



J. Steve Rahon
Director
Tariffs & Regulatory Accounts
8330 Century Park Court
San Diego, CA 92123-1548

Tel: 858.654.1773
Fax: 858.654.1788
srahon@semprautilities.com

February 27, 2006

ADVICE LETTER 1777-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: ESTABLISHMENT OF SCHEDULE NEM-CT; NET ENERGY METERING FOR
COMBINED TECHNOLOGY GENERATION FACILITIES**

PURPOSE

This advice letter is being filed in compliance with Ordering Paragraph 2 of California Public Utilities Commission (Commission) Decision (D.) 05-08-013, dated August 25, 2005, by establishing a new Schedule NEM-CT, *Net Energy Metering – Combined Technologies*, to provide for billing and metering distributed generation facilities that operate a net energy metering (NEM) eligible generator and a generator that does not qualify for NEM (non-NEM).

BACKGROUND

As part of D.05-08-013 the Commission, among other things, directed SDG&E, Pacific Gas and Electric Company, and Southern California Edison Company to file an advice letter within six months of the effective date of the decision to address the billing of customers that install generation that is NEM-eligible and a generator that does not qualify for NEM (non-NEM). SDG&E has attached two different exemplary tariffs in response to this directive. The first tariff (Attachment A) SDG&E believes is in compliance with the decision. The second tariff (Attachment B) is filed strictly as an alternative approach that may be more in line with the California Energy Commission's "Recommended Changes to Interconnection Rules" report (CEC report).

The attached tariffs address how to develop bill credits, or payments, for a customer in the situation where a customer has installed two, or more, generation technologies that in aggregate produce more energy at times than the load of that customer. The generation technologies may include those such as cogeneration that is non-NEM along with solar photovoltaics (PV), small wind energy, hybrids including PV and small wind energy, biogas digester generation, and fuel cell generation. The fact that there are so many different generation technologies and multiple ways that excess power production is directed to be handled by code requires some careful coordination.

In complying with D.05-08-013 SDG&E is also ensuring that it complies with Public Utilities (PU) Code Section 2821 (a) and 2821.5 (b) that require that all generation addressed is dealt with through use of "equitable" charges. This is important given that the treatment of excess power production by a cogenerator, PV, fuel cell/biogas digester are all treated differently by PU Code. Excess energy from a cogenerator is not compensated for any excess power absent a contract. The PV is compensated in

a commercial setting at a rate equal to the energy rate on the otherwise applicable tariff during the period of excess energy production. Fuel cells and biogas digester generation is compensated at the cost of the utility's generation. Excess production from eligible small wind energy is treated the same as PV. Thus SDG&E's exemplary tariffs address not just the combination of non-NEM generation with NEM generation, but also how to service customers with multiple different NEM's that can be treated differently by tariff for their power production that is in excess of their load.

The only way that SDG&E can see to comply with the PU Code requirement of treating energy in excess of customer load equitably is to allocate the subsidies to the various technologies on a pro-rata basis as presented in Attachment A. The basis for the pro-rata allocation is the total power produced by each type of generator. Thus the language used in both SDG&E's compliance tariff and alternative tariff language at a minimum treat different NEM generation technologies equitably. The pro-rata allocation is determined by the technologies total generation.

The methodology used in SDG&E's compliance tariff for allocation of excess power production from both non-NEM and NEM generation technologies is to allocate the treatment of excess energy in a pro-rata manner to each technology based on total generation by each technology. Thus all technologies behind the meter are assumed to have shared in the production of the excess energy. The tariff doesn't assume which technology was constructed or operated for the purpose of making deliveries of excess energy to the grid and which was constructed and operated for the purpose of serving the customer's own load. The compliance methodology provides the customer installing generation with an equitable treatment of all energy produced, regardless of source, and avoids providing any one source with special treatment not provided for in code. Thus the compliance approach will result in lower subsidies flowing from all other customers to those with generation than the alternative.

In the alternative tariff the power produced from the non-NEM is assumed to first serve customer load and then becomes excess. The NEM generated power is assumed to be generated to deliver power first to the grid and then to serve customer load. Implicit is the assumption that the NEM generation was built with the intent of being a grid source of power and the non-NEM was intended to serve customer load. If there are a combination of NEM generation technologies, the power to the grid is allocated on a pro-rata basis. SDG&E does not endorse the alternative because this alternative methodology has a potential adverse impact on the rates of non-participating customers because it artificially maximizes the NEM subsidy. However, this appears to be the methodology endorsed by the CEC report. Given the record, SDG&E believes it was necessary to also present this option.

SDG&E requests the Commission accept Attachment A as the preferred means for treating distributed generation facilities with combined technologies. Should the Commission have intended to adopt the CEC proposal then SDG&E submits the alternative tariffs to the Commission for approval. SDG&E will file a subsequent advice letter with final tariff sheets and the related customer application form once the Commission has addressed this instance advice letter. Billing NEM with combined technologies will require extensive system modifications, and as a result SDG&E proposes to implement its new Schedule NEM-CT three months from the date its tariff is approved.

This filing will not create any deviations from SDG&E's tariffs, cause withdrawal of service from any present customers, or impose any more restrictive conditions.

EFFECTIVE DATE

SDG&E believes that this filing is subject to Energy Division Disposition, and therefore respectfully requests that the Commission approve its NEM-CT tariff by March 29, 2006, which is 30 calendar days from the date filed, for implementation no later than July 1, 2006.

PROTEST

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impacts, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date this advice letter was filed with the CPUC. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jir@cpuc.ca.gov) and Honesto Gatchallian (jnj@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Monica Wiggins
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1788
E-mail: mwiggins@semprautilities.com

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.04-03-017, by either providing them a copy electronically or by mailing them a copy hereof properly stamped and addressed.

Address changes should be directed to Christina Sondrini by facsimile at (858) 654-1788 or by e-mail at csondrini@semprautilities.com.

J. STEVE RAHON
Director — Tariffs & Regulatory Accounts

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Monica Wiggins

Phone #: (858) 654-1770

E-mail: mwiggin@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 1777-E

Subject of AL: Establishment of Schedule NEM-CT, Net Energy Metering for Combined Technology Generation Facilities, in Compliance with Decision 05-08-013

Keywords (choose from CPUC listing): Compliance, NEM-CT

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.05-08-013

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: 3/29/06

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed²: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

San Diego Gas & Electric

Attention: Monica Wiggins

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mwiggin@semprautilities.com

¹ Discuss in AL if more space is needed.

² Discuss in AL if more space is needed.

General Order No. 96-A, Sec. III. G.
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

ORA

D. Appling
S. Cauchois
J. Greig
R. Pocta
W. Scott

Energy Division

W. Franklin
S. Gallagher
H. Gatchalian
D. Lafrenz
J. Royer

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

W. Gaters

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

A. Ahmed
V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

C. Torres

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell

M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg

J. Heather Patrick

J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard

M. Snow

R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark

M. Huffman

S. Lawrie

E. Lucha

Robinsons-May Dept. Stores

R. Britt

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman

J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

J. Roscher

B. Johnson

R. Hunter

D. White

TURN

M. Florio

M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

J. Perez

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

R.04-03-017

SAN DIEGO GAS & ELECTRIC COMPANY

ADVICE LETTER 1777-E

ATTACHMENT A

**NET ENERGY METERING
FOR COMBINED TECHNOLOGY GENERATION FACILITIES**

(PRO-RATA METHODOLOGY)



SCHEDULE NEM-CT

Sheet 1

NET ENERGY METERING
FOR COMBINED TECHNOLOGY GENERATION FACILITIES

N
N
N
N

APPLICABILITY

Applicable to all customers who have installed on a single premise, behind a single service entrance point, generating facilities that include two or more of the following: (1) eligible for Schedule NEM; (2) eligible for Schedule NEM-BIO; (3) eligible for Schedule NEM-FC; or (4) not eligible for any of the forgoing rate schedules (non-NEM). Service on this Rate Schedule is to be taken in combination with service on the customer's otherwise applicable tariff(s).

TERRITORY

Within the entire territory served by the Utility

RATES

The rates from each of the customer's otherwise applicable tariff shall apply to customer load during each interval billing period. Where there is excess generation during any interval time period causing power to flow from the customer's facilities to the grid then that excess power shall be assigned to each generating facility on the premise in proportion to the total amount of energy produced by each generator for each interval time period, except that power produced by a generation technology that is constructed to prevent export to the grid shall be excluded from the assignment of exported power.

SPECIAL CONDITIONS

1. Definitions: The definition of terms used in this schedule are either found herein or in Rule 1, Rule 21 or the customer's otherwise applicable rate schedule(s).
2. Metering: Customer shall pay for the installation of a meter meeting Utility standards and capable of measuring load on a 15-minute interval basis on each different generation technology located on the customer's premise. Metering is not required on any technology that has a breaker (relay) installed at the customer's expense that will prevent the flow of power from that technology onto the grid, or if all but one generation technology has such a breaker.
3. Generation Technology: A generation technology is each technology that is (1) eligible for Schedule NEM; (2) eligible for Schedule NEM-BIO; (3) eligible for Schedule NEM-FC; or (4) not eligible for any of the forgoing rate schedules
4. Eligible NEM exports and all customer usage will be totaled at the end of each monthly billing cycle pursuant to the customer's otherwise applicable rate schedule and will be credited or charged as provided in the customer's applicable NEM tariff. In no event will the non-NEM generator receive credits designed for the net energy metering eligible generator.

N

(Continued)

1W0
Advice Ltr. No. 1777-E
Decision No. 05-08-013

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Feb 27, 2006
Effective _____
Resolution No. _____

SAN DIEGO GAS & ELECTRIC COMPANY

ADVICE LETTER 1777-E

ATTACHMENT B

**NET ENERGY METERING
FOR COMBINED TECHNOLOGY GENERATION FACILITIES**

(STACKING METHODOLOGY)



SCHEDULE NEM-CT

Sheet 1

NET ENERGY METERING
FOR COMBINED TECHNOLOGY GENERATION FACILITIES

N
N
N
N

APPLICABILITY

Applicable to all customers who have installed on a single premise, behind a single service entrance point, generating facilities that include two or more of the following: (1) eligible for Schedule NEM; (2) eligible for Schedule NEM-BIO; (3) eligible for Schedule NEM-FC; or (4) not eligible for any of the forgoing rate schedules. Service on this Rate Schedule is to be taken in combination with service on the customer's otherwise applicable tariff(s).

TERRITORY

Within the entire territory served by the Utility

RATES

The rates from each of the customer's otherwise applicable tariff shall apply to customer load during each interval billing period. Where there is excess generation during any interval time period causing power to flow from the customer's facilities to the grid then that excess power shall first be assigned to the generation technologies that are (1) eligible for Schedule NEM; (2) eligible for Schedule NEM-BIO; (3) eligible for Schedule NEM-FC. Within each of the three above generation technologies the excess generation shall be assigned to each generating facility on the premise in proportion to the total amount of energy produced by each generator for each interval time period, except that power produced by a generation technology that is constructed to prevent export to the grid shall be excluded from the assignment of exported power.

If the power exported to the grid exceeds the sum of the power from the generation technologies that are (1) eligible for Schedule NEM, (2) eligible for Schedule NEM-BIO, or (3) eligible for Schedule NEM-FC then all excess power shall be assigned to the generation technology that is not eligible for any of the forgoing rate schedules

SPECIAL CONDITIONS

1. Definitions: The definition of terms used in this schedule are either found herein or in Rule 1, Rule 21 or the customer's otherwise applicable rate schedule(s).
2. Metering: Customer shall pay for the installation of a meter meeting Utility standards and capable of measuring load on a 15-minute interval basis on each different generation technology located on the customer's premise. Metering is not required on any technology that has a breaker (relay) installed at the customer's expense that will prevent the flow of power from that technology onto the grid, or if all but one generation technology has such a breaker.
3. Generation Technology: A generation technology is each technology that is (1) eligible for Schedule NEM; (2) eligible for Schedule NEM-BIO; (3) eligible for Schedule NEM-FC; or (4) not eligible for any of the forgoing rate schedules
4. Eligible NEM exports and all customer usage will be totaled at the end of each monthly billing cycle pursuant to the customer's otherwise applicable rate schedule and will be credited or charged as provided in the customer's applicable NEM tariff. In no event will the non-NEM generator receive credits designed for the net energy metering eligible generator.

N

(Continued)