

**BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding
Policies, Procedures and Rules for the
California Solar Initiative, the Self-
Generation Incentive Program and Other
Distributed Generation Issues.

Rulemaking 12-11-005
(Filed November 8, 2012)

**OPENING COMMENTS OF THE ALLIANCE FOR SOLAR CHOICE
CONCERNING THE ESTABLISHMENT OF A
NET ENERGY METERING TRANSITION PERIOD**

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The Alliance for Solar Choice (“TASC”) submits these comments pursuant to the November 27, 2013 Assigned Commissioner’s Ruling. TASC’s member companies include the largest rooftop solar providers in the country, including California, and are responsible for tens of thousands of net metering installations across California.¹ These companies and their customers have first-hand knowledge of the importance and impact of the regulatory frameworks and rules established by the Legislature and the Commission to encourage investment in onsite solar generation.

Through the end of the first quarter of 2013, California had installed an estimated 1,629 MW of onsite solar generation at 167,878 customer sites in the investor-owned utility territories.² Net energy metering has been a critical component of the State’s policy framework for bringing these solar facilities online and is responsible for almost all (94 percent) of the onsite solar capacity in the State.³ Net metering has helped shape reasonable customer expectations about the use and value of onsite generation. Before Assembly Bill (“AB”) 327 was amended

¹ Member companies include SolarCity, Sunrun, Sungevity, Verengo Solar, REC Solar, and Solar Universe. These companies are responsible for tens of thousands of residential, school and commercial solar installations in the State of California and have brought thousands of jobs and many tens of millions of dollars of investment to California’s cities and towns.

² California Solar Initiative Annual Assessment at 6 (June 2013).

³ *Id.* at 7.

significantly approximately four months ago, neither the Legislature nor this Commission gave the State's customer-generators any indication that its successful net metering framework could be dismantled prematurely. It would be fundamentally unfair for the Commission to undermine customer investments in solar systems before the end of the useful lives of those investments. Accordingly, making policy that is consistent with customer-generator's reasonable expectations should be the driving force behind the Commission's efforts to carry out its statutory mandate under AB 327 with respect to a net metering transition period.

The Governor clarified the statutory directive to the Commission in his signing message for AB 327, which reads in relevant part as follows: "As the CPUC considers rules regarding grandfathering of net metering customers, I expect the Commission to ensure that customers who took service under net metering prior to reaching the statutory net metering cap on or before July 1, 2017, are protected under those rules for the expected life of their systems." The Commission should follow the Governor's direction and set the net metering transition period for customers who take service under a net metering tariff before July 1, 2017 at no less than 30 years, which TASC demonstrates below is a reasonable proxy for the minimum expected life of a solar photovoltaic system.

AB 327 also establishes a number of directives to govern the transition period. First, a customer-generator should be able to make modifications to an onsite solar system during, and for the duration of, the transition period so long as such modifications comply with the existing net metering tariff and do not result in major increase to the size of the system. Second, the right to continue to operate under the existing net metering program should be tied to the physical location of the onsite solar system. Finally, it should be the customer-generator's choice whether a facility continues to take service under the existing net metering tariff. Following these

recommendations will ensure the Commission fulfills its statutory mandate in a manner that respects customer expectations.

I. California’s Net Metering Policy Has Induced 165,000 Californians to Install Solar Systems and Has Shaped Reasonable Expectations About the Use and Value of Onsite Generation Over the Life of a Solar System.

The preamble to California’s net metering statute declares an unambiguous legislative intent to induce “substantial private investment in renewable energy resources.”⁴ With this inducement, the legislature sought to achieve important state policy goals, including:

- Stimulating in-state economic growth;
- Reducing demand for electricity during peak consumption periods;
- Stabilizing California's energy supply infrastructure;
- Diversifying California's energy resource mix; and
- Encouraging conservation and efficiency.⁵

To achieve these goals, California’s net metering policy addresses fundamental questions regarding how a customer may use electricity that is produced onsite. First, a customer may use a solar system to directly supply a customer’s onsite energy needs.⁶ Second, if a customer generates more electricity than is immediately needed onsite, the customer’s “meter will run backwards,” crediting the customer for excess energy and providing assurance that all electricity produced onsite may be used to offset electricity purchases from one of the state’s regulated monopoly service providers.⁷ Third, customers that install a solar system will be treated in a manner identical to customers that do not have onsite solar generation and, therefore, they cannot

⁴ Cal PU Code §2827(a) (Deering’s 2013).

⁵ *Id.*

⁶ Cal PU Code §2827(c), (h) (Deering’s 2013).

⁷ *Id.*

be singled out for special charges on account of having installed a solar system.⁸ Without these assurances, customers would not have had the certainty necessary to make a substantial, long-term investment in an onsite solar system, and the State's policy goals would likely have gone unfulfilled.

Net metering is critical for solar customers with onsite generation to realize the economic value of their investment. For example, according to a recent study, the average residential system exports almost half of the system's total energy production and is thus reliant on the NEM crediting mechanism.⁹ Absent robust grandfathering, uncertainty regarding the future of NEM means that at least half of the production of the system and its associated value to a residential customer is placed at risk.

By addressing fundamental questions about the use, and therefore the value, of onsite generation, net metering has shaped the expectations of the more than 165,000 Californians that have responded to the State's call to go solar. The question to be addressed by the Commission now is for what time period customer-generators that install a solar system should be allowed to continue to net imports and exports, "run the meter backwards," and remain protected from charges singling out their investment in solar. Neither the Commission-approved net metering

⁸ Cal PU Code §2827(e)(1) (Deering's 2013) (requiring an interconnection timeframe similar to a regular customer's request for new electrical service); Cal PU Code §2827(g) (Deering's 2013) (stating "Except for the time-variant kilowatthour pricing portion of any tariff adopted by the commission pursuant to paragraph (4) of subdivision (a) of Section 2851, *each net energy metering contract or tariff shall be identical, with respect to rate structure, all retail rate components, and any monthly charges, to the contract or tariff to which the same customer would be assigned if the customer did not use a renewable electrical generation facility, except that eligible customer-generators shall not be assessed standby charges on the electrical generating capacity or the kilowatthour production of a renewable electrical generation facility.* The charges for all retail rate components for eligible customer-generators shall be based exclusively on the customer-generator's net kilowatthour consumption over a 12-month period, without regard to the eligible customer-generator's choice as to from whom it purchases electricity that is not self-generated. *Any new or additional demand charge, standby charge, customer charge, minimum monthly charge, interconnection charge, or any other charge that would increase an eligible customer-generator's costs beyond those of other customers who are not eligible customer-generators in the rate class to which the eligible customer-generator would otherwise be assigned if the customer did not own, lease, rent, or otherwise operate a renewable electrical generation facility is contrary to the intent of this section, and shall not form a part of net energy metering contracts or tariffs.*") (emphasis added).

⁹ See page 47 of 2013 E3 Net Energy Metering Cost-Effectiveness Study, available at: <http://www.cpuc.ca.gov/NR/rdonlyres/75573B69-D5C8-45D3-BE22-3074EAB16D87/0/NEMReport.pdf>

tariffs nor the statutory net metering provisions limit the length of time that a customer may continue to net meter once enrolled in the program. In the absence of any notice that net metering might not be available for the life of a system, customers have been left to form reasonable expectations that a program intended to induce long-term investment will remain in place for the life of the investment that the policy intends to induce. Although the net metering statute sets a participation cap on customer-generators that may enroll in the current net metering program,¹⁰ capping enrollment does not address the basic question of how long a customer-generator that enrolls in net metering prior to the filling of the cap may continue to participate in the program.

An example helps demonstrate this point. Because the net-metering tariff is available on a first-come, first-served basis, one applicant will be the last customer-generator to enroll in net metering.¹¹ If the statutory cap was intended to act as both a cap on the number of net-metering subscribers and an expiration of the net-metering program itself, the last customer-generator under the cap would trigger the end to the program and therefore would not actually be able to engage in net metering. This result is clearly not what the legislature intended. Rather, AB 327 directs the Commission to establish a “transition period” under which any customer that enrolls in net metering may continue to benefit from the program’s assurances for a period of time to be determined by the Commission. The question AB 327 delegates to the Commission to resolve is how long a customer-generator that enrolls in the statutory program should be allowed to operate under the program.

Fairness argues for a transition period in keeping with the reasonable expectations of the more than 165,000 Californians that have made a substantial investment in onsite solar systems. These customers invested in onsite solar systems under the assumption that the State would not

¹⁰ Cal PU Code §2827(c)(1) (Deering’s 2013).

¹¹ *Id.*

dissolve the fundamental components of the regulatory paradigm that helped inform their investment. In the absence of notice from the state at the time customer investments were made that their system's eligibility for the current net metering program could be cut short, the Commission should honor the reasonable expectations it helped create and allow customers that enroll in the program prior to fulfillment of the statutory cap to net meter for the useful life of a solar system.

II. The Commission Should Honor Reasonable Customer Expectations to Operate Under the Net Metering Tariff for the Life of a Solar System.

When a customer-generator makes an investment in onsite solar generation, that customer has a reasonable expectation that the state will allow it to continue to take service under the net metering tariff. It is unlikely that a customer-generator enrolled in the net metering program foresaw the ability to remain enrolled in the net metering program as a potential variable in the investment calculus. Rather, the decisions of hundreds of thousands of customers in the California Solar Initiative (as well as solar customers who did not) likely hinged on variables such as how long will energy deliveries continue (*i.e.*, predicted deliveries over the life of the system) and at what rate will those deliveries be credited (*e.g.*, retail and net surplus compensation rates). That is, customer expectations were reasonably based on an investment horizon that extended over the lifetime of the rooftop solar system, not the lifetime of the state policy framework through which investment in the system is made.

In this way, the life of the onsite solar system being installed was, and continues to be, an essential factor in the economic consideration of going solar. Given that there has been a lack of any clear statutory or regulatory directive to customers and third-party participants indicating that enrollment in net metering would not be for the life of the system, it is unreasonable to impose such a limit now. It would perpetrate a fundamental unfairness for the State to end a

program that encourages customers to install a long-lived asset prior to the end of the asset's useful life.

- A. ***How long should customers who take service under a net metering tariff prior to the earlier of July 1, 2017, or the attainment of their respective utility's net metering cap, be guaranteed to receive the net metering tariff currently in place? Is this proposed transition period related to a reasonable expected payback period, expected system life, or some other factor?***

The reasonable expectation of customers that enrolled in the net metering program prior to the cap being filled was that they would be able to continue service under their current NEM tariff for the life of the system. At the very least, customers should be allowed to continue to net meter until the investments that were made on the expectation of a continuing ability to net meter under state statute are no longer impacted by the continued ability to remain enrolled in that program. This point is reached at the end of “the reasonable expected life of the system.”

TASC believes “the reasonable expected life of the system” should be set at the length of time over which a reasonable customer-generator can expect substantial energy deliveries from an onsite solar system. Allowing a customer to continue service under its current NEM tariff for the expected life of its system appropriately captures the value of the investment made by the customer. As demonstrated below, current rooftop solar industry customer agreements and assumptions of system life embedded in energy policies in California support a 30-year transition period.

The most influential factors in setting customer expectations are standard industry practices, which establish 30 years as a reasonable approximation of the life of the system. Mainstream PV panel manufacturers' warranties typically are 25 years, with some warranties set “so the power output at the end of the final year of the 25-year warranty period will be at least

87% of the Minimum Peak Power rating.”¹² That is, PV panel manufacturers ensure, *at a minimum*, that not only will customer-generators continue to receive energy deliveries for 25 years but that those energy deliveries will be substantially similar to deliveries in the first few years of the system’s life. Given these guarantees, it is reasonable to assume substantial energy deliveries will continue from an onsite solar system beyond 25 years.

Moreover, TASC’s members, who have an intimate knowledge of customer expectations garnered from collectively installing tens of thousands of onsite solar systems in the State, base their lease and power purchase agreement (“PPA”) terms, at least in part, on the expected lifetime of the onsite solar systems. The terms in those lease agreements and PPAs are typically set at 20 years, with options for the customer to extend the agreement up to 30 years.¹³ Most customer investments in solar installation were made based on estimated electric bill savings over the operational life of the system or, in the case of a third-party owned system, the term of their customer agreement. The calculation of expected savings, and thus the determination of whether solar investment would be cost effective, in turn was premised on the terms and conditions of the current NEM tariff and the expectation that the tariff would be available for at least a 30-year period.

Beyond industry practice, a number of other sources provide support for a 30-year reasonable expected lifetime. A National Renewable Energy Laboratory project to compare

¹² See, e.g., California Energy Commission, *Cost-Effectiveness of Rooftop Photovoltaic Systems for Consideration in California’s Building Energy Efficiency Standards – Draft*, Energy + Environmental Economics, p. 21 (May 2013) (available at <http://www.energy.ca.gov/2013publications/CEG-400-2013-005/CEC-400-2013-005-D.pdf>); See also SunPower’s 25-year solar panel warranty (available at [http://global.sunpowercorp.com/cs/Satellite?blobcol=urldata&blobheadname1=Content-
Type&blobheadname2=Content-
Disposition&blobheadvalue1=application%2Fpdf&blobheadvalue2=inline%3B+filename%3Dsp_warranty_2.0
legal_ROW_en.pdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1300281517677&ssbinary=true](http://global.sunpowercorp.com/cs/Satellite?blobcol=urldata&blobheadname1=Content-
Type&blobheadname2=Content-
Disposition&blobheadvalue1=application%2Fpdf&blobheadvalue2=inline%3B+filename%3Dsp_warranty_2.0
legal_ROW_en.pdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1300281517677&ssbinary=true)).

¹³ See, e.g., SolarCity Lease Terms (available at: http://www.solarcity.com/downloads/SolarCity_Res_Solar_Lease_Contract_sample2-2013.pdf) and PPA Lengths (available at: http://www.solarcity.com/downloads/SolarCity_Res_Solar_PPA_Contract_sample2-2013.pdf).

energy market models notes that all four models considering the lifetime of utility-scale PV systems assume a PV plant lifetime of 30 years.¹⁴ Moreover, a number of states have property tax policies, or utilize standard depreciation schedules for property assessment purposes, that ascribe 20 to 30-year lifetimes to solar facilities.¹⁵

Cost-benefit studies across the country support the notion that a reasonable customer could expect a *minimum* onsite solar system lifetime that extends at least two decades. The Rocky Mountain Institute's recent comparative, meta-analysis of the main cost-benefit studies of distributed solar generation lists numerous studies that assume lifetimes for PV resources of at least 20 years, with three studies assuming 30-year lifetimes.¹⁶ Similarly, the Minnesota Department of Commerce recently issued a draft methodology to calculate the value that solar provides to Minnesota ratepayers. The methodology assumes a 25-year lifetime for onsite solar resources.¹⁷ These cost-benefit studies aim to calculate the benefits on which a third party (*i.e.*, a utility) can rely and, therefore, are likely to discount the timeframe over which the onsite solar system provides such benefits.

The length of contract terms for PPAs and renewable energy certificates (“RECs”) also provide some insight into the *minimum* expected lifetime of PV systems. In California, for

¹⁴ Rick Tidball, Joel Bluestein, Nick Rodriguez, and Stu Knoke, National Renewable Energy Laboratory, *Cost and Performance Assumptions for Modeling Electricity Generation Technologies* at p. 15 (Nov. 2010) (available at: <http://www.nrel.gov/docs/fy11osti/48595.pdf>).

¹⁵ Justin Barnes, *et al. Property Taxes and Solar PV Systems: Policies, Practices and Issues*, pp. 53-94 (2013) (available at: <http://www.iclei.usa.org/action-center/report-property-taxes-and-solar-pv-systems-policies-practices-and-issues>).

¹⁶ Rocky Mountain Institute, *A Review of Solar PV Benefit & Cost Studies* (2013) (available at: http://www.rmi.org/Knowledge-Center/Library/2013-13_eLabDERCostValueN) (Noting the following studies using 30-year system lifetimes: Norris, B., Jones, N. *The Value of Distributed Solar Electric Generation to San Antonio*, Clean Power Research & Solar San Antonio, March 2013; Rabago, K., Norris, B., Hoff, T., *Designing Austin Energy's Solar Tariff Using A Distributed PV Calculator*, Clean Power Research & Austin Energy, 2012; and Perez, R., Norris, B., Hoff, T., *The Value of Distributed Solar Electric Generation to New Jersey and Pennsylvania*, Clean Power Research, 2012).

¹⁷ Minnesota Department of Commerce, Division of Energy Resources, *Minnesota Value of Solar: Methodology (Draft)*, Clean Power Research, p. 8 (Nov. 19, 2013) (available at: <http://mn.gov/commerce/energy/images/DRAFT-MN-VOS-Methodology-111913.pdf>).

example, the standard contract terms for solar PV projects in the Renewable Market Adjusting Tariff and the Renewable Auction Mechanism can be up to 20 years.¹⁸ California RPS PPAs for solar PV projects frequently extend beyond 20 years to at least 25 years.¹⁹ Similarly, the Colorado utility Xcel Energy's Solar*Rewards Program provides incentives for customers who install grid-connected PV systems in exchange for the RECs produced by the systems. All Colorado REC purchases are for a period of 20 years.²⁰ Further, contracts for unbundled RECs in Illinois and Connecticut meet or exceed 20 years.²¹

It makes sense that timeframes shorter than 30 years exist for PPAs and REC contracts due to the different purposes of those instruments compared to net metering. The purpose of the net metering tariff is to guarantee a customer-generator's right to use power onsite, "run the meter backwards" and operate free from punitive charges from an incumbent monopoly utility with whom a customer-generator has no choice but to deal. By comparison, PPA and REC contracts focus on balancing the buyer's and seller's needs for financial certainty, which results in shorter timeframes than net metering-specific timeframes. Net metering timeframes help shape more fundamental expectations about the ability of an individual customer-generator to use electricity onsite and to be protected from punitive charges being assessed by a utility. For this reason, PPAs and REC contracts may provide insight into minimum expected lives but do not fully illuminate the issue of the "reasonable expected life of a system," which is at least 30 years.

B. *Should calculation of the reasonable expected life of a system be based on the warranty of ten years as required by California Publ. Util. Code §387.5(d)(4), or*

¹⁸ Cal PU Code § 399.20(d)(1) (Deering's 2013); See Resolution E-4582 at 19 (May 9, 2013).

¹⁹ See, e.g., *RPS Project Status Table* (November 2013) (available at: <http://www.cpuc.ca.gov/PUC/energy/Renewables/>).

²⁰ Colorado Revised Statutes §40-2-124(f)(V) (2013).

²¹ Ryan Wiser, Galen Barbose, and Ed Holt, *Supporting Solar Power In Renewables Portfolio Standards: Experience From the United States*, p. 21 (2010) (available at: <http://eetd.lbl.gov/sites/all/files/publications/report-lbnl-3984e.pdf>); Connecticut Public Act §13-303.

should other factors, such as the Original Equipment Manufacturer’s warranty, be taken into account?

Warranties should be taken into account to the extent they contribute to an understanding of customer expectations about the life of a DSG system. TASC does not believe the California Solar Initiative warranty periods accurately reflect customer expectations about the expected operational life of the system or how long the customer would be able to continue service under their current net metering tariff. The CSI warranty periods are State-mandated minimums that neither reflect standard industry practices nor national views of reasonable expected lifetimes.²² As discussed above, the combined consideration of standard solar industry practice and policies from across the nation support the use of 30 years as a proxy for reasonable customer expectations.

C. *Should the reasonable expected life of a system begin on the date of interconnection or some other project milestone?*

The expected life of a system should begin on the date of interconnection. A reasonable customer expects to be able to serve onsite load and receive credit for exports on that date, making it an appropriate starting point for the reasonable expected life.

D. *What is a “reasonable expected payback period?” Does a reasonable expected payback period for customer-owned systems differ by customer sector such as residential, commercial, or school and other government host sites? Does the expected payback period vary with system size or other factors?*

The Commission’s statutorily mandated consideration of the “reasonable expected payback period” should be short-lived and summarily dismissed. Determining a reasonable expected payback period for over 165,000 customer-generators is very difficult and likely relies on gross assumptions with large margins for error. Assuming the Commission’s definition for payback period, *i.e.*, “the initial system installed cost divided by the dollar value of saving per

²² See California Solar Initiative Handbook at 29-30.

year, with no modifications for inflation or time value of money,”²³ the payback period depends on two factors, cost and savings. However, these two factors rely on a multitude of complex and constantly varying elements. The cost factors depend on elements such as the vintage of the State’s systems, the brand and type of components, the sizes of different systems, and each customer’s financing mechanism. The savings depend on such factors as the expected output of the systems, the rate levels and structures used by each customer-generator, and whether each customer-generator receives net surplus compensation and what the net surplus compensation rate will be during the payback period. The complex interaction between these elements demonstrates that the “reasonable expected payback period” varies with each customer’s motivations. Establishing a proxy for the “reasonable expected lifetime of the system” is a simpler and more reasonable approach for the Commission to take.

The “reasonable expected lifetime of the system” is also better aligned with customer expectations than the payback period. As established above, the State has been silent on the term of the net metering tariff for enrolled customers. No reasonable customer-generator would interpret this silence to mean that the State will only allow enrollment in the net metering tariff to continue until the dollar value of saving per year equals the initial cost of the installed system.²⁴ The consideration of a reasonable payback period appears to address whether it is fair to undermine customer expectations if customers’ savings equal customers’ costs. Rather, the Commission should honor customers’ expectations, which were reasonably based on an investment horizon that extended over the operational life of their system, which is at least 30 years. This period of time is necessary to allow the customer to recoup its anticipated return on investment.

²³ *Assigned Commissioner’s Ruling*, R.12-11-005, at 4, fn. 7 (Nov. 27, 2013).

²⁴ *Id.*

The second part of the Commission’s question suggests the CPUC may consider setting different transition timeframes for different customer sectors. TASC disagrees with such an approach and recommends the net metering transition timeframe be uniform for all customers that have taken net metering service. Customized grandfathering terms would introduce an unnecessary level of administrative complexity. All customer-generators, regardless of rate class, system size or financing mechanism, should be able to expect the essential components of net metering to continue for the life of the system. Therefore, one, uniform transition period should apply to all customer-generators and extend for 30 years.

E. *Should the addition of solar panels or other modifications to an existing renewable electrical generation facility that increase its generating capacity occurring on or after July 1, 2017, be eligible for the net metering transition program? If not, how should such modifications be treated?*

Any modifications to a renewable electrical generation facility that are currently allowed under the existing net metering tariff should continue to be allowed for the duration of the transition period so long as such modifications do not result in major increases in system capacity. AB 327 states that “the commission shall require every large electrical corporation to make the standard contract or tariff available to eligible customer-generators, continuously and without interruption” until the cap is reached or until July 1, 2017, whichever is earlier.²⁵ It states further that customer-generators taking service under the net metering tariff prior to the earlier of those two dates “shall be eligible to continue service under the previously applicable net energy metering tariff for a length of time to be determined by the commission...”.²⁶ Thus, the Legislature’s intent is to continue the terms of the “previously applicable net energy metering tariff,” *i.e.*, the existing net metering tariff, for the duration of the transition period.²⁷

²⁵ Cal PU Code §2827(c)(4)(B) (Deering’s 2013).

²⁶ Cal PU Code §2827.1(b)(6) (Deering’s 2013).

²⁷ *Id.*

The Commission’s question above hinges on whether modifications to an existing renewable electrical generation facility that increase its generating capacity are allowed under the current tariff if made after July 1, 2017. The existing tariff contains two provisions that apply to the size of an eligible customer-generator’s facility:

- The facility must be smaller than 1 MW,²⁸ and
- The facility must be “intended primarily to offset part or all of the customer’s own electrical requirements.”²⁹

Facilities that do not abide by these rules can be denied the ability to make electricity deliveries.³⁰ The existing tariff does not prevent modifications to an existing renewable electrical generation facility that increase the generating capacity of the facility so long as those modifications result in a facility that is smaller than 1 MW and sized to offset a customer’s load.

The ability to modify systems to replace or repair panels or components is critical for customer-generators. For this reason, grandfathered customer-generators should be allowed to make such modifications so long as they are made in compliance with the applicable net metering tariff and do not result in major increases in the size of a system’s capacity. In no circumstance should increasing the generating capacity of a NEM system after July 1, 2017 deprive the original system of eligibility for the NEM transition program.

III. The Net Metering Transition Period Should Be Tied to the Facility’s Physical Location.

An issue related to the question of system modifications is whether the right to continue to operate under the existing net metering tariff should be tied to the owner of the system or the premises on which the system is located. Because the Legislature’s intent is to continue the

²⁸ Cal PU Code §2827(b)(4) (Deering’s 2013).

²⁹ *Id.*

³⁰ *See, e.g.,* Southern California Edison, *Schedule net metering*, Sheet 1; *SCE net metering Interconnection Agreement* § 12.2(b) (stating “This Agreement shall terminate, without notice, upon ... (b) changes to Customer’s electric load which cause Customer to no longer satisfy all requirements of the definition of an Eligible Customer Generator, as set forth in Section 2827(b) (4) of the California Public Utilities Code.”).

terms of the existing net metering tariff for enrolled customer-generators, and that tariff already ties the ability to participate in net metering to the premises,³¹ the right to grandfather should be tied to the physical location of the system.

Moreover, tying the grandfathering right to the physical location of the system itself is essential to customer-generators seeking to sell property on which a system is located. The issue is especially important to customer-generators that lease their solar systems and require an easy transfer of that lease to the purchaser of a property. Customer-generators that installed solar did so with the expectation that a solar system will increase the value of the property on which the system was installed. A study released from the Lawrence Berkeley National Laboratory this week confirms the presence of a premium for the value of a home with an onsite solar facility.³² The study estimates the value of that premium to increase \$5,911 for each 1-kW increase in the size of the system.³³ Putting at risk the continued ability of a facility to participate in net metering will undermine customer expectations regarding home value.

The need to facilitate the transfer of a lease to a new property owner continuing service on the same net metering tariff also supports a net metering transition period of 30 years. As discussed above, standard industry practice is to offer 20 to 30-year lease terms, and the existing net metering tariff allows for the transfer of leases by tying the solar system to the premises. Given that the terms of the typical solar lease in California significantly exceeds the typical timeframe within which a residential customer is likely to sell their home, it is important to understand that customers factored in the ease of lease transfer (and when committing to a long-term lease agreement. If the grandfathering period is insufficient to cover the lease term, this

³¹ See, e.g. Southern California Edison Net Metering Tariff at Sheet 2.

³² Ben Hoen, *et al*, *Exploring California PV Home Premiums*, p. iv (December 2013) (available at: http://emp.lbl.gov/sites/all/files/lbnl-6484e_0.pdf).

³³ *Id.* at pp. iv-v.

transferability may be put at risk, which, in turn, puts the value of a solar system at risk for individual customer-generators.

IV. A Customer-Generator Eligible for Grandfathering Should Be Able to Choose Between the Existing Net Metering Program and any Future Customer-Generation Program.

Finally, the Commission should use this proceeding to clarify that the choice to continue service under the existing net metering tariff belongs to the customer-generator. It is entirely plausible, indeed, it is desirable, that the new customer-generation tariff contemplated in §2827.1(b) will result in terms that are beneficial to existing customer-generators. The Legislature’s statement that customer-generators enrolled in net metering “shall be *eligible* to continue service” under the existing tariff demonstrates legislative intent to give the choice between service under the new tariff or the existing tariff to the hundreds of thousands of Californians that have invested in solar.³⁴

V. Conclusion

For the above reasons, a customer-generator should be eligible to continue service under the existing net metering tariff for at least 30 years from the initiation of the net metering transition period. The sunset date for each customer-generator should be set 30 years from the date of interconnection and apply to all customer-generators regardless of rate class, facility size or other factors. It also is important that the right to continue to operate under the existing tariff should be tied to the physical location of the DSG system, and the customer-generator should be able to choose whether to remain on the existing net metering tariff or elect to take service under a new tariff.

³⁴ Cal PU Code §2827.1(b)(6) (Deering’s 2013).

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Tim Lindl', with a stylized flourish at the end.

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