excess generation for future use to benefit all customers in accordance with the renewables portfolio standard banking and procurement rules approved by the commission.

(u) In calculating its procurement requirements to meet the requirements of the California Renewables Portfolio Standard Program (Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1), a participating utility may exclude from total retail sales the kilowatthours generated by an eligible renewable energy resource that is credited to a participating customer pursuant to the utility's green tariff shared renewables program, commencing with the point in time at which the generating facility achieves commercial operation.

(v) All renewable energy resources procured on behalf of participating customers in the participating utility's green tariff shared renewables program shall comply with the State Air Resources Board's Voluntary Renewable Electricity Program. California-eligible greenhouse gas allowances associated with these purchases shall be retired on behalf of participating customers as part of the board's Voluntary Renewable Electricity Program.

(w) A participating utility shall provide a municipality with aggregated consumption data for participating customers within the municipality's jurisdiction to allow for reporting on progress toward climate action goals by the municipality. A participating utility shall also publicly disclose, on a geographic basis, consumption data and reductions in emissions of greenhouse gases achieved by participating customers in the utility's green tariff shared renewables program, on an aggregated basis consistent with privacy protections as specified in Chapter 5 (commencing with Section 8380) of Division 4.1.

(x) Nothing in this section prohibits or restricts a community choice aggregator from offering its own voluntary renewable energy programs to participating customers of the community choice aggregation.

SEC. 2.

No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.