

**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  
(November 8, 2012)

**REPLY COMMENTS OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION  
AND THE VOTE SOLAR INITIATIVE  
REGARDING THE ESTABLISHMENT OF A  
NET ENERGY METERING TRANSITION PERIOD**

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In accord with the November 27, 2013, Assigned Commissioner Ruling (ACR) in the above captioned docket, the Solar Energy Industries Association (SEIA)<sup>1</sup> and the Vote Solar Initiative (VSI) reply to comments regarding the establishment of a Net Energy Metering (NEM) transition period which were submitted on December 13, 2013.

**I. INTRODUCTION**

The Legislature tasked this Commission with the responsibility of establishing a transition period during which eligible customer-generators taking service under a net energy metering tariff or contract prior to July 1, 2017, or until the electrical corporation reaches its net energy metering program limit, whichever is earlier, would be eligible to continue service under the previously applicable net energy metering tariff. The legislature did not provide specific guidance as to how such transition period was to be determined, with the sole exception being that in making its determination, the Commission “shall consider a reasonable expected payback period.” In this regard, SEIA and VSI agree with the IOUs that the “reasonable expected payback period” is not the exclusive criteria to be considered in determining the NEM transition

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<sup>1</sup> The comments contained in this filing represent the position of the Solar Energy Industries Association as an organization, but not necessarily the views of any particular member.

period.<sup>2</sup> In other words, while the Commission was directed to *consider* a reasonable payback period as part of its analysis, it was not ordered by the Legislature to equate the time frame for NEM transition to such a period. As illustrated through opening comments, other factors which the Commission should consider include (1) NEM customers' expected return on investment;<sup>3</sup> (2) the fact that NEM customers' long term investments were made "in the interest of and at the behest of public policy";<sup>4</sup> and (3) as was directed by Governor Brown in his signing message, the expected life of the system.<sup>5</sup> The Commission is afforded the discretion to balance these factors in determining the appropriate NEM transition period, and is not bound by any one factor.<sup>6</sup> As illustrated through the opening comments, use of the payback period as a proxy for the NEM transition period, is neither practical nor consistent with legislative intent both of AB 327 and the overall NEM statutory framework. The expected life of a solar PV system is considerably less variable, better protects the customer's expected return on his investment, and should be used by the Commission as the primary basis for determining the NEM transition period.

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<sup>2</sup> Comment of Southern California Edison Company on the Assigned Commissioner's Ruling Regarding the Establishment of a Net Energy Metering Transition Period, R. 12-11-005 (December 13, 2013) (SCE Comments), pp. 8-9.

<sup>3</sup> Opening Comments of the Agricultural Energy Consumers Association on the Assigned Commissioner's Ruling Regarding the Establishment of a Net Energy Metering Transition Period, R. 12-11-005 (December 13, 2013), p. 3.

<sup>4</sup> Comments of the California Center for Sustainable Energy regarding the Assigned Commissioner's Ruling regarding the Establishment of a Net Energy Metering Transition Period, R. 12-11-005 (December 13, 2013), p. 2.

<sup>5</sup> Comments of the Solar Energy Industries Association and the Vote Solar Initiative Regarding the Establishment of a Net Energy Metering Transition Period, R. 12-11-005 (December 13, 2013) (SEIA / VSI Comments), p. 2 (quoting the Governor's signing message).

<sup>6</sup> Opening Comments of the e Utility Reform Network on a Net Energy Metering Transition Period, R. 12-11-005 (December 13, 2013)(TURN Comments), p. 4 ("AB 327 provides the Commission with discretion in developing the transition period.")

## II. THE BASIS FOR THE NEM TRANSITION PERIOD MUST BE PRACTICAL AND ADEQUATELY VALUE NEM CUSTOMER INVESTMENTS

### A. The Commission Should Not Use “Payback Period” as the Proxy for the NEM Transition Period

While the IOUs speak to the fact that the NEM investment payback period is not the exclusive criteria to be considered, they all promote its use as proxy for the NEM transition period. The IOUs’ own comments, however, illustrate the impracticality of doing such. As described by SCE:

The payback period associated with an investment in an on-site renewable generation facility is basically the result of the interaction between (1) the customer’s per-kwh cost of production and (2) the avoided-bill benefit per kWh of production. The most significant drivers of per-kwh production costs are year of interconnection (i.e., “vintage”), size of installation, solar tracking capability, and environmental factors (e.g., shade trees, etc.). The most significant driver of avoided-bill savings per kWh are the OAT under which the customer takes service and the customer’s total on-site energy usage.<sup>7</sup>

Each of the factors mentioned above will vary with the individual customer and NEM system.

SCE also notes that what a customer considers 'reasonable' as a payback period is informed by many subjective elements:

Reasonable expected payback periods can also be informed by purely subjective considerations, including the customer’s unique financial situation and sophistication, return available from alternative investments, desire to reduce electricity bills, marketing representations about the reasonable expected payback period from system installers and manufacturers, environmental benefits of installing a renewable electrical generation facility and the social status associated with embracing that environmental ethic.<sup>8</sup>

PG&E’s comments also highlight the many drivers that lead to variability in NEM payback periods:

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<sup>7</sup> SCE Comments, p. 11.

<sup>8</sup> *Id.*

The payback period will vary from customer to customer. Some customers (typically residential) can have very high electric rates at the time their rooftop generator is producing electricity leading to a shorter payback period. Other non-residential customers on rates with demand charges will have lower energy charges, meaning their generators may not produce the same degree of bill reductions. On the other hand, non-residential customers are generally in a position to negotiate lower prices or more favorable contract terms. Some customers can take advantage of tax reductions while others (government and other nonprofit) generally cannot.<sup>9</sup>

What these statements illustrate is that the calculation of an expected payback period is a system by system exercise, with multiple variables involved. Attempts to use a standard set of assumptions, applying them across the board to all NEM customers, ignore the reality of the true variability in payback periods and could significantly undermine the investment of a large portion of NEM customers.

As noted by the Farm Bureau, any attempt at such standardization does not address variables such as “lower than anticipated energy generation, changes in the structure of the otherwise applicable tariff underlying the NEM, higher than anticipated maintenance costs, or other similar types of factors.”<sup>10</sup> Indeed, none of the payback calculations referenced or calculated by the IOUs or TURN consider that solar customers assume significant performance, operating, and maintenance costs and risks in obtaining a significant portion of their electricity from on-site generation. These risks are substantially greater than those assumed by regular utility customers paying standard retail rates, and require consideration of a return that exceeds a simple payback based on retail rate savings.

Moreover, again as pointed out by the Farm Bureau, a standardized payback period ignores the indirect costs such as “credit impacts if money was borrowed to install the system,

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<sup>9</sup> PG&E Comments, p. 13.

<sup>10</sup> Comment of the California Farm Bureau Federation to the Assigned Commissioner’s Ruling Regarding Establishment of a Net Energy Metering Transition Period Pursuant to Assembly Bill 327, R.12-11-005 (December 13, 2013) (Farm Bureau Comments), pp. 4-5.

personnel time and costs to oversee installation and management of the system, and opportunity costs of directing time and financial resources toward the system instead of other investments.”<sup>11</sup> Solar customers make a long-term financial commitment if they borrow money to buy a system, lease a system, or sign a solar PPA – a long-term commitment not made by regular utility customers that also involves greater risk than standard utility service. As IREC states, failure to consider such factors and the reliance on standardized assumptions “might result in a large number of customers - with payback periods that exceed the average - never reaching their break-even points.”<sup>12</sup> Such a result would be clearly contrary to the Governor’s intent that the investment of NEM customers be protected.

Finally, SEIA and VSI note that, contrary to the statements of the IOUs,<sup>13</sup> setting the transition period for the number of years required for NEM customers to recover their initial investment does not adequately protect the value of that investment. As CalSEIA states:

Individuals or businesses that install solar systems and financing companies that invest in the solar market make the decision to invest not based on a breakeven point but based on expected savings or returns. They are laying out capital in order to earn a financial benefit. The “payback period” should not be defined as the point at which the initial investment is repaid, but the point at which the initial expectation of savings is achieved.<sup>14</sup>

Similarly, IREC correctly reasons that:

Under the concept of a “reasonable payback period”, simply achieving a break-even point at some future time would not be sufficient to justify installation of a NEM system. Rather, “reasonable payback period” implies that a customer will

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<sup>11</sup> Farm Bureau Comments, p. 5.

<sup>12</sup> Comments of the Interstate Renewable Energy Council, Inc. on the Assigned Commissioner’s Ruling Regarding Establishment of a Net Energy Metering Transition Period Pursuant to Assembly Bill 327, R.12-11-005 (December 13, 2013) (IREC Comments), p. 11.

<sup>13</sup> PG&E Comments, p. 12; SCE Comments, p. 11. *See also*, TURN Comments, p.6

<sup>14</sup> Comments of the California Solar Energy Industries Association Regarding the Establishment of a Net Energy Metering Transition Period, R.12-11-005 (December 13, 2013) (CalSEIA Comments), p. 2.

reach the break-even point early enough in the life of the system that they can expect to enjoy a significant amount of the useful life of that system after it is effectively paid off.<sup>15</sup>

Attempting to arrive at a standardized payback period for all NEM customers devalues the investment of NEM customers because it is not a measure of return on the investment. It is a measure of a project's capital recovery and as such fails to recognize the value of any cash flows beyond those necessary to recover the up-front capital outlay.<sup>16</sup> For all the reasons above stated, it should be rejected by the Commission as a proxy for the NEM transition period.

### **B. Payback Period Analyses are Fundamentally Flawed**

The various analyses presented by the IOUs and TURN which purport to demonstrate what the payback period is for solar PV systems are fundamentally flawed. The payback period is fundamentally dependent on assumptions regarding rates, in addition to the assumed costs of deploying a PV system. As the payback period analyses presented are grounded in the current rate structure, they reflect erroneous results. The Commission is currently deliberating on the structure and level of residential rates as part of Rulemaking 12-06-013. The outcome of that proceeding could have a significant impact on NEM customer payback periods, and appear likely to substantially extend those payback periods beyond what analyses which have been presented suggest.

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<sup>15</sup> IREC Comments, p. 8.

<sup>16</sup> Additionally, as recognized by a number of parties, the use of a payback to determine the NEM transition period is difficult to apply in the case of third-party owned systems because in many instances customers did not make a significant upfront investment. However, the Commission should not lose sight of the fact that even if end use customers have not put up any upfront capital, that does not mean that there is not real capital at risk. In the case of third party owned systems, it is investors, rather than end-use customers, that have placed their capital at risk. The willingness of investors to finance these systems is based primarily on the ongoing ability and willingness of customers to pay for the output from those systems, which is, in turn, predicated on the ongoing availability of NEM for a reasonable period.

**C. Use of the Expected Life of the System as the Basis for the NEM Transition Period Appropriately Values the NEM Customer Investment**

Consistent with the Governor’s signing message, a number of commenters, including SEIA and VSI, advanced the use of the expected life of the system as the basis for the NEM transition period. IREC states that use of the expected life of the system is consistent with both the “Legislature’s and customers’ expectations that NEM systems would be long-lived assets that support California’s energy policy goals.”<sup>17</sup> The NEM statute was enacted to encourage investment in long-lived, clean electric systems in order to help achieve state policy goals including “stimulat[ing] in-state economic growth, reduc[ing] demand for electricity during peak consumption periods,” and “help[ing] stabilize California’s energy supply infrastructure.”<sup>18</sup> Given this fact, it was reasonable for customers to expect “that the Legislature intended the NEM mechanism as a long-term arrangement to provide stable assumptions for customers to invest in renewable generation resources.”<sup>19</sup> The expected life of the system provides a reasonable benchmark for capturing the expected value of the investment, and one that is far less variable and subjective than ‘reasonable expected payback period.’ The comments submitted into the record of this proceeding support the finding that the expected life of a solar photovoltaic system is a *minimum* of 25 years, with reasoned basis to support a finding of 30 years.<sup>20</sup> For PV systems, the Commission should adopt a NEM transition period based on expected system life, made applicable to all PV systems.

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<sup>17</sup> IREC Comments, p.1.

<sup>18</sup> Public Utilities Code Section 2827(a)

<sup>19</sup> IREC Comments, p. 5.

<sup>20</sup> See, e.g., IREC Comments, p. 9; Farm Bureau Comments, pp. 6-7 ; CalSEIA Comments, pp. 4-6; SEIA / VSI Comments, pp. 4-5.



**D. Use of the E3 NEM Cost Effectiveness Study as Basis for a Shortened Transition Period is Not Appropriate**

The IOUs make a faulty argument that the results of the 2013 E3 NEM Cost Effectiveness Evaluation (E3 Study) provide reason to support a limited NEM transition period. The IOUs argue that the E3 Study proves a cost shift caused by the NEM program, thereby warranting a shortened transition period to ease the burden on non-participating customers.<sup>21</sup> SEIA and VSI, along with other stakeholders, have filed public comments pointing to numerous study design and inputs errors that render many of the E3 Study's findings inaccurate and misleading.<sup>22</sup> In addition, the E3 Study presents a broad range of results and sensitivities; not surprisingly, the IOU comments focus on the results which show the largest impacts on other ratepayers.<sup>23</sup> One major issue, noted in numerous places in the E3 Study itself, is that the results are a function of rate design. The Commission is considering significant changes to residential rate design, stating that "changes in the current tiered rate structures will... dramatically improve the cost benefit results of NEM."<sup>24</sup> With the passage of AB 327, substantial residential rate design changes, including a potential fixed monthly charge of up to \$10 per customer beginning in 2015, may be implemented. In fact, the IOUs recently filed applications in R. 12-06-013 to make significant changes to their residential rates early in 2014. None of the IOU payback analyses

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<sup>21</sup> SCE Comments, p. 9; PG&E Comments, pp. 1-2.

<sup>22</sup> See comments submitted to Energy Division at [http://www.cpuc.ca.gov/PUC/energy/Solar/Comments\\_on\\_the\\_Draft\\_NEM\\_Report.htm](http://www.cpuc.ca.gov/PUC/energy/Solar/Comments_on_the_Draft_NEM_Report.htm)

<sup>23</sup> For example, PG&E's comments, at page 2, allege a cost shift of over \$1 billion for all of the IOUs and, at page 8, of \$440 million per year for PG&E alone by 2017. These figures are based on the E3 Study's "All Generation" results that consider the entire output of PV systems and that only look at a snapshot of a single year. The E3 Study presents much smaller impacts on a 20-year lifecycle basis and using the "Export Only" perspective that considers only power exported to the grid. SEIA and VSI strongly support believe that the 20-year lifecycle analysis of exports alone is the correct perspective that is consistent with how the CPUC evaluates other types of demand-side resources such as energy efficiency.

<sup>24</sup> CPUC California Net Energy Metering Ratepayer Impacts Evaluation dated October 2013, p. 5.

submitted in opening comments appear to consider such changes, and the E3 Study used already outdated rates from 2011. Accordingly, it is inappropriate to utilize an analysis whose results are already acknowledged to be out-of-date as means to justify an expedited NEM transition period.

### **III. MODIFICATIONS OR ENHANCEMENTS TO A SYSTEM SHOULD NOT RESULT IN LOSS OF GRANDFATHERING RIGHTS**

SDG&E’s proposal “that any modifications, additions or enhancements to an existing renewable electrical generating facility on or after July 1, 2017, should result in a loss of grandfathering right”<sup>25</sup> must be rejected outright. The statute affords the customer grandfathering rights for the capacity that was installed prior to July 1, 2017. The Commission may not adopt a rule which would undercut that statutory right.

The question raised by the ACR was focused solely on the treatment of the additional capacity added to the system after July 1, 2017. SCE offered a proposal that recognized that distinction. In this regard, SEIA / VSI support SCE’s proposal to grandfather additions or modifications of the existing facility, “provided that (1) the grandfathering is based on the original installation’s vintage date and not the date the modifications are completed, and (2) the additions or modifications are sized to offset all or a portion of, but not more than, the NEM 1.0 customer’s on-site requirements up to one MW.”<sup>26</sup> If however, the Commission determines that it is necessary to make a distinction between the old capacity and the new capacity, SEIA / VSI submit, as set forth in their opening comments, it is critical that grandfathered customers be allowed to replace or repair panels in the original system without concerns that such action will trigger a change in applicable tariff for any portion of their system.<sup>27</sup>

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<sup>25</sup> SDG&E Comments, p. 12.

<sup>26</sup> SCE Comments, at p. 12-13.

<sup>27</sup> SEIA/ VSI Comments pp. 6-7.

#### **IV. GRANDFATHERED TARIFF SHOULD BE TIED TO THE SYSTEM, NOT THE CUSTOMER**

The IOUs take the position that grandfathering rights should end with a change in ownership or customer account,<sup>28</sup> the stated rationale being it would not be reasonable to continue to expect a payback on a solar system that is no longer owned by the customer that made the initial solar investment<sup>29</sup> and/or, a new buyer has no expectation of benefiting under a program that will no longer exist.<sup>30</sup> Such rationale misses the point.

The flexibility to transfer the lease/PPA or purchased system to a new owner, or retain the lease/PPA or purchased system upon relocation, without diminishing the value of the system is a key component of a customer's decision to install solar -- a decision which was premised on the cost-effectiveness of solar installations under the current NEM construct. If the transfer of the system negated its grandfathering rights, then the system or associated lease/PPA would have less value and thus, the original owner would be able to recoup less of his investment. The issue is not the expected payback on the system by the new owner, but rather insuring that the original owner's investment is not degraded upon transfer.

#### **V. PG&E's REQUEST TO REQUIRE INSTALLER DISCLOSURES GOES BEYOND COMMISSION STATUTORY AUTHORITY**

The Commission's authority to require solar installers to make various disclosures is circumscribed by statute. The Public Utilities Code requires that, in the course of "contracting for the use or sale of electricity or the lease of a solar energy system," a solar energy producer must make certain disclosures, and further provides that the Commission "may require, as a condition of receiving ratepayer funded incentives, that an independent solar energy producer

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<sup>28</sup> SDG&E Comments, p. 9; SCE Comments, p. 8 note 16.

<sup>29</sup> SDG&E Comments, p. 9.

<sup>30</sup> SCE Comments, p. 8, note 16.

provide additional disclosure to the buyer or lessee, the commission, or both.”<sup>31</sup> Based on this statutory language, PG&E asks that the Commission to direct that “solar installers’ marketing materials [] include notification that current NEM tariffs will be replaced and information about the transition to NEM 2.0.”<sup>32</sup> PG&E’s request goes beyond the Commission’s statutory authority.

First, the Commission’s authority to require disclosures is limited to the contractual arena (*i.e.*, contractual disclosures which the solar installer must make). PG&E’s request that solar installers’ “marketing materials” contain certain disclosures goes outside this arena to an area where the Commission has no authority. Second, the authority afforded the Commission under Public Utilities Code Section 2869(a)(2) is limited to instances in which ratepayer-funded incentives are being provided, such as in the CSI program. Just because “PG&E believes that participation in NEM programs amounts to an incentive,”<sup>33</sup> does not make it an incentive program. Net metering is a bill crediting mechanism intended to provide customer-owners of clean energy systems with fair credit for the clean energy they send back to the grid. PG&E’s request that the Commission require solar installers to make certain disclosures as part of their marketing material must be rejected.

## **VI. REGULATORY CERTAINTY IS REQUIRED TO PREVENT MARKET DISRUPTION.**

In opening comments, SEIA /VSI underscored the importance of regulatory certainty regarding the NEM transition period to ensuring continued deployment of new renewable systems in California over the next two years (*i.e.*, until the new standard NEM contract and tariff are approved). Transition rules that create uncertainty regarding what rules apply to whom

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<sup>31</sup> Public Utilities Code Section 2869(a) (2).

<sup>32</sup> PG&E Comments, p. 15.

<sup>33</sup> *Id.*

could significantly curtail (if not halt) the installation of new systems. Potential customers must know which rules will apply to them in order to undertake the necessary analysis to determine the cost-effectiveness of installing a solar system. Proposals such as PG&E's and SDG&E's, which have varying transition periods depending on when the project is installed (*i.e.*, before April 1, 2014; between April 1, 2014 and December 31, 2015; and between January 1, 2016 and June 30, 2017), will generate significant market uncertainty. Given the potential delays in a solar installation process, it is difficult for a customer to accurately predict when his or her system will be installed and therefore what NEM transition period will apply to them under this proposal. If a customer in 2015 thinks his or her system is likely to be installed in 2016, he or she will not know what the new NEM rules are and how they may impact a long-term investment until December 31, 2015, and thus may be compelled to wait until 2016 to determine whether to invest. Such a scenario could create great uncertainty and gridlock in the market over the next two years. Accordingly, SEIA / VSI recommend that if the NEM system is interconnected to the IOU system by June 30, 2017 (or when the IOU reaches its NEM cap), then the system should be grandfathered for the expected life of the system.<sup>34</sup>

Moreover, SEIA/VSI believe that AB 327 clearly directs the Commission to establish a singular transition period applicable to *all* customers taking service under the NEM tariff prior to the earlier of July 1, 2017, or when an IOU's NEM cap is reached. Section 2827.1 (a)(6) states that the Commission must “[e]stablish a transition period during which eligible customer-generators taking service under a net energy metering tariff or contract prior to July 1, 2017, or until the electrical corporation reaches its net energy metering program limit pursuant to

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<sup>34</sup> As recommend in SEIA/ VSI's opening comments, further market certainty should be provided by requiring the IOUs to provide public information, updated at least once per quarter, regarding how many megawatts remain available under their 5% program cap, taking into account pending applications and already installed systems.

subparagraph (B) of paragraph (4) of subdivision (c) of Section 2827, whichever is earlier, 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 by March 31, 2014.” The language does not contemplate various timeframes dependent on when customers install their systems. If the Legislature had intended to delineate NEM customer classes in any way, including by applying separate grandfathering rules based upon the time a customer interconnected its system, the legislative language or accompanying bill analysis would have made this clear. To the contrary, AB 327 codifies the Commission’s May 2012 decision establishing the correct methodology for calculating the 5% NEM cap and does not indicate that customers under that cap should be subject to different rules depending on whether they went solar before or after development of the new program rules. A rule that provided shorter transition periods for customers that go solar after mid-2015 would effectively undermine the provision of AB 327 establishing MW goals under the current NEM construct for each IOU.

Finally, SEIA /VSI note that the issue of the need for regulatory certainty has arisen previously in the context of promoting another of the state’s energy policy goals -- energy efficiency. In that context, and in particular, in the context of the Commission’s Energy Efficiency Risk Reward Incentive Mechanism, the IOUs expressed profound concerns regarding the potential reductions to the incentives they believed they were entitled as a result of the application of after the fact changes in underlying assumptions to determine the performance of their energy efficiency portfolios, and thus the amount of incentives they would receive. A couple of quotes from PG&E’s filings capture the essence of the utilities’ positions:

"The current mechanism, under which the IOUs are subject to ex-post changes in fundamental assumptions and the results of modeling, also results in the IOUs not

being able to rely on the incentive mechanism. Thus it fails to encourage aggressive IOU actions.<sup>35</sup>

To change the assumptions underlying the goals mid-stream and evaluate utilities' performance of their programs against new assumptions would defeat the purpose of establishing goals at the outset of the program cycle.<sup>36</sup>

SDG&E made similar arguments in this context, stating:

D.09-12-045 specifies exact amounts of incentives based on Energy Division analysis and necessary Commission policy adjustments to... avoid an incorrect, inadequate, misleading and improper moving-of-the-goalposts comparison of *ex ante* "apples" to *ex post* "oranges".<sup>37</sup>

As evidenced above, the IOUs argued that at the time the IOUs made their decisions regarding how to allocate energy efficiency funding, they could not have reasonably anticipated how dramatically those assumptions would have changed. This is also a valid concern for NEM customers whom the IOUs would force onto a NEM 2.0 regime without any reasonable way for those customers to effectively assess that regime. It is inconsistent, at best, for the IOUs to argue for regulatory certainty in circumstances where their shareholders stand to receive millions in ratepayer incentives, but be opposed to providing that same certainty to the tens of thousands of customers who have put far more of their own capital at risk deploying a solar energy system.<sup>38</sup>

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<sup>35</sup> Comments Of Pacific Gas And Electric Company (U 39 E) To Energy Division's White Paper Regarding Energy Efficiency Risk/Reward Incentive Mechanisms And E & V Activities (APRIL 2, 2009), p. 2 <http://docs.cpuc.ca.gov/PublishedDocs/EFILE/CM/100499.PDF>

<sup>36</sup> Comments Of Pacific Gas And Electric Company On The Proposed Decision And Alternate Proposed Decision Addressing Incentive Claims For 2006-2008 Energy Efficiency Program Performance, p. 8 (<Http://Docs.Cpuc.Ca.Gov/Publisheddocs/Efile/Cm/110904.Pdf>)

<sup>37</sup> Reply Comments Of San Diego Gas & Electric Company (U 902 M) And Southern California Gas Company (U 904 G) On Commissioner Bohn's Revised Alternate Proposed Decision, p. 3. ([https://www.pge.com/regulation/EnergyEfficiencyRisk-RewardIncentiveMechanismOIR/Pleadings/Joint/2010/EnergyEfficiencyRisk-RewardIncentiveMechanismOIR\\_Plea\\_Joint\\_20101115-01.pdf](https://www.pge.com/regulation/EnergyEfficiencyRisk-RewardIncentiveMechanismOIR/Pleadings/Joint/2010/EnergyEfficiencyRisk-RewardIncentiveMechanismOIR_Plea_Joint_20101115-01.pdf))

<sup>38</sup> See also Decision 12-12-032 wherein the Commission, based on arguments presented by the IOUs, determined to retain the energy efficiency incentive mechanism as "continued regulatory certainty in this area will help motivate the IOUs and investors to continue to support and commit to a long term, aggressive EE program that will help meet state policy goals."<sup>38</sup>

## V. CONCLUSION

AB 327 does not require the Commission to use the “reasonable expected payback period” as the primary basis or proxy for the NEM transition period. As shown by the comments submitted, use of the payback period as a proxy for the transition period is not practical and, more importantly, is insufficient to protect the investment made by NEM customers in furtherance of state energy policy goals. Rather, the use of the expected life of the system as the applicable NEM transition period more readily captures the value of the investment and can be standardized in the range of 25 to 30 years, as demonstrated on the record.

Respectfully submitted this December 23, 2013, San Francisco, California.

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