



Susan Wengraf
Councilmember District 6

CONSENT CALENDAR
Jan 18, 2022

To: Honorable Mayor and Members of the City Council
From: Councilmember Wengraf (Author) and Councilmember Hahn (Co-Sponsor)
Subject: OPPOSE Net Energy Metering 3.0 Proposed Decision of the CPUC and
SUPPORT Net Energy Metering Policy that Continues the Growth of Local and
Rooftop Solar

RECOMMENDATION

Send the attached Resolution in opposition to the Net Energy Metering 3.0 Proposed Decision of the CPUC and supporting a Net Energy Metering Policy that continues to support the growth of local and rooftop solar to: Governor Gavin Newsom, State Senator Nancy Skinner, Assemblymember Buffy Wicks, and members of the California Public Utilities Commission Board (CPUC). The Net Energy Metering (NEM) 3.0 decision issued by the CPUC on December 13, 2021 threatens access to net energy metering and rooftop-scale solar and storage by homeowners and tenants alike, interfering with Berkeley's and California's climate action and equity goals.

FINANCIAL IMPLICATIONS

Limited staff time associated with sending a letter to designated recipients.

BACKGROUND

Customers who install small solar, wind, biogas, and fuel cell generation facilities to serve all or a portion of onsite electricity needs are eligible for the state's Net Energy Metering (NEM) program. NEM allows customers who generate their own energy to receive a financial credit on their electric bills for any surplus energy fed back to their utility.

The current NEM program was adopted by the California Public Utilities Commission (CPUC) in Decision (D.)16-01-044 on January 28, 2016. The program provides customer-generators rate credits for energy exported to the grid and requires them to pay charges that align NEM customer costs more closely with non-NEM customer costs. NEM is designed to support the installation of renewable energy generation.

In early 2021, the CPUC launched a formal proceeding to update the current NEM structure. The new rulemaking is referred to as NEM 3.0 because this is the third iteration of the NEM program. Over 17 proposals were submitted to the CPUC for consideration, including a joint proposal from the state's big three investor-owned utilities (IOUs); Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and

San Diego Gas & Electric (SDG&E). There is concern that the joint proposal will hinder the state's highly successful rooftop solar market which is a key strategy in the state reaching its clean energy and environmental goals.

On December 13, 2021, the CPUC issued a Proposed Decision (PD) that is very similar to the "big three" proposal.¹

Notable elements of it include the following:

Credit Value of Excess Energy Saved and Exported to the Grid is Slashed by Nearly 80%

- There is no transition glidepath, so the full reduction would take effect as soon as NEM 3.0 is implemented.
- The PD suggests values for each hour of the day rather than consistent values within time-of-use periods.
- The numbers vary for each of California's 16 climate zones.

Inadequate Market Transition Credits are Proposed

- Under the PD, customers would be locked into a credit level from year of installation for ten years. This credit level would decline to zero over four years.
- There would be no credit incentive for SDG&E customers.
- There would be no incentive for commercial customers, including small businesses, schools, places of worship, and non-profits
- There would be no incentive for new home construction, thus further exacerbating the unaffordability of the statewide real estate market and interfering with California's Title 24 goals, particularly its solar mandate for residential customers.
- A new fund of \$150 million per year would be created to fund solar for the lowest-income customers. The PD proposes no further specifics, with details promised to be worked out later.

Eligibility Term Reduced for Existing (NEM 1.0 and NEM 2.0) Solar Customers

- The PD proposes that the current 20-year eligibility period for NEM 1.0 and NEM 2.0 would be reduced to 15 years for residential non-California Alternate Rates for Energy (CARE)² customers.

¹ <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M430/K903/430903088.PDF>

² <https://www.cpuc.ca.gov/care/>

- The PD proposes to also slash the term to 15 years for all customers submitting applications under NEM 2.0 between the NEM 3.0 decision date and implementation of NEM-3. Under the PD the CPUC makes no exceptions for commercial and low-income customers.

Dramatic Increases in Payback Periods for Rooftop Solar Systems

- Under the current NEM 2.0 rate design, the payback period for a typical residential rooftop solar system is estimated to range between 5 and 9 years.
- Under the PD, the residential simple payback period for market-rate customers would increase to 16.0 years for PG&E customers, 18.6 years for SCE customers, and 9.3 years for SDG&E customers. The residential simple payback period for lower-income customers would increase to 11.6 years for PG&E customers, 11.2 years for SCE customers, and 12.2 years for SDG&E customers.

The PD violates the following key goals and themes that are consistent with what the City of Berkeley has supported in the past.

These include:

- Protecting and expanding rooftop solar via a strong succeeding NEM tariff and expanding clean energy access by making it easier, not harder, for people to adopt rooftop solar and energy storage in order to meet California's ambitious clean energy targets and deploy solar in all communities and households, particularly those struggling to pay for electricity; and
- Expressing its support for the items as stated above, including urging the CPUC to:
 - (i) strengthen NEM to expand access to all households, particularly of low-and-moderate income customers;
 - (ii) expand access to other clean energy technologies that pair with solar, such as batteries;
 - (iii) ensure that the solar installations continue to grow in order to meet State and City climate goals; and
 - (iv) exclude provisions set forth in both the PD and the IOUs' Proposal such as high monthly fixed fees and reducing or eliminating credits for sharing electricity with the power grid.

A consensus is emerging that a fair and effective rooftop solar policy must share its benefits with low-income and disadvantaged communities that have previously been left out. The PD further exacerbates these inequities.

ENVIRONMENTAL SUSTAINABILITY

Passage of the IOUs' proposal is likely to squelch the deployment of rooftop-scale solar and storage in the City of Berkeley, which would interfere with a key strategy in the realization of Berkeley's Climate Action goals.

CONTACT PERSON

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Council District 6

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Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

OPPOSITION TO NET ENERGY METERING 3.0 PROPOSED DECISION
SUPPORT NET ENERGY METERING POLICY THAT CONTINES THE GROWTH OF
LOCAL AND ROOFTOP SOLAR

WHEREAS, Net Energy Metering (NEM) is designed to support the installation of customer-sited renewable energy generation; and

WHEREAS, NEM allows customers to receive bill credits for power generated by their solar system and shared with the power grid and ultimately save money on their utility bills; and

WHEREAS, NEM is what has allowed solar to become increasingly accessible to low- and moderate-income households; and

WHEREAS, the California Public Utilities Commission (CPUC) has launched a formal proceeding to update the current NEM structure to be introduced in 2022 as NEM 3.0 and a number of parties have submitted their proposal for what they believe NEM 3.0 should look like; and

WHEREAS, the California Investor Owned Utilities (IOUs), Pacific Gas and Electric, San Diego Gas & Electric and Southern California Edison, have submitted a joint proposal (the "IOU Proposal") that calls for drastic changes to NEM that would make customer-sited renewable energy more expensive, increase the amount of time it takes for customers to pay off their systems, and ground to a halt the installation of distributed solar in California; and

WHEREAS, The IOU Proposal would make it impossible for customer-sited renewables to continue to grow sustainably as mandated by law as a result of high monthly fixed fees for all solar installations, and slashing credits customers receive for sharing their excess electricity with the power grid; and

WHEREAS, proposals submitted to CPUC by Protect Our Communities Foundation, California Solar & Storage Association, Vote Solar, GRID Alternatives, Solar Energy Industries Association, and others not only would encourage new solar adoption but also include additional subsidies for low income customers; and

WHEREAS, California cannot meet its clean energy targets in time with utility scale solar alone and needs to triple the amount of rooftop solar, as reported by the California Energy Commission 2021 SB 100 Joint Agency Report Summary; and

WHEREAS, protecting rooftop solar and expanding access to rooftop solar in communities of concern will help California as well as our own city to move toward 100 percent clean energy, lessen the impacts of the climate crisis, and reduce climate injustices from dirty energy; and

WHEREAS, on December 13, 2021, the CPUC issued a Proposed Decision (PD) that is very similar to the IOUs' proposal. Notable elements of it include the following:

- Credit Value of Excess Energy Saved and Exported to the Grid is Slashed by Nearly 80%
- Inadequate Market Transition Credits
- Eligibility Term Reduced for Existing (NEM 1.0 and NEM 2.0) Solar Customers
- Dramatic Increases in Payback Periods for Rooftop Solar Systems; and

WHEREAS, the climate crisis requires that the transition to clean energy be more accessible.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it supports protecting and expanding rooftop solar via a strong NEM tariff and expanding clean energy access by making it easier, not harder, for people to adopt rooftop solar and energy storage in order to meet California's ambitious clean energy targets and deploy solar in all communities and households, particularly those struggling to pay for electricity.

BE IT FURTHER RESOLVED that the Council of the City of Berkeley urges the CPUC to reject the Net Energy Metering 3.0 Proposed Decision issued on December 13, 2021 and instead to:

- (i) strengthen NEM to expand access to all households, particularly of low-and-moderate income;
- (ii) expand access to other clean energy technologies that pair with solar, such as batteries;
- (iii) ensure that the solar installations continue to grow in order to meet State and City climate goals; and
- (iv) exclude provisions set forth in the IOU Proposal such as high monthly fixed fees, and reducing or eliminating credits for sharing electricity with the power grid.

BE IT FURTHER RESOLVED that copies of this Resolution shall be sent to Governor Gavin Newsom, State Senator Skinner, Assemblymember Wicks and members of the California Public Utilities Commission Board.