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)

SUPPLEMENTAL REPLY COMMENTS OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION REGARDING THE ESTABLISHMENT OF A NET ENERGY METERING TRANSITION PERIOD

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In accord with the December 5, 2013, e-mail ruling of Assigned Administrative Law Judge MacDonald, the Solar Energy Industries Association (SEIA)[1] submits this supplemental reply to the reply comments regarding the establishment of a Net Energy Metering (NEM) transition period which were submitted in the above captioned proceeding on December 23, 2013.

I. INTRODUCTION

In their December 23, 2013 submissions, each of the investor owned utilities (IOU) presented system a payback analysis performed either internally or through an outside consultant. These analyses lend further credence to the point emphasized in SEIA's Reply Comments -- the use of system payback period as a proxy for the NEM transition period is not only impractical, but adoption of the standardized payback periods advanced by the IOUs will result in certain NEM customers not even recovering the cost of their installation. Use of a standardized payback period must be rejected and the Commission should adopt expected life of the system as the means by which a NEM customer's transition period should be measured.

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1 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.

II. IOUS' ANALYSES DEMONSTRATE INHERENT FLAWS IN THE USE OF PAYBACK PERIOD AS THE MEASURE OF THE NEM TRANSITION PERIOD

The calculated payback periods presented vary by IOU and, within each IOU, by customer class. Thus, for example, Southern California Edison (SCE) presents payback periods of 8.8 years (residential) and 16.6 years (small commercial) for systems installed in 2012.[2] San Diego Gas and Electric Company (SDG&E) presents payback periods which are similar to SCE's, but still have marked differences -- 9 years (residential) and 18 years (commercial/industrial) for systems installed in 2012.[3] Finally, in a significant departure from both SCE and SDG&E, Pacific Gas & Electric Company's (PG&E) analysis shows, for systems installed in 2012, payback periods of approximately 9.5 years for both the residential and commercial/industrial sectors.[4] The IOUs' results support the position advanced by SEIA in its opening and reply comments -- payback periods vary based on the assumptions used in their calculation. If the Commission sets one payback period for all customers, then it will guarantee that a large number of customers will never reach their investment break-even points.[5] Such a result is clearly inconsistent with the legislative intent. If, in contrast, the Commission determines to establish multiple payback periods which vary across utility and customer type, it

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2 Reply Comments of Southern California Edison Company on the Assigned Commissioner Ruling Regarding the Establishment of a Net Energy Metering Transition Period, R. 12-11-005 (December 23, 2013) (SCE Reply Comments), Payback Analysis, p. 5.

3 Reply Comments of San Diego Gas &Electric Company on Questions Relating to a Transition Period for Net Energy Metering Customers, R. 12-11-005 (December 23, 2013), Appendix A, last page (the data shows an 18 year payback period for ALTOU customers which is SDG&E's standard tariff for commercial and industrial customers with a Monthly Maximum Demand equaling or exceeding 20 kW).

4 Reply Comments of Pacific Gas and Electric Company on the Assigned Commissioner Ruling Regarding the Establishment of a Net Energy Metering Transition Period, R. 121-005 (December 23, 2013), Appendix A, p.3.

5 *See, e.g.*, SCE Reply Comments, p. 11 (SCE recognizes that its commercial and industrial customers will not have achieved payback by 2023, which is the end of SCE's proposed transition period).

still will result in a large number of NEM customers never recovering the cost of their investment because the payback analyses presented by the IOUs show the results for the average or median values and thus don't reflect the paybacks that necessarily apply to any individual customer, not to mention that such an approach will be confusing to customers and administratively burdensome to implement.

Irrespective of the critical point that the use of a standardized payback period as a proxy for the NEM transition period will leave a large number of customers never recovering the costs of their investment, there is a fundamental flaw in the IOUs payback analyses; the analyses are grounded in *current* rate structures. Specifically, for estimates of payback for residential customers, PG&E's and SDG&E's analyses rely on a combination of historic and current rates to determine the bill savings customers have realized to date, and then escalate current rates using an escalation factor to assess bill savings in future years. While it appears that SCE did at least take into account the changes in residential rate design which it has proposed for 2014, any future changes are not accounted for. Given the mandates of AB 327 coupled with the Commission's ongoing residential rate design OIR, the IOUs' rate structure will undergo significant change in the next couple of years. These changes will have a significant impact on residential NEM customer payback periods, and will substantially extend those payback periods beyond the timeframes calculated by the IOUs. Similarly, in the case of commercial customers, it is unclear whether and how the IOUs incorporated any pending or anticipated changes to commercial rates into their respective analyses, also calling into question the reasonableness of those estimates.

III. CONCLUSION

The record of this proceeding illustrates the difficulties and inherent inequity of utilizing a standard payback period as a proxy for the NEM transition period. 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. The Commission should adopt the expected life of the system as the appropriate measure of the NEM transition period.

Respectfully submitted this January 6, 2014, San Francisco, California.

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