

**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 CALIFORNIA CLIMATE AND
AGRICULTURE NETWORK ON THE ASSIGNED COMMISSIONER'S
PROPOSED DECISION ESTABLISHING A NET ENERGY METERING
TRANSITION PERIOD**

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Dated: March 12, 2014

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I. INTRODUCTION

On February 20, 2014, Commissioner Peevey's Proposed Decision establishing a Net Energy Metering Transition Period (the "PD") was served to parties in R.12-11-005. Parties were invited to submit comments regarding this decision no later than March 12, 2014.

The California Climate and Agriculture Network has reviewed the document and submits the following comments on some factual, legal, and policy issues raised in Commissioner Peevey's Proposed Decision.

II. THE LOGIC IN DETERMINING THE LENGTH OF THE TRANSITION PERIOD IS SOUND, BUT ESTIMATES OF PAYBACK AND SYSTEM LIFE SHOULD BE ADJUSTED UPWARD

The PD combines the Legislature's mandate to "consider reasonable expected payback period" with the Governor's directive in his signing statement that the Commission should grant expected system life. The PD concludes that an acceptable compromise between these two directives is to base the length of the transition period on

a “conservative estimate” of system life that also ensures simple payback plus some return on investment for customer-generators.¹

We agree with the underlying logic of this decision. However, we disagree that this logic should result in a transition period of only 20 years. We believe the two analyses from which the 20 years number is derived are insufficient and should be adjusted upwards.

First, as we discuss in our Supplemental Reply Comments dated January 6, 2014,² the utilities’ estimates of expected ‘break-even’ do not – and likely cannot – account for all of the particular variables to which some customer-generators gave great consideration in crafting their “reasonable expectations” before making renewable energy investments. As the PD notes, PG&E’s analysis suggests up to 18 years simple payback for certain commercial customers; SDG&E’s analysis shows at least 16 years simple payback for Time-of-Use customers; and SCE’s analysis shows a break-even point around 17 years for small commercial customers in its territory.³ Many agricultural customer-generators fit the profiles of the customer-generators with the longest predicted payback periods here: small commercial operators on Time-of-Use rates.

However, we believe these estimates are too low. If we factor in just a few of the variables that customer-generators might reasonably consider when deciding to install a renewable energy system under a NEM tariff, but which were not included in the IOUs’ ‘break-even’ analyses, we can easily see that in some cases the ‘break-even’ estimate ought to be higher. These variables include the expectation of recouping interest on loans taken out for financing a system, personnel times and costs to oversee the management of the system, and the ability to ‘hedge’ any system underperformance or overconsumption of energy with the long-term savings that were reasonably expected at the time of interconnection.

Second, the estimate of expected system life utilized by the Commission is too low, and should also be adjusted upwards. The Proposed Decision cites the length of

¹ Proposed Decision at p. 20.

² Pages 5-6 of “Supplemental Reply Comments of the California Climate and Agriculture Network on the Assigned Commissioner’s Ruling Regarding the Establishment of a Net Energy Metering Transition Period.”

³ IOUs’ estimated break-even payback periods noted in the Proposed Decision at p. 18.

Power Purchase Agreements and third-party financing agreements for its estimate of system life. A more ‘reasonable’ variable to use – and which, indeed, many agricultural customer-generators have used in deciding to install their systems – is the length of the warranty on the most expensive part of a PV system: the solar modules. The record in this proceeding has shown that most PV panels are guaranteed to last at least 25 years, and most customers expect them to last longer, on the order of at least 30 years or more. We argue that the warranty length is itself a ‘conservative’ estimate of system life, and should therefore replace the Commission’s own estimate of expected system life, which does not adequately reflect the record in this proceeding.

III. THE PROPOSED DECISION FAIRLY AND ADEQUATELY ADDRESSES THE ISSUES OF SYSTEM MODIFICATIONS AND OWNERSHIP TRANSFER

We agree with the proposals for dealing with system modifications and transferability of transitional treatment.⁴

Placing a reasonable upper limit on the additional capacity provided by system modifications receiving transitional treatment is a prudent way forward that will not discourage repairs to broken or under-performing systems. We support the proposal to accommodate the greater of 10 percent of the existing system capacity or 1 kW, whichever is greater.

We also support the proposal for transferability of transitional treatment. The expected value of a customer’s system is vested in the terms of its tariff at the time of interconnection, and there are no compelling legal, policy, or factual arguments that justify earlier transition simply because of an ownership transfer.

Any other treatment of existing customer-generators’ system rights in the matter of issues 5.2 and 5.3 is justified by neither the relevant statutes, legislative intent in AB 327, nor the Governor’s signing statement, and would destroy customer confidence in the state’s ability to fairly regulate renewable energy investments. Such an outcome would clearly be counter to the intent of AB 327 and numerous other state goals.

⁴ Sections 5.2.2 and 5.3.2 of the Proposed Decision.

IV. CONCLUSION

CalCAN largely agrees with the logic laid out in the PD, but we believe that a transition period on the order of 25 to 30 years is the conclusion that ought to be drawn, based on the record in this proceeding.

Executed March 12, 2014, in San Francisco, CA.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Adam Kotin", is written over a light gray, textured rectangular background. The signature is fluid and cursive.

Adam Kotin

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