



TOWN OF FAIRFAX

STAFF REPORT

December 7, 2022

TO: Mayor and Town Council

FROM: Michele Gardner, Town Clerk

SUBJECT: Authorize the Mayor to send a letter to Governor Newsom and California Public Utility Commissioners reaffirming support for Net Energy Metering

RECOMMENDATION

Authorize the mayor to send the attached letter in support of Net Energy Metering to Governor Newsom and the California Public Utility Commission (CPUC) and transmit copies to MCE, State Senator Nancy Skinner, Assemblymember Buffy Wicks, and members of the CPUC Board of Commissioners.

DISCUSSION

Vice Mayor Cutrano prepared the attached letter and Council memorandum for the Council's consideration.

FISCAL IMPACT

None identified.

ATTACHMENTS

- A. Council Memorandum
- B. Draft letter

Fairfax Town Council

Memorandum

From: Chance Cutrano, Vice Mayor
Date: December 7, 2022
Subject: Authorize the Mayor to send a letter to Governor Newsom and California Public Utility Commissioners reaffirming support for Net Energy Metering

RECOMMENDATION

Send the attached letter in support of Net Energy Metering to Governor Newsom and the California Public Utility Commission (CPUC) and transmit copies to MCE, State Senator Nancy Skinner, Assemblymember Buffy Wicks, and members of the CPUC Board of Commissioners.

DISCUSSION

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 serve their energy needs directly onsite and 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 customer-sited renewable energy generation.

In 2020 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, Southern California Edison and San Diego Gas & Electric. Opponents of the big three IOUs' joint proposal claim that it would hinder the state's highly successful rooftop solar market which is a key strategy in the state reaching its lofty clean energy and environmental goals.

On February 4 2022, The Town Council sent a letter to Governor Newsom and CPUC Commissioners requesting "support to ensure that rooftop solar coupled with storage continues to grow sustainably, and equitably, through the existing Net Energy Metering (NEM) 3.0 proceeding."

On November 10, 2022, the CPUC released the latest NEM 3.0 PD.¹ While, unlike a previous iteration of the proposal, this PD does not propose a tax on solar and solar-plus-storage consumers that intend to use NEM, the following aspects of the PD are still too extreme:

¹ <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M498/K526/498526033.PDF>

- Most residential NEM solar consumers after April 2023 will see an average 75% reduction in the credit they receive for sharing their extra energy with the grid – from an average of \$.30/kilowatt-hours (kWh) to about \$.08/kWh.
- Churches, schools, or businesses who go solar after April 2023 will see an even bigger reduction in the solar credit.²

As such, this PD – while an improvement over its predecessor issued in December 2021³ – continues to run contrary to the following principles expressed by the Town Council in its February Letter:

- 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;
 - (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.

The Proposed Decision (PD) issued by the CPUC on November 10, 2022, continues to impact access to net energy metering and rooftop-scale solar and storage by homeowners and tenants alike, affecting Fairfax's climate goals as outlined in the Town's climate action plan. The Town of Fairfax may wish to send a letter to the CPUC reaffirming their request to ensure that rooftop solar coupled with storage continues to grow sustainably, and equitably, through the existing Net Energy Metering (NEM) 3.0 proceeding by the December 15th deadline.

² <https://solarrights.org/update-state-officials-release-new-rooftop-solar-proposal/>

³ <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/net-energy-metering-nem/nemrevisit/430903088.pdf>

LETTERHEAD

Governor Gavin Newsom
1303 10th Street, Suite 1173
Sacramento, CA 95814

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102

RE: Support for the Sustainable and Equitable Growth of Rooftop Solar, Particularly for Low-Income and Disadvantaged Communities, via the Net Energy Metering (NEM) 3.0 Proceeding

Dear Governor Newsom and CPUC Commissioners,

On behalf of the Fairfax Town Council, Marin County, California, I request your support to ensure that rooftop solar coupled with storage continues to grow sustainably, and equitably, through the proposed Net Energy Metering (NEM) 3.0 proceeding.

Robust adoption of distributed energy resources (DERS), such as solar plus storage, is fundamental in the fight against climate change. Further, increased solar plus storage adoption increases resiliency for the entire grid, and has the potential to lessen the impacts of the climate crisis via reductions in greenhouse gas emissions. High DER penetration also creates green jobs to benefit our communities.

NEM allows customers to power their homes, apartments, nonprofit organizations, businesses, cities, and schools using clean solar energy by giving them a bill credit for the excess clean electricity they send to the grid. Today, the sustainable and equitable growth of rooftop solar is under question. California's investor-owned utilities (IOU) and other parties in the proceeding are proposing to make changes which would impact the financial incentives of NEM customers. Studies show that California's solar consumers increasingly earn low or moderate income compared to the Area Median Income or reside in disadvantaged communities (DACs). We believe the focus should be on creating sustainable and equitable outcomes for our residents. When determining the structure of the program under a NEM 3.0 framework, please consider these customers.

Getting battery storage, coupled with solar, into our communities to help with resiliency during emergency outages and PSPS events, and to improve grid health and reliability, is vital. Battery storage is especially important for medically vulnerable customers, critical facilities, and in DACs, where Public Safety Power Shutoff (PSPS) events have been an added burden. These battery solutions, coupled with solar, shift the benefits of solar to the evening, when the energy is needed most, and they reduce the need for fossil-based generation in the 4-9 pm timeframe. NEM solutions should bolster and incentivize storage to improve grid health and community resilience.

While the policy changes to NEM proposed on November 10, 2022, are an improvement over the original proposed decision that was issued in December 2021, they are still too extreme. Specifically, they would still make going solar more expensive to future customers, increase the amount of time it takes to pay off their investments, and ultimately have the potential to limit the amount of rooftop solar (and solar plus storage) in California. Regardless of the Net Surplus Compensation (NSC) that is provided by MCE, of which the Town of Fairfax is a proud member, modeling shows that the proposed and drastic 75% slashing of the net export compensation six months after issuance of the NEM 3.0 decision would as much as double the payback period of a solar system and put customers who have to finance their systems underwater,, making it out of reach for the very kinds of limited-income customers that are just now beginning to adopt rooftop solar and storage in significant numbers.

To promote a sustainable and equitable NEM future, the Town of Fairfax urges a strong focus on incentivizing solar plus storage adoption (particularly among low- and moderate-income customers and those living in DACs) and ensuring any changes do not dissuade customers from installing battery storage. It is critical that low- and middle-income customers (including homeowners and renters) as well as those living in DACs are not discouraged from enrolling in NEM programs.

California has long been a model for the clean energy transition, and what happens here will inform the clean energy landscape across the United States. As we emerge from the economic and public health crises caused by COVID-19, we urge you to maintain the benefits of solar energy for all Californians when storage is included, ensure that rooftop solar plus battery storage continues to grow sustainably and equitably, and focus investment on the ratepayers and communities who are at the forefront of the social justice and climate crisis.

Sincerely,

Mayor, Town of Fairfax