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Taxpayers Association Responds to Changes in Utility Rates

SDCTA Presents Additional Considerations for NEM 3.0 Rates to California Public Utilities Commission

San Diego (December 16, 2021) – The San Diego County Taxpayers Association (SDCTA) responded to the proposed changes to the “Net Energy Metering” (NEM) rate structure to the California Public Utilities Commission (CPUC) on Thursday. After a thorough analysis conducted through a working group over the course of six months, SDCTA found the NEM rate structure to be highly regressive and inequitable, disproportionately impacting low to moderate income families and specifically communities of concern.

While SDCTA is pleased that the CPUC also discovered vast inequities in the rate structure and portions of their proposal aligned with the Association’s recommendations, improvements must still be made.

“We are glad to see that the conversation about inequity and the regressive nature of current energy rate structures is happening - but the CPUC’s proposal only slows the inequities. Transferring current NEM 1.0 and 2.0 customers over 15 years is simply too long and will not correct for the problem for generation of ratepayers,” said Haney Hong, president and CEO of the Association. “Through our analysis, Taxpayers discovered that the current rate structure forces non-solar customers to pay 20 cents of every energy dollar to subsidize solar customers, who are typically higher-income earners. This problem needs to be corrected now, not when my two-year-old starts college.”

In addition to an overly-lengthy transition process, the NEM 3.0 proposal continues to finance incentives for new green technology through rates - increasing the cost burden to those who can least afford it. Among other concerns found in the SDCTA analysis that were not addressed in the CPUC proposal are the Market Transition Credit providing payback for all customers over ten years. The credit is only necessary for low-income customers, and should not be widely applied so as to avoid distributing the cost of unnecessary subsidy across customers in all income brackets.

“I was surprised to learn through our research that we have reached the point of diminishing returns for rooftop solar in our region, which provides an even greater reason to avoid unnecessarily placing the cost of decarbonization on low-income families,” said Carla Farley, SDCTA Net Energy Metering Working Group member and president of the Greater San Diego Association of Realtors. “Californians already pay the highest cost for energy in the nation, and this cost shifting is hurting our neighbors in communities of concern the most.”

The San Diego County Taxpayers Association urges the California Public Utilities Commission to consider all of the following abbreviated recommendations during the revision period:

1. Given that increases in poverty result in even higher costs to taxpayers in public support programs and that San Diego already experiences the highest electricity rates in the country, the rate structure should eliminate all cost shifting to low and middle income (LMI) households.



2. Because new technologies to decarbonize and stabilize the grid should not be disincentivized, incentives should not be recovered through volumetric rates; thus, those incentives should be managed outside of rate structures like NEM.
3. All future rooftop solar customers should not be compensated for excess energy at a greater value than the value of energy at true market rates and avoided costs. All solar customers should also be charged appropriate fixed cost fees to ensure shared infrastructure costs are fairly distributed amongst all customers.
4. Vintage NEM 1.0 and 2.0 customers should be transitioned to a rate structure where they are compensated at true market rates for excess energy over a period within five years, with exception to those customers who are enrolled in any low-income rate programs. For all low-income customers, bills should not change at a rate faster than the consumer price index.
5. For all new solar customers who are enrolled in low-income programs, the CPUC should consider a reasonable “payback” period to be ten years. For all other solar customers, rates need not consider a reasonable payback period, as it would be better to achieve “reasonable payback” through upfront subsidies as opposed to integration into volumetric usage rates.

The rationale for these recommendations assesses key public policy goals in the areas of equity, decarbonization and grid stabilization. The full report can be [found here](#).

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