

**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)

**REPLY COMMENTS OF RECOLTE ENERGY ON THE ASSIGNED
COMMISSIONER'S RULING REGARDING THE ESTABLISHMENT OF A NET
ENERGY METERING TRANSITION PERIOD**

RECOLTE ENERGY

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Pursuant to the Assigned Commissioner’s Ruling regarding the establishment of a net energy metering transition period, Récolte Energy (Récolte) hereby submits these Reply Comments in response to the Parties’ Opening Comments on the matter.

In its Opening Comments, Récolte Energy recommended that the current NEM tariff be kept unchanged for all projects that are / will be interconnected before the earlier of July 1, 2017 and the net metering cap being reached, for the duration of the **actual life of the project**. And that a customer with a project interconnected under the current NEM tariff be given the option, but not be required, to transition to the new NEM tariff when it becomes available.

Récolte generally agrees with the Opening Comments of the California Farm Bureau Federation (CFBF), Vote Solar Initiative (VSI), Solar Energy Industries Association (SEIA), California Solar Energy Industries Association (CALSEIA), Interstate Renewable Energy Council (IREC), and California Climate Action Network (CalCAN), and disagrees with those of the investor owned utilities (IOU) – Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), and Southern California

Edison (SCE) – and The Utility Reform Network (TURN).

The IOUs and TURN, in arguing for a transition based on payback period have provided the arguments against it. They have shown how complex and arbitrary it is to compute payback period, and so propose a “one size fits all” transition period instead. Here are excerpts from their Opening Comments, which are followed by Récolte’s Reply Comments.

“Bad, overpriced Investments”. SDG&E: “AB327 does not require electricity consumers that have not made or could not make a solar investment to protect solar investors from the risk of bad, over-priced investments. Basing a reasonable payback period on anything but the reasonable expectation of a similarly situated investor would thwart the plain meaning of AB327.”

As Récolte stated in its Opening Comments, customers make their decisions to go solar based on a careful examination of many factors, including installation costs, project life, ability to use tax credits and accelerated depreciation, current utility rate tariffs, expected escalation rates of current utility tariffs, proposed utility rate tariffs with net metering, the amount of CSI/SGIP rebates, financing method and terms, etc.

Customers don’t make “bad, overpriced” investments. They make investments that will result in savings in the immediate, near, or distant future. Their payback periods depend on the factors listed above.

Third Party Investors payback periods can be disregarded. PG&E: “In many cases, third-party owned systems are offered to host customers for no money down,

and provide bill savings immediately. From the customer perspective, there is in fact no payback period because there has been no financial outlay.”

PG&E’s solution disregards third party investors’ interests because they are not customers? PG&E doesn’t seem to have considered that the third parties’ investments are on behalf of customers, who cannot or do not want to make the upfront investment themselves.

“Gold rush” to sign NEM 1.0 contracts. PG&E: “if the transition rules lock-in the current NEM cost shift for a very long time, this could result in a large, artificial increase in new projects as technology providers rush to install systems under the current, richer NEM rules.” TURN: “a declining payback period prevents a ‘gold rush’ of NEM 1.0 customers...” SCE: “the Commission should not adopt a grandfathering period that is so generous that it creates a floodgates or “gold rush” problem in 2016 and 2017...”

Existing law, unless changed, already requires IOUs to sign NEM (1.0) agreements until their NEM caps are reached. The only reason for there to be a “rush” to install projects under NEM 1.0 would be if NEM 2.0 is so unattractive that it nudges customers who are ambivalent about going solar into making the decision to do so.

Conclusion

Payback Period is not a workable solution. Rather than list the reasons it won’t work, here are the reasons for considering the better alternative – **the actual life of the project**. It will account for differences in technologies, enable the investors (whether


customer or third party) to recoup their investments (and thereby encourage additional investments), enable customers to make sound decisions after considering all factors (including the variability of the rate tariff but constancy of the NEM (1.0) tariff until the earlier of the NEM cap being reached or July 1, 2017), make the “gold rush” a non-issue, make payback period an individual customer’s evaluation criterion as it is currently, maintain the faith that customers have in California’s regulatory environment, encourage stakeholder participation in devising a NEM 2.0 tariff that is equitable for all stakeholders, and continue to increase access to solar for individuals and businesses and meet California’s distributed generation goals.

Respectfully submitted this 23rd day of December, 2013 at San Francisco,
California.

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By



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