

Application of San Diego Gas & Electric)
Company (U 902 E) Proposing a Net Surplus)
Compensation Rate Pursuant to Assembly Bill)
920)
_____)

A.10-03-XXX
(Filed March 15, 2010)

PREPARED DIRECT TESTIMONY

OF

CHRISTOPHER D. SWARTZ

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

March 15, 2010



TABLE OF CONTENTS

I. Introduction	1
II. Background	2
III. Proposed Net Surplus Compensation Program	3
IV. Customer Awareness and Support	8
V. Conclusion	11

1 **Prepared Direct Testimony**

2 **Of**

3 Christopher D. Swartz

4
5 **I. Introduction**

6 The purpose of my testimony is to support San Diego Gas and Electric's (SDG&E's)
7 proposal to establish a Net Surplus Compensation Program in compliance with the Assigned
8 Commissioner's Ruling issued on January 15, 2010, directing electric utilities to file
9 applications to implement provisions of Public Utilities (PU) Code Section 2827, enacted by
10 Assembly Bill (AB) 920. This legislation requires electric utilities to compensate eligible net
11 energy metering solar or wind customer-generators (NEM) for any excess electricity generated
12 over a 12-month period beginning on January 1, 2011.

13 The Application provides a detailed description of the background and legal framework
14 for SDG&E's implementation of AB 920. The testimony of SDG&E witness, Lisa Davidson,
15 describes SDG&E's proposed eligibility criteria and compensation methodology for the Net
16 Surplus Compensation Program.

17 My testimony describes how:

- 18 • SDG&E has designed its proposal to keep implementation costs reasonable
- 19 • SDG&E has designed its net surplus compensation calculation to be conceptually
20 simple and easy for NEM customers to understand
- 21 • SDG&E will provide additional information regarding the Net Surplus Compensation
22 Program with each eligible customer-generator's monthly bill and accompanying NEM
23 Billing Statement;

- SDG&E will compensate eligible customers by check or by bill credit based on their election for energy only compensation or for energy plus the renewable attribute compensation;
- SDG&E will assist customers by providing them with information and links to help them complete the self-certification requirements associated with requesting Qualifying Facility (QF) status from the Federal Energy Regulatory Commission (FERC) if they elect to receive monetary payments
- SDG&E will assist customers by providing them with information and links to the RPS certification process if the customer-generator elects to sell their RECs to the utility
- SDG&E will allow customers to opt out of the Net Surplus Compensation Program if they so choose.

II. Background

SDG&E’s current NEM billing process accounts for the difference between the electric energy supplied by SDG&E through the electric grid to the eligible customer-generator and the electric energy generated by an eligible customer-generator and fed back into the electric grid over a 12-month period (the “relevant period”). In order to compensate for time-of-use (TOU) period prices and price differentials throughout the year, the net kilowatt-hours (kWh) for each billing period are first calculated into charges or credits, depending upon whether the customer is a net user or a net producer. For residential and small commercial customers, these charges and/or credits are then carried over to the following billing period and appear as a charge/credit on the eligible customer’s account, until the end of the relevant period.¹ At the end of the

¹ Although credits for all other commercial, industrial and agricultural customers are carried forward, charges must be paid monthly, as billed.

1 relevant period, all of the charges and credits are netted to produce a final billing total for the
2 period (12 month true-up). Prior to AB 920, if the customer had a remaining bill credit after the
3 12-month true-up, this amount was forfeited.

4 AB 920 modifies this approach to permit customer-generators to be compensated for
5 excess electricity remaining at the end of the relevant period. The new legislation requires
6 monetary payments (not just credits) for excess electricity if the customer so elects, and
7 authorizes the California Public Utilities Commission (CPUC) to set the electricity
8 compensation valuation. The legislation states that the level of compensation may include the
9 value of electricity and the value of bundled Renewable Energy Credits (RECs). As described
10 below, SDG&E proposes to provide the customer with four compensation options, depending on
11 (i) whether the customer elects to be compensated through a monetary payment or a bill credit
12 that will roll-over on to the customers' next billing statement; and (ii) whether or not the
13 customer elects to convey the Renewable Portfolio Standard (RPS)-eligible REC to SDG&E.
14 SDG&E's proposal is designed to comply with AB 920 in a way that is consistent with the
15 existing NEM tariff, conceptually simple, and understandable for customers.

16 **III. Proposed Net Surplus Compensation Program**

17 SDG&E's proposal will not affect the currently available NEM program, allowing NEM
18 customers to continue to accrue monthly bill credits at the full retail rate under the basic NEM
19 program until the end of their 12-month relevant period. At that time, the utility would calculate
20 net surplus compensation if there are bill credits by first determining the net surplus kWh for the
21 relevant period and applying a net surplus compensation rate based on a 12-month rolling
22 average of the Short Run Avoided Cost (SRAC) energy rate, as described in the testimony of
23 Lisa Davidson. The compensation would either be for the SRAC-valued energy alone or on the

1 SRAC-valued energy plus compensation for the RPS-eligible REC, depending on the customer's
2 election. The calculated net surplus compensation credit would then be applied to the
3 subsequent billing period as a bill credit or paid to the customer directly, depending on the
4 customer's election.

5 **A. Reasonable Implementation Costs**

6 SDG&E has designed its Net Surplus Compensation Program to be consistent with the
7 existing billing system; the current billing system already tracks many of the components
8 necessary to perform SDG&E's proposed net surplus compensation calculation, described
9 above.

10 Several changes to the billing system will nevertheless be necessary to implement
11 SDG&E's proposed net surplus compensation calculation. These changes include the following:

- 12 • the billing system calculation logic for applying the new net surplus
13 compensation rate will need to be programmed;
- 14 • the net surplus compensation rate will need to be entered and kept historically
15 within the system;
- 16 • the surplus kWh would need to be captured historically and shown on the billing
17 statement
- 18 • whether the payment includes the renewable attributes would need to be tracked
- 19 • the calculation information will need to be easily viewable by SDG&E
20 employees to help with customers' questions;
- 21 • new line items and messaging on the bill and accompanying NEM Billing
22 Statement will need to be added; and
- 23 • the process will need to be system-tested to ensure overall billing accuracy.

1 The total cost for implementing these changes is estimated to be less than \$100,000.

2 This low-cost approach will allow SDG&E to not deduct the billing cost from NEM net surplus
3 customers' payments while also being consistent with AB 920's goal of minimizing cost
4 shifting between eligible customers and other bundled service customers.

5 **B. Understandable Calculation for Customers**

6 In designing its Net Surplus Compensation Program, SDG&E sought to develop a
7 compensation method that would be consistent with the current NEM program, conceptually
8 simple, and understandable for customers.

9 SDG&E customers are already familiar with the NEM Program and the net kWh that are
10 displayed at the end of their 12-month relevant period. This amount is shown on the
11 accompanying NEM Billing Statement as a line item, which allows customers to quickly
12 identify their net kWh. By taking this amount and applying the Net Surplus Compensation Rate
13 based on a 12-month rolling average of the SRAC energy rate (with an additional REC
14 component, if applicable), as described above, customers will be able to easily understand the
15 derivation of the resulting net surplus compensation amount.

16 Preserving continuity between the existing NEM Program and implementation of new
17 AB 920 program elements will minimize customer confusion and ensure a smooth transition.

18 **C. Monthly Billing and NEM Billing Statement**

19 Qualifying customers will be provided with the number of surplus kWh and the
20 applicable net surplus compensation at the time of their NEM 12-month true-up bill. The net
21 surplus compensation will display as a line item on the bill. If applicable, it will also be
22 displayed as a line item on the annual NEM Billing Statement that accompanies the bill. This
23 will allow customers to see a summary of the total dollar amounts and kWh in detail. Additional

1 information explaining the calculation used to determine the net surplus compensation will be
2 included on the NEM Billing Statement.

3 **D. Net Surplus Bill Credit or Check Payment**

4 SDG&E's proposal would allow NEM customers to continue to accrue monthly bill
5 credits at the full retail rate under the basic NEM program. At the time of true-up, for any NEM
6 customer that has net surplus credits and excess kWh remaining, SDG&E would calculate the
7 amount available for net surplus compensation. The net surplus compensation amount would
8 first be allocated to any outstanding charges owed by the customer. Customers could then
9 choose² to receive any remaining net surplus compensation through either a bill credit that
10 would roll-over to the subsequent billing period or monetary payment under the Net Surplus
11 Compensation Program. Under SDG&E's proposal, customers can elect to receive monetary
12 payments if the amount is greater than one dollar.³ Customers may also opt-out of the Net
13 Surplus Compensation Program if they do not wish to receive payment for the surplus
14 electricity. Under SDG&E's proposal, customers would have four compensation options:

- 15 1) Monetary payment for excess energy and associated RECs (requires QF status
16 and confirmation of REC-eligibility);
- 17 2) Monetary payment for excess energy ONLY (requires QF status);

² All forms required for customer elections under the Net Surplus Compensation Program will be available on SDG&E's website.

³ SDG&E proposes to establish a minimum threshold of \$1.00 for issuing checks for the net surplus compensation. This is consistent with SDG&E's existing credit and collections practices for determining whether SDG&E would send a check to a customer. Any net surplus compensation that is less than \$1.00 would be rolled-over to the customer's next relevant true-up period.

- 1 3) Compensation through bill credit for excess energy and associated RECs
2 (requires confirmation of REC-eligibility) applied to subsequent billing period;
3 and
4 4) Compensation through bill credit applied to subsequent billing period for excess
5 energy ONLY

6 If a customer has elected to receive monetary payments and qualifies for QF status, net
7 surplus compensation amounts would first be allocated to any outstanding balances and/or
8 charges on the account. Remaining amounts, if any, will be sent to the customer via check
9 payment.

10 SDG&E will send out a mailing to collect customers' elections regarding any applicable
11 net surplus credits. If a customer does not respond to the mailing, then SDG&E proposes that
12 the customer will be defaulted to the bill credit approach without payment for renewable
13 attributes. The customer's election will continue to apply until such time that the customer
14 changes their election or exits the program, whereby changes in election may require QF status.
15 After one year, customers would be allowed to switch their election with appropriate notice.

16 Since the credits for net surplus electricity would be applied to the customer's
17 subsequent bill in the form of a dollar amount credit, there would be no issue of the kWh
18 expiring. The dollar amount credit would apply to the next billing period.

19 **E. Net Surplus Credit for Renewable Attributes**

20 The above-described mailing sent for the purpose of collecting customers' elections will
21 also permit customers to elect to receive compensation for conveyance of RPS-eligible RECs.
22 Such election will require customer-generators to provide proof of RPS-eligibility. The RPS
23 certification process which customer-generators are currently required to complete is discussed

1 in the Application and the testimony of Ms. Davidson. If a customer does not respond to the
2 mailing, the customer will be defaulted to compensation without payment for RECs. If the
3 customer elects compensation for RPS-eligible RECs, the net surplus compensation rate will be
4 adjusted to include the Commission-approved payment for RECs. The customer's election will
5 continue to apply until such time that the customer changes its election or exits the program.
6 After one year, customers would be allowed to switch their election with appropriate notice.

7 **IV. Customer Awareness and Support**

8 Upon Commission approval of SDG&E's proposal, SDG&E intends to implement
9 several strategies to ensure customers receive accurate, timely, and ongoing information and
10 support regarding the net surplus compensation program. SDG&E's educational website
11 material, printed fact sheets, bill messages, and customer-contact employee education, will be
12 designed to specifically support both new and existing NEM customers.

13 **A. Educational Website Material**

14 A dedicated page on SDG&E's website is already an excellent resource for all SDG&E
15 customers to obtain information concerning NEM. Among other things, the dedicated NEM
16 webpage provides a frequently-asked-questions section, a section providing detailed information
17 on how to sign-up for NEM and an automated application process for small customer-generation
18 interconnection, utility rates available for NEM customers, and rebates and incentives for
19 installing renewable electric generation.

20 Not long after AB 920 became law, SDG&E posted a new section on its dedicated NEM
21 webpage that provides information on the upcoming net surplus compensation for excess
22 generation. For instance, customers can use this webpage to the view frequently asked questions
23 about the provisions of AB920 and view or download the AB 920 informational letter and a
24 copy of the True-up Selection form sent to all NEM customers. So that customers continue to

1 have a resource for current, reliable, and accurate information such as a detailed description of
2 net surplus compensation and the calculation of the rate ultimately adopted by the Commission,
3 SDG&E intends to maintain its dedicated NEM webpage and update it frequently as new
4 information becomes available. Since SDG&E's proposed Net Surplus Compensation Rate
5 would change monthly, SDG&E will update its website on at least a monthly basis. While
6 SDG&E's website is an excellent resource on NEM, SDG&E understands that other customers
7 will prefer to call SDG&E's Call Center. SDG&E's Call Center representatives will be trained
8 and provided materials to help customers obtain the information they need to make informed
9 decisions.

10 **B. Existing NEM customers awareness**

11 In January 2010, SDG&E mailed out the AB 920 informational letter informing all NEM
12 customers of the upcoming changes and giving them the option to elect a new true-up date. In
13 addition, existing NEM customers currently receive a supplemental NEM billing statement. A
14 message printed on this statement serves as an effective communication vehicle that alerts NEM
15 customers of new information affecting their electric service. SDG&E intends to continue the
16 use of bill messaging to direct existing NEM customers to the dedicated NEM webpage for
17 updated information concerning the NEM program, including updates on the implementation of
18 net surplus compensation and the net surplus compensation information described above.
19 Customers can also call SDG&E's call center to assist them with this information.

20 **C. New NEM Customer awareness**

21 As stated above, applying for customer-generation interconnection and requesting NEM
22 can be fully completed on the dedicated NEM webpage, where new customers will find the
23 detailed information concerning the Net Surplus Compensation Program and the choices
24 available. In addition to the NEM information currently provided to customers installing

1 eligible renewable generation and applying for interconnection to the grid, SDG&E will include
2 information on net surplus compensation in the welcome packet. In an effort to maintain the
3 dedicated NEM webpage as the primary resource for customers, the information in the welcome
4 packet will provide a brief summary of net surplus compensation which will direct them to the
5 webpage for additional information.

6 **D. Customer Support**

7 SDG&E recognizes that some customers prefer to speak with an SDG&E representative
8 rather than using the internet. Therefore, in order to ensure that all NEM customers have access
9 to information on net surplus compensation, SDG&E will be providing detailed training on this
10 topic to its customer-contact employees. SDG&E representatives in the Customer Contact
11 Center (available 24/7), the Billing Department and Commercial and Industrial Services will be
12 available to respond to customer inquiries and answer questions they may have regarding net
13 surplus compensation.

14 **E. QF Certification**

15 As addressed in the Application, if customers elect to receive monetary payments for
16 excess energy, they will need to self-certify as a QF with the Federal Energy Regulatory
17 Commission. For customers who elect to receive monetary payments rather than rolling bill
18 credits, SDG&E will provide information to help them complete this process. SDG&E's
19 dedicated webpage will have easily accessible links to the appropriate certification form as well
20 as guidance provided by FERC to on how to complete the form properly. To help facilitate this,
21 bill messages will also be used to alert customers that new or updated information is available
22 on the webpage. SDG&E's customer service representatives will be available to respond to
23 general customer inquiries concerning this process.

1 **F. California Energy Commission (CEC) Certification and Western Renewable**
2 **Energy Generation Information System (WREGIS) Registration**

3 For the reasons addressed in the Application and testimony of Lisa Davidson, if
4 customers elect to receive compensation for any associated RECs under this program, current
5 regulations require them to certify their facility with the CEC and register with WREGIS in
6 order for the RECs to be “RPS-eligible.” As discussed in the Application, SDG&E recommends
7 that a simplified method be established to streamline the current process. In the meantime, for
8 customers who elect to go through these steps, SDG&E will provide information to assist them
9 with the certification and registration processes. The dedicated NEM webpage will have easily
10 accessible links to the appropriate certification and registration forms. To supplement
11 information on the webpage, SDG&E’s customer service representatives will be available to
12 respond to general customer inquiries concerning this process.

13 **V. Conclusion**

14 SDG&E recommends that the Commission authorize the billing system changes and
15 customer outreach required to make its proposed Net Surplus Compensation Program
16 successful. SDG&E also recommends that the Commission approve SDG&E’s proposal to apply
17 a 12-month rolling average of the SRAC energy rate (and REC compensation, as applicable) to
18 the net surplus generation kilowatt hours at the end of 12-months for NEM customers with
19 remaining bill credits as this has reasonable implementation costs and provides customer options
20 consistent with AB 920.

21 This concludes my prepared direct testimony.
22

1 **Witness Qualifications**

2 My name is Christopher Swartz. I am employed by San Diego Gas & Electric Company
3 (SDG&E) as the Billing Operations Support Manager. My business address is 8330 Century
4 Park Court, San Diego, California, 92123. My current responsibilities include managing the
5 system support for the Billing Department. I assumed my current position in January, 2010.

6 I received a Masters of Business Administration in Finance from San Diego State
7 University in 2001. I have been employed by SDG&E and Sempra Energy since 2001, and have
8 held positions of increasing responsibility in the Billing and Customer Operations departments.
9