

# CALIFORNIA PUBLIC UTILITIES COMMISSION

Fixed Utility Rates & Net Energy Metering 3.0 Presentation



# ROLE OF THE CPUC

- The commission is responsible for making and enforcing regulation of the state's public utilities
- CPUC must approve all rate changes, enforce consumer protection, & investigate complaints
- The commission's role is quasi-executive, quasi-legislative, and quasi-judicial
- Consists of 5 commissioners appointed by the Governor and approved by the Senate

# LEGISLATIVE BACKGROUND

## SB 100 (De Leon)

### “The 100 Percent Clean Energy Act of 2018”

- Landmark policy requiring renewable energy & zero-carbon resources supply 100 percent of electric retail sales to end-use customers by 2045
- By 2030, at least 60% of CA's electricity must come from renewable sources
- Requires the Energy Commission, Public Utilities Commission, and Air Resources board to use programs under existing law to achieve 100% clean energy

# ELECTRICAL GRID UPGRADES NEEDED TO REACH 100% CLEAN ELECTRICITY BY 2045

- Increased electron carrying capacity of grid (4,000 megawatts every year)
- Modernizing existing cables
- \$30 Billion in new transmission investments in the next two decades – CA Independent Systems Operator
- Issues:
  - Current transmission projects are delayed 5 years and have run up tens of millions of dollars in extra costs
  - Projects are being delayed and take twice as long to complete
  - Without substantial change to current planning and permitting process, the state will not reach its clean energy goals

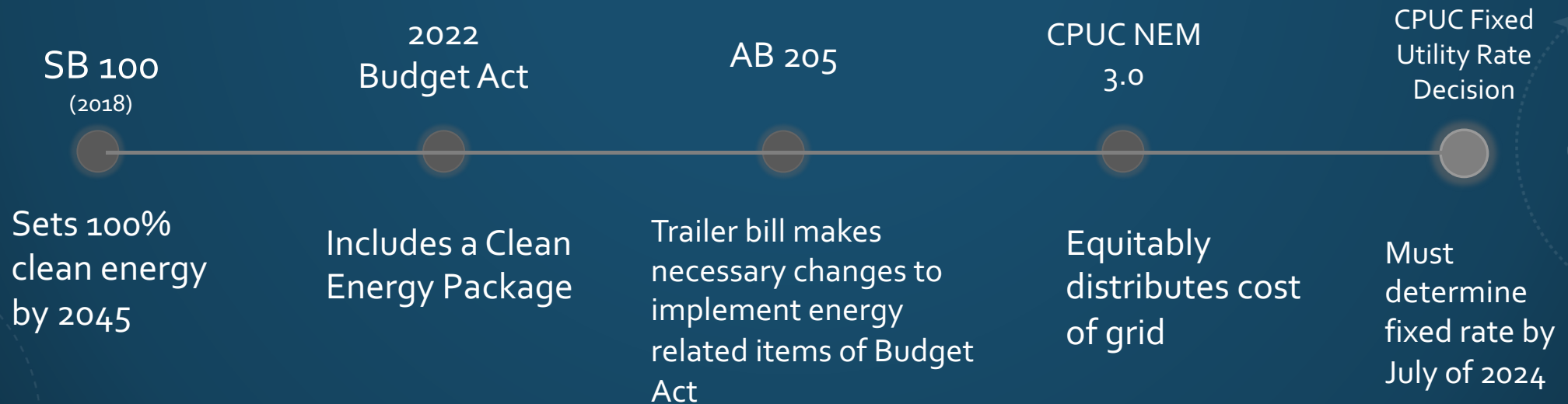


## SB 619 – TRANSMISSION ACCELERATION (PADILLA)

- Sb 619 intends to speed up the planning and permitting process of major transmission projects
- Authorizes the CA Energy Commission (CEC) to certify transmission projects that cost over \$250 million

# LEGISLATIVE TIMELINE

A timeline of the actions leading up to today



# AB 205 (COMMITTEE ON BUDGET)

This bill makes necessary statutory changes to implement the energy related items of the 2022 Budget Act

## *Public Utilities Fixed Charge*

- Repeals the existing \$10 fixed price cap for residential investor owned utility customers
- Authorizes the PUC to use fixed charges for any rate schedule for residential customers
- Requires fixed charge to be established on an income graduated basis with no fewer than 3 income thresholds
  - In order for low income ratepayers to realize lower average monthly bills without making any changes in usage

# SDG&E FIXED RATE PROPOSAL

Household Income	Fixed Price
\$28k/year	\$24
\$28k - \$69k	\$34
\$69k – 180k	\$73
\$180k +	\$128

## Upcoming Milestones:

- April 7<sup>th</sup>, 2023 – Rate Proposals Submitted to CPUC
- Q2 2024 – Fixed Price Final Decision
- TBD – Implementation Schedule Pending CPUC Decision



# NET ENERGY METERING IN CALIFORNIA

SB 656 established NEM, an electricity based billing mechanism created to encourage private investment in renewable energy resources

Ab 327 Mandates the PUC to adopt a successor to the existing net energy metering tariff with the following objective: Ensure customer-sited renewable distributed generation continues to grow sustainably and include specific alternatives for growth among residential customers in disadvantaged communities

- NEM 1.0 Customer-generators received full retail rate bill credit for power generated back to system when generation exceeded onsite demand
- NEM 2.0 Customers still receive full retail rate credit for energy exported, and required to pay one time interconnection fee and monthly non-bypassable charges

# PROBLEMS WITH NEM 2.0 THAT LED TO NEM 3.0

CPUC found that NEM 2.0 negatively impacts non-participant ratepayers

How?

- CPUC Lookback Study found that “result is that growing electric rates have been offset to some extent for net energy metering customers... while non-net energy metering customers have shouldered the cost of maintaining the grid”
- The negative impact on non-participant ratepayers is caused by the bypassing of infrastructure and other service costs embedded in volumetric rates from each one of the net energy metering customers in NEM 1.0 and NEM 2.0 over the course of the 20-year length of the customer’s tariff.
- \*NEM 1.0 and NEM 2.0 will be grandfathered in for 20 years before NEM 3.0 rates are applied

# NEM 3.0 SUCCESSOR TARIFF

- Solar systems under NEM 3.0 billing will earn around 75% less for the excess electricity they push onto the grid
- Under NEM 3.0, the payback period for solar and battery storage systems will be roughly equal to the payback period of solar-only systems
- Residential solar export rates will be based on an “Avoided Cost Calculator,” which are closer to *wholesale rates* for electricity (what utilities pay for electricity).
- While the lifetime savings can be substantially lower for solar-only systems under NEM 3.0 billing, it’s worth noting that \$60,000 to \$75,000 is still among the best — if not *the best* — return on investments for home solar in the US.

# Next Steps

- 1. Participate in CPUC's Public Comment Periods**
- 2. Engage in discussions with Senator Padilla and Staff for policy proposals / solutions to be introduced in the next legislative session**
  - Best time would be during fall recess: September – December**

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