



California Wind Energy Association

April 11, 2018

The Honorable Ben Hueso
Chair, Senate Energy, Utilities and Communications Committee
State Capitol Room 4035
Sacramento, CA 95814

RE: SB 1399 (Weiner) – Oppose

Dear Chair Hueso,

The California Wind Energy Association (CalWEA) is an 18-year-old trade association representing wind energy companies focused on the California market, including owners and operators of projects located in California. CalWEA regrettably must oppose Senate Bill 1399, which would require the California Public Utilities Commission (CPUC) to require investor-owned utilities (IOUs) with more than 100,000 service connections in California to establish a tariff that provides for bill credits for electricity generated by eligible renewable generating facilities sized 20 MW and under on the site of a non-residential (i.e., commercial and industrial) customer and exported to the electrical grid to be credited to electrical accounts of other nonresidential customers of the IOUs. The bill would require the CPUC to establish the credit value using the same methodology used for other customer generation under the “net energy metering” (NEM) program established pursuant to Section 2827.1.

While this proposed “virtual” NEM program could benefit wind energy generators under 20 MW, CalWEA nevertheless opposes the program for policy and legal reasons.

First, regarding policy, payments made under the CPUC’s NEM program, which would be applied to this new virtual NEM program, currently exceed the cost of power from wholesale renewable energy generation by three or four times. A professor at UC Berkeley’s Haas School of Business recently estimated, conservatively, that each California household is paying \$65/year on average to cover the cost of the NEM program.¹ SB 1399 is likely to similarly result in benefitting certain commercial and industrial (C&I) customers at the expense of other C&I customers as well as residential ones. The bill provides no assurance that NEM payments will be reformed to reflect the actual value of wholesale generation (adjusted for indirect costs and benefits to the grid) to avoid cost-shifting.

¹ Lucas Davis, “Why Am I Paying \$65/year for Your Solar Panels?” Available at: <https://energyathaas.wordpress.com/2018/03/26/why-am-i-paying-65-year-for-your-solar-panels/>.

By contrast, California's Renewables Portfolio Standard (RPS) program, guided further by the CPUC's Integrated Resource Planning program, seeks to avoid this type of cost-shifting by providing for direct competition among wholesale generators (adjusted for indirect costs and benefits to the grid) on behalf of all customers of each load-serving entity. The RPS and IRP policies ensure that California will meet its clean energy goals at the least overall cost, allocated equitably to all ratepayers. Therefore, if the legislature wishes to advance its clean energy goals, it should focus on raising RPS requirements and/or greenhouse gas reduction targets (as, for example, SB 100 would accomplish).

Second, stemming from the same problem of setting prices administratively (rather than competitively) for what would essentially be wholesale sales of electricity, SB 1399 runs the risk of violating federal law. The Federal Energy Regulatory Commission has exclusive jurisdiction over the rates charged for wholesale sales of electricity in interstate commerce. While there is a limited exception for sales priced at a utility's "avoided cost" under the Public Utility Regulatory Policies Act, this pricing structure is not envisioned under SB 1399.

For all of these reasons, we respectfully oppose SB 1399.

Sincerely,

A handwritten signature in black ink that reads "Nancy Rader". The signature is written in a cursive, flowing style.

Nancy Rader
Executive Director

cc: Members and Staff, Senate Energy, Utilities and Communications
Senator Scott D. Wiener
