

May 8, 2006

Mr. Jerry Royer  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, CA 94102

**SUBJECT:** Comments of Southern California Edison Company on Draft  
Resolution E-3992

Dear Mr. Royer:

Southern California Edison (SCE) provides the following comments to the Energy Division's Draft Resolution (DR) E-3992 addressing the advice letters filed by SCE, San Diego Gas and Electric Company, and Pacific Gas and Electric Company to implement a new Combined Technologies Net Energy Metering (CT-NEM) tariff schedule and accompanying Generating Facility Interconnection Agreement (GFIA). SCE's proposed tariff describes the methodology for providing NEM credits to customers with multiple onsite generators, where one or more of the generators are eligible for NEM treatment and one or more of the generators are not eligible for NEM treatment. SCE's proposed tariff would also govern credits for two generators that are eligible for NEM treatment under two different rate schedules.

SCE proposed a pro-rata crediting methodology based generally on the physical principle that energy from both NEM-eligible and non-NEM generators will serve customer load simultaneously up to the point where total generation exceeds customer load. SCE's proposed tariff thus provides for metering to determine actual energy output from each generator, and establishes a methodology which credits the relative proportion of exported energy attributable to the NEM-eligible generator.<sup>1</sup>

The DR proposes to reject the utilities' advice filings and order tariff changes that are not only contrary to Public Utilities Code (PUC) Section 2827 and D.05-08-013, but also bear no relation to how power is actually being produced and utilized. In particular, the DR:

- Violates PUC Section 2827 and D.05-08-013 by requiring the utilities to ignore the actual source of any energy exported, and instead make the assumption that any and all energy exported from a single premises with multiple generators comes from the NEM-eligible generator, up to the full output of the NEM-eligible generator, as measured over a 12-month period.
- Violates PUC Section 2827 by ignoring the onsite load that is served by the NEM-eligible generator(s).

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<sup>1</sup> As an alternative to generator output meters, SCE's proposed tariff also includes a provision allowing a participating customer to install a non-export breaker and relay arrangement that would ensure non-NEM generation is not exported to the grid, as mandated in Commission Decision (D.)05-08-013 Ordering Paragraph 2, Bullet 5 (3).

- Violates PUC Section 2827 by seeming to allow large commercial and industrial customers to accrue consumption charges over an annual, rather than monthly, period.
- Conflicts with D.05-08-013 by barring the utilities from separately metering the generation output from NEM-eligible and non-NEM generators.
- Rejects the requirement of installing Time-of-Use (TOU) generation output meters to ensure that non-NEM generators do not receive any NEM credits, as mandated by D.05-08-013.
- Fails to address “combined technology” situations in which multiple NEM tariffs are implicated.

In reaching these conclusions, the DR is plagued by legal, factual, and technical errors, including misstatements of PUC Section 2827 and D.05-08-013, as well as misrepresentations of the Rule 21 Working Group process, the CEC Report on Recommended Changes to the Interconnection Rules, and provisions in SCE’s current Tariff Rule 21. Due to page limitations, SCE will only address the most egregious errors in the body of these comments. SCE, however, has attached a subject index of proposed changes, including the rationale for those changes, as required in the instructions for responding to the DR. SCE urges the Commission to review these comments, including the errors identified in the Subject Index, and reject the DR for the reasons stated herein.

### **The Draft Resolution Violates Public Utilities Code Section 2827 and D.05-08-013**

As reflected above, the DR orders the utilities to ignore the onsite load that is served by the NEM-eligible generator and instead assume that every electron exported came from the NEM-eligible generator, up to the total output of the NEM-eligible generator, as measured over a 12-month period. The DR further states that interval metering on the NEM-eligible and non-eligible generators is not permitted – only a “regular NGOM” is permitted on the NEM-eligible generator.<sup>2</sup> Such a methodology will undoubtedly provide NEM credit to non-NEM generation in violation of PUC Section 2827.

First, energy from both NEM-eligible and non-NEM generators will serve customer load equally up to the point where total generation exceeds customer load. This is a physical fact. Pursuant to PUC Section 2827, NEM credit is only provided for *electricity generated by an eligible generator and fed back to the electric grid*. PUC Section 2827 does not provide credit for all eligible energy *produced*, only eligible energy *exported*. As such, the onsite load that is served by the NEM-eligible generator cannot be ignored. In fact, PUC Section 2827(b)(2) defines an eligible customer-generator as one that operates an NEM-eligible generator in parallel with the grid “and is intended primarily to offset part or all of the customer’s own electrical requirements.” The notion that all energy produced from an NEM-eligible generator should automatically receive credit is contrary to this principle, as well as the physical reality of the flow of electrons. Ignoring the onsite load and providing credit to all energy exported up to the output of the NEM-eligible generator will result in NEM credit given to generation produced from non-NEM generators in violation of PUC Section 2827. In contrast, SCE’s pro-ration methodology is based on the physical reality of the power produced on site and fairly reflects the attributes of the generation sources.

Second, TOU meters must be placed on both NEM-eligible generators and non-NEM generators to prevent crediting non-NEM generation. Under PUC Section 2827, NEM credits are only provided for electricity that is both generated from an NEM-eligible generator, and exported from an NEM-eligible

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<sup>2</sup> DR, p.4. It is not clear what the DR means by “regular NGOM.” Presumably, the DR is referring to a meter that records production on a monthly billing cycle basis rather than on an interval or Time-of-Use basis.

generator. In a combined-technologies facility, visibility to the source of generation is imperative. Without TOU metering on both generators, the utilities will have no way of knowing when a particular generator is operating, and thus no way to prevent the crediting of non-NEM generation.<sup>3</sup> The Commission recognized this when it mandated in D.05-08-013 that “any combined technology DG facility must install at its cost individual meters for the separate generators or breakers that prevent export from the non-net metering generator.” The DR disregards the Commission’s mandate and requires utilities to install a “regular NGOM” on the NEM-eligible generators only. Under the DR’s proposal, a non-NEM generator could (and would) receive NEM credit for exported energy. The only limit on that credit would be the total output of the NEM-eligible generator on an annual basis. Moreover, the customer would be able to bank and use these non-NEM accumulated credits during the annual true-up period. The following is an illustrative example of providing NEM credit treatment to Non-NEM generation:

	NEM-Eligible Generator	Non-NEM Generator	Customer Load	Export	Credit
Day 1	50	100	80	70	Credit is given for all export (kWh) up to the output of the NEM generator.
Day 2	0	100	80	20	
Day 3	0	100	80	20	
Day 4	50	30	80	0	
Day 5	50	100	80	70	
Total	150	430	400	180	<b>150</b>

Under the DR, a “regular NGOM” would be placed on the NEM-eligible generator only, and the customer would receive NEM credits for all generation exported by both the NEM-eligible and non-NEM generators, capped only at the total production of the NEM-eligible generator. By solely reconciling the total export with the total output of the NEM-eligible generator, the DR would provide NEM credits on days in which the NEM-eligible generator was not operating (Days 2 & 3) and days in which all NEM-eligible generation was used onsite (Day 4). Moreover, the DR’s proposed crediting methodology would ignore the fact that on Days 1 & 5, a portion of the load was served by the NEM-eligible generator, and the corresponding fact that a significant portion of the exported power was produced by the non-eligible generator. This flies in the face of PUC Section 2827 which prohibits NEM credits for fossil-fired generation.

The DR ignores these results and further maintains that the ordered stacking methodology does not increase the NEM subsidy.<sup>4</sup> The DR bases this idea on the mistaken belief that D.05-08-013 adopted a stacking methodology, while at the same time ignoring the safeguards against providing NEM credit treatment to non-NEM generation that were adopted in D.05-08-013. The DR further reasons that a customer can accrue consumption charges and NEM credits over an annual period and thus the customer need not use any NEM-eligible generation at the time it is produced. Lastly, the DR states that the NEM statute is not based on power flow, but instead is merely a policy.<sup>5</sup> All of these premises are flawed.

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<sup>3</sup> As stated above, the Commission provided an alternative to metering both the eligible and non-eligible generation: the customer could install a non-export breaker and relay arrangement to physically prevent the export from non-eligible generation. This alternative highlights the Commission’s intent to prevent non-eligible generation from receiving credits designed for NEM-eligible generation.

<sup>4</sup> DR, p. 10.

<sup>5</sup> *Id.*

First, D.05-08-013 did not adopt a stacking methodology. D.05-08-013 merely states that “utility tariffs should prohibit any provision or methodology that prevents *export* from an NEM generator even if the non-NEM generator is operating.”<sup>6</sup> Moreover, D.05-08-013 adopted this recommendation concerning the ability to export *with three protections proposed by SCE, including the mandate that non-eligible generators cannot receive any credits or tariff exemptions designed for NEM-eligible generators*. These protections were adopted by the Commission to address concerns SCE raised in comments on the CEC Report, and form the basis of SCE’s position that a “stacking” credit methodology would violate D.05-08-013. Had the Commission wanted to endorse the stacking methodology, it could have very easily rejected the second safeguard and noted that all export was presumed to come from the NEM-eligible generator up to the annual output of the NEM-eligible generator. The Commission did not adopt such language.<sup>7</sup>

Second, the statutory mandate that any credits which exceed the customer’s annual energy usage will not be compensated is not sufficient to protect against the inappropriate crediting of non-NEM generation. Contrary to the DR’s statements, PUC Section 2827 mandates that only residential and small commercial customers can accrue energy charges over an annual period. All other customers must pay net energy consumption charges on a monthly basis. Regardless, this allowance does not permit customers to receive credit for non-NEM generation. Although a customer-generator will forfeit any unused NEM credits at the end of its annual cycle, under the DR, such customer will still be able to use credits that have been inappropriately banked from a non-NEM generator through the end of the annual cycle.

Lastly, as shown above, PUC Section 2827 is not “just a policy.” The statute provides credit to electricity *generated by an eligible generator and fed back to the electric grid*. The statute means nothing if the source of the generation and the onsite load are ignored or disregarded. Moreover, distorting the NEM statute and disregarding its plain meaning to promote an agenda may have unintended consequences. For instance, the “stacking” crediting methodology will be detrimental to a customer with a qualifying facility (QF) and an NEM-eligible combined-technology facility. If the utilities are forced to “stack” resources in such a way as to pretend that the QF served onsite load first, and the NEM-eligible generator exported all of its energy, the customer’s QF payments will be reduced. The Commission would be better served to comply with PUC Section 2827 and develop a crediting methodology that is technology neutral and grounded in reality.

### **The Draft Resolution’s Metering Requirements are Inconsistent with D.05-08-013**

Rather than allow the utilities to implement the plain language of D.05-08-013 mandating the installation of output meters on all NEM-eligible and non-NEM generators (or the installation of non-export breakers to prevent non-NEM generation export), the DR states that the utilities may not require metering on both

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<sup>6</sup> D.05-08-013, Ordering Paragraph 2, bullet 5 (emphasis added).

<sup>7</sup> The Commission stated, “We will adopt the CEC’s recommendation with three protections proposed by SCE designed to assure the policy protects utility ratepayers while furthering the state’s general goal of promoting renewable energy technologies. First, any energy reported by the NEM generator that exceeds the customer’s annual energy usage from the utility will not be compensated, a requirement that is already in effect. Second, *in no event will non-NEM generators receive credits and tariff exemptions designed for NEM generators*. Third, and in order to assure that non-NEM generators do not receive NEM credits, any DG operating a combined technology DG facility must install, at its cost, metering for the separation of energy measurements of NEM and non-NEM generators or relays that prevent export from the non-NEM generators at all times, unless an export agreement is executed.”

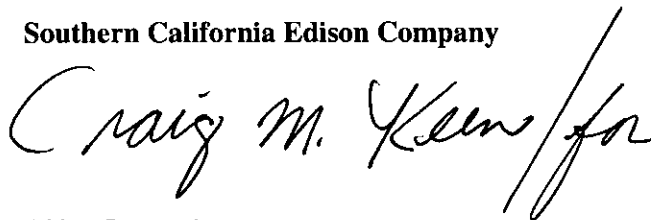
generators and must solely refer to NGOM requirements in Rule 21.<sup>8</sup> This is inappropriate. Rule 21 does not currently address metering requirements for “combined technology” or “multiple tariff” generating facilities. In fact, Rule 21 specifically excludes NEM generating facilities from NGOM requirements. If the DR requires the utilities to refer to Rule 21 for metering requirements for combined technology facilities, Rule 21 will have to be further modified to incorporate the Commission’s mandate that both NEM-eligible and non-NEM generation technologies install metering or breakers to ensure that non-NEM generation does not receive NEM credit treatment. SCE maintains that it is simpler to address the rules, including metering requirements, for combined technology generating facilities in one tariff as filed by SCE.

**The Draft Resolution Fails to Provide a Crediting Methodology for Two Generators that are Eligible for NEM Treatment**

In contrast to SCE’s proposed tariff, the DR does not address how the utilities should allocate NEM credits for a generating facility operating under multiple NEM tariff schedules. The DR suggests that it may be more economical for a customer operating multiple NEM-eligible generators which receive different credit treatment (e.g. solar along with biogas) to be given the choice to have all NEM-eligible exported energy valued at the energy only rate. This notion was not required by or even mentioned in D.05-08-013. Nor was it addressed in any Rule 21 Working Group meeting or the CEC Report on Interconnection Rules. More importantly, PUC Section 2827 mandates which types of NEM-eligible generators are eligible for “full bundled” credit treatment and which types of NEM-eligible generators are eligible for “energy-only” credit treatment. Although it may be more economical for all parties involved to elect energy-only credit treatment for all excess generation, there is no language in PUC Section 2827 which suggest such NEM credit structure is permissive. Even assuming the DR’s energy-only credit structure would be lawful, there is nothing in the DR which provides for an alternate methodology if the customer does not choose to have all generation credited at the energy-only rate.

In conclusion, SCE urges the Commission to consider these comments and the attached Subject Index of Recommended Changes and reject the DR.

**Southern California Edison Company**



Akbar Jazayeri

cc: President Michael Peevey  
Commissioner Geoffrey Brown  
Commissioner Rachelle Chong  
Commissioner Dian Grueneich

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<sup>8</sup> It is worth noting that the DR’s statements concerning Rule 21 are in error. According to D.05-08-013, the utilities were required to file tariffs clarifying that NGOM is required when a generating facility receives a regulated subsidy or specific tariff exemptions, otherwise NGOM is not required where less intrusive or more cost effective options for providing generator data are available. D.05-08-013, OP 2. SCE has filed a separate advice letter concerning Rule 21 changes, and separate comments on the DR concerning that advice filing.

Mr. Jerry Royer  
Page 6  
May 8, 2006

Commissioner John Bohn  
Service List for E-3992 (R.04-03-017)  
Sean Gallagher, Director Energy Division CPUC  
Dorothy Duda, Administrative Law Judge CPUC  
Kim Malcolm, Administrative Law Judge CPUC  
Werner Blumer, Energy Division CPUC  
Valerie Beck, Energy Division CPUC  
Brian Schumacher, Energy Division CPUC  
Ken Lewis, Energy Division CPUC

## SUBJECT INDEX OF RECOMMENDED CHANGES

Page	Language	Proposed Change	Rationale
2	<p>“Under PUC 2827 et seq, solar generators up to 1 MW capacity and wind generators up to 50 kW capacity are credited at the bundled otherwise applicable tariff (OAT) rate monthly for net energy exported and <i>these accrued credits are applied against the annual charges for net energy supplied by the utility.</i>”</p>	Delete or Revise	<p><u>Legal Error:</u> This sentence is a misstatement of PUC 2827, which allows <i>only</i> Residential and Small Commercial customer generators to accrue excess consumption charges over a year’s time. All other NEM customer generators must pay applicable charges on a monthly basis – they cannot accumulate charges over an annual period. See PUC 2827(h)(2)(C).</p>
2	<p>“Use of non-export power relays for the prevention of energy export from non-NEM eligible generators to the distribution system is required per Rule 21.”</p>	Delete	<p><u>Legal Error:</u> This sentence is false. SCE’s Commission-approved Tariff Rule 21 does not mandate the use of non-export relays on any generating facility. Generators which export power to the distribution system require supplemental review, but are not barred from interconnecting. Rule 21 also accepts other means than non-export power relays to prevent export from generators. See SCE’s Rule 21, Section I.</p>
3	<p>“The non-export relay requirements for [the breaker] option are already incorporated in Rule 21.”</p>	Delete	<p><u>Legal Error:</u> As indicated above, there is no provision in Rule 21 mandating non-export relays. See SCE’s Rule 21.</p>
3-4	<p>“The pro-rating method may prevent credit for some of the energy produced by the NEM-eligible generators when non-NEM generators operate at the same time without non-export breakers (relay).”</p>	Delete	<p><u>Legal &amp; Factual Error:</u> PUC 2827 provides credit to electricity generated by an eligible generator <i>and fed back to the electric grid.</i> Thus, PUC 2827 does not provide credit for all eligible energy <i>produced</i>, only eligible energy <i>exported</i>. As such, the onsite load that is fed by the eligible generator cannot be ignored. The pro-rating methodology does not “prevent credit for energy produced” but rather is consistent with PUC 2827’s statutory mandate and D.05-08-013’s requirement to provide credit only for energy <i>exported from an eligible generator</i>. The pro-rating method requires metering to determine actual energy output from each generator, and credits the relative proportion of exported energy attributable to the NEM-eligible generator. See PUC 2827 (b)(3); D.05-08-013, OP 2, bullet 5.</p>

Page	Language	Proposed Change	Rationale
4	<p>“A third ‘Physical’ method discussed in the Rule 21 Working Group was dismissed early on because of serious flaws.”</p>	Delete	<p><u>Factual Error:</u> The Rule 21 Working Group discussed the “Physical Principles” methodology in tandem with the pro-ration and stacking methodologies. This method was considered throughout the Rule 21 Working discussions on this topic, as reflected in the Rule 21 Working Group meeting minutes. <i>See, e.g.,</i> December 14, 2005 Meeting Minutes. SCE, which originally proposed the “Physical Principles” methodology, ultimately agreed to support the pro-ration methodology because it appeared easier to understand by the majority of the Working Group, and it incorporates similar safeguards against giving NEM billing credit for energy produced by a non-eligible generator. SCE believed that both the Physical Principles and Pro-ration methodologies complied with D.05-08-013, but the latter was more likely to provide the basis of a consensus among most of the Working Group members.</p>
4	<p>“Because the annual energy export credit of the NEM-eligible generators is capped by the smaller of the actual generation of such generators or the consumption, it does not matter when they generated.”</p>	Delete	<p><u>Factual &amp; Technical Error:</u> If production is not measured on a time-of-use basis and “true-ups” are only conducted on a monthly or annual basis, non-eligible generators could, and would, receive NEM credit in contravention of D.05-08-013. This is explained more fully on pages 2-3 of SCE’s comments on the Draft Resolution.</p>
4	<p>“For both methods net energy exported is credited in dollars monthly and carried forward to offset charges for net consumption in a year . . . .”</p>	Delete or Revise	<p><u>Legal Error:</u> As reflected above, this is only applicable to Residential and Small Commercial customers. <i>See</i> PUC 2827(h)(2)(C).</p>
6	<p>“San Diego quotes the CEC report on which the Decision is based and which concluded that pro-rating of the NEM-eligible energy from a GF with generators qualifying for multiple tariffs would potentially reduce the economic benefit the customer might otherwise (with stacking) enjoy under the NEM tariff, potentially reduce the efficiency at which the non-NEM eligible generator operates, and runs counter to the state’s need for additional generation.”</p>	Delete or Revise	<p><u>Factual Error:</u> The CEC report did not draw these conclusions about the pro-ration crediting methodology. The CEC’s recommendation does not endorse or even mention the stacking crediting methodology. In fact, there is no mention of any crediting methodology in the CEC’s recommendation. These statements relate to the CEC’s statement that “any methodology <i>preventing export</i> from the NEM generator while the non-NEM generator is operating is inappropriate.” The CEC report contains no recommendations on how to allocate credits for energy exported from both NEM-eligible and non-eligible generators. <i>See</i> CEC Report, Energy Commission Recommendation re Net Metering with “Combined Technologies,” p. 40.</p>



Page	Language	Proposed Change	Rationale
10	"[T]he NEM crediting method . . . was adopted as recommended by the CEC."	Delete or Revise	<p><u>Legal Error:</u> While D.05-08-013 adopted the CEC's recommendations concerning the <i>physical ability to export</i>, the Decision also imposed three additional protections concerning the credit for that export, as proposed by SCE during comments on the CEC Report. These protections included the mandate that non-eligible generators cannot receive any credits or tariff exemptions designed for NEM-eligible generators. See D.05-08-013, p. 14-15; D.05-08-013, OP 2, bullet 5.</p>
10	"The three safeguards against crediting exported energy from a non-NEM eligible generator apply regardless if the stacking or pro-rating method of NEM energy export is applied."	Delete	<p><u>Factual &amp; Legal Error:</u> The stacking credit methodology provides credit to non-eligible generation, up to the annual production of the eligible generator, regardless of the source of the generation or whether the energy was actually used onsite. Thus, the Draft Resolution nullifies the safeguard in D.05-08-013 that "in no event will non-net metering generators receive credits designed for NEM projects." The Draft Resolution essentially revises this protection to read (in effect), "<i>NEM credits received by a customer shall not, on an annual basis, exceed the total annual energy production of NEM eligible generators.</i>"</p>
10	"There is no artificial increase of the NEM subsidy, because the NEM-eligible generators have to actually generate the energy credited, as in the case of a NEM-eligible GF only."	Delete	<p><u>Factual &amp; Legal Error:</u> The Draft Resolution artificially increases the NEM subsidy by allowing credit for non-eligible generation and ignoring onsite load fed by the eligible generator, in conflict with both D.05-08-013 and PUC 2827. The Draft Resolution ignores actual power flow, and thus the actual source of any electrons exported. As such, the Draft Resolution allows the crediting of non eligible generation. Moreover, the Draft Resolution confuses <i>production</i> with <i>export</i>. PUC 2827 provides credit to electricity generated by an eligible generator <i>and fed back to the electric grid</i>. Thus, PUC 2827 does not provide credit for all eligible energy <i>produced</i>, only eligible energy <i>exported</i>. The onsite load that is fed by the eligible generator cannot be ignored. See PUC 2827(b)(3).</p>

Page	Language	Proposed Change	Rationale
10	<p>“Prorating essentially denies the customer the opportunity to accumulate and use credit at any time, for all energy actually produced by NEM-eligible generators, just because of non-NEM eligible generators on the same meter/account.”</p>	Delete	<p><u>Factual Error</u>: Pro-rating does not deny the customer the opportunity to accumulate credit for energy exported. The pro-rating methodology is based on the physical reality of power flow, and fairly takes into account all generation at the site and onsite load. The pro-rating methodology merely provides credit to electricity generated by an eligible generator and fed back to the electric grid. See PUC 2827(b)(3).</p>
10	<p>“PUC 2827 allows credits for energy to be accumulated and used over a year’s time. It does not mandate that some NEM eligible energy has to be used instantaneously.”</p>	Revise	<p><u>Legal Error</u>: PUC 2827 defines an eligible customer generator as one that is “intended primarily to offset part or all of the customer’s own electrical requirements.” Thus, credit is only provided for energy exported net of on-site use, and the statute does mandate that the energy produced will be used to offset the customer’s own electrical requirements. The Draft Resolution is inconsistent with this principle insofar as it allows a customer-generator to accumulate credit for all energy produced rather than exported. See PUC 2827(b)(2); See PUC 2827(b)(3).</p>
10	<p>“PUC 2728 [sic] is not based on actual power flow, rather is a policy.”</p>	Delete	<p><u>Legal Error</u>: As reflected above, PUC 2827 provides credit to electricity generated by an eligible generator and fed back to the electric grid. The statute means nothing if the source of the generation is ignored or disregarded. See PUC 2827(b)(3).</p>
10	<p>“In its cover letter, SCE admits that prorating may reduce the credits a customer receives from NEM-eligible energy export . . . .”</p>	Delete	<p><u>Factual Error</u>: The pro-rating credit methodology does not reduce the credit a customer receives from NEM-eligible generation, and SCE did not “admit” as much in its cover letter. SCE merely noted the two alternatives available to a combined technology customer generator per D.05-08-013: (1) metering on both the eligible and non-eligible generators to ensure that non-eligible generation does not receive any credits or tariff exemptions reserved for NEM-eligible generation; or (2) installing non-export breakers on the non-eligible generator(s). See SCE’s Advice Filing.</p>

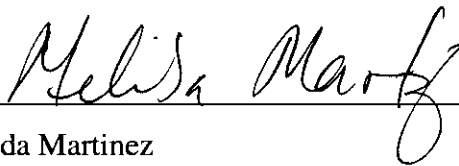
Page	Language	Proposed Change	Rationale
11	<p>“Because of the high cost of especially solar NEM-eligible generators, there is no incentive for a customer to oversize them . . .”</p>	Delete	<p><u>Factual Error:</u> Currently, statewide subsidy programs such as the Self Generation Incentive Program and the CEC’s Emerging Renewables Program govern the allowable system size. Incentives are paid based on system size, and thus installers are incented to sell customers the largest system a customer can afford. <i>See</i> SGIP Handbook; ERP Handbook.</p>
11	<p>“It may be more economical for a customer . . . to pay for only one combined NGOM and have all NEM-eligible energy export credited for energy only. . . . This option should be offered to customers and would also simplify utility billing.”</p>	Revise	<p><u>Potential Legal Error:</u> This suggestion was not required by or even mentioned in D.05-08-013. PUC 2827 mandates which types of NEM-eligible generation are eligible for “full bundled” credits and which types of NEM-eligible generation are eligible for “generation-only” credits. Although it may be more economical for all parties involved to elect generation-only credits for all generation, there is no language in PUC 2827 which suggests NEM credit structure is permissive. <i>See</i> PUC 2827 et seq.</p> <p><u>Technical Error:</u> SCE currently installs a combined NGOM for multiple non-eligible generators <i>only</i> if the customer’s switchgear arrangement makes it feasible to do so.</p>
11	<p>“There is no additional subsidy afforded to customers that get credited for NEM-eligible energy by the stacking method, regardless if there are parallel non-NEM generators operating or not. In either case, only the total actually produced NEM-eligible energy receives credit, either instantaneously or within a year, up to the consumption.”</p>	Delete	<p><u>Factual Error:</u> The Draft Resolution ignores actual power flow, and thus the actual source of any electrons exported. The Draft Resolution therefore allows the crediting of non-eligible generation. Although a customer will forfeit any unused credits at the end of its annual cycle, the Draft Resolution allows customers to use credits that have been inappropriately banked from a non-eligible generator from month to month during the 12 month period. Any credit of non-eligible generation will result in an additional subsidy.</p>
12	<p>“[T]here are no new calculations required with the stacking method of crediting and no new tariffs to be implemented.”</p>	Delete	<p><u>Factual Error:</u> This statement is incorrect and unsupported. The utilities’ billing departments will indeed have to implement new billing algorithms to accommodate the stacking method of crediting. Further, as reflected in the ordering paragraphs of the Draft Resolution, the utilities would be required to file <i>new</i> tariffs implementing the stacking methodology.</p>

Page	Language	Proposed Change	Rationale
12	The proposed CT-NEM tariffs do not include the non-export breaker (relay) option . . . .”	Delete	<u>Factual Error:</u> SCE’s proposed tariff did in fact include the non-export breaker (relay) option, as required by D.05-08-013. See SCE’s proposed CT-NEM Tariff, Special Condition 3.
12	“The proposed NEM-CT tariffs require NGOM on the non-NEM eligible generators. Since such meters would only be required for the prorating method, in case of a power purchase agreement, to administer OAT, or for operational reasons, they are not mandatory in this tariff.”	Delete	<u>Legal Error:</u> D.05-08-013 states that any DG owner operating under two tariffs “must install at its cost <i>individual meters for the separate generators</i> or breakers that prevent export from the non-net metering generator.” Thus, the Commission’s decision contemplates and requires NGOMs on both the eligible and non-eligible generators. See D.05-08-013, OP 2.
12	“[T]he existing NEM tariffs need to be revised to refer to Rule 21 for NGOM requirements.”	Delete	<u>Legal Error:</u> This statement, as well as others in the Draft Resolution concerning Rule 21 NGOM requirements, is misplaced. As reflected above, D.05-08-013 requires separate metering for both the NEM-eligible and non eligible generators. The utilities have filed separate advice letters concerning Rule 21, consistent with requirements in D.05-08-013.
13	“SCE’s single GF Interconnection Agreement for all combinations of NEM and non-NEM eligible generators is a positive simplification . . . [that could] serve any GF with or without multiple tariffs.”	Clarify	<u>Factual Error:</u> SCE’s Combined Technology GFIA would not be a simplification for a generating facility that was not operating under multiple tariffs. A typical NEM-eligible generating facility may interconnect under a shorter and simpler Commission-approved NEM Interconnection Agreement. SCE maintains that its proposed Combined Technology GFIA is only appropriate for generating facilities that operate under multiple tariffs.
13	“SCE’s GFIA-CT, Section 8, Insurance, is not in compliance with PUC 2827(j), which does not require a customer-generator, who’s [sic] solar and/or wind turbine GF meets specified standards, to purchase additional liability insurance.”	Clarify	<u>Factual Error:</u> SCE may require additional liability insurance for a non-eligible generating facility. SCE will clarify its GFIA-CT to state that any liability insurance is required for the non-eligible generator.

**CERTIFICATE OF SERVICE**

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedures, I have this day served a true copy of the COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON DRAFT RESOLUTION E-3992 as it relates to SCE's Advice 1969-E, to all parties identified on the service list for E-3992 (R.04-03-017) attached to the draft Resolution.

Executed this 8<sup>th</sup> day of May 2006, at Rosemead, California.



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Melinda Martinez  
Business Analyst  
SOUTHERN CALIFORNIA EDISON COMPANY

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