

**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)

**COMMENTS OF THE
LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON
PROPOSED DECISION REGARDING ESTABLISHMENT OF A NET ENERGY
METERING TRANSITION PERIOD**

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ATTACHMENT A: Recommended Changes to Findings of Fact, Conclusions of Law,
and Ordering Paragraphs

I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission's ("Commission") the Local Government Sustainable Energy Coalition¹ ("LGSEC") submits these Comments on the Proposed Decision regarding the first phase of implementation of Assembly Bill 327 (2013). The LGSEC generally supports the Proposed Decision and urges the Commission to adopt it, with the modification noted below.

II. PUBLIC AGENCIES REQUIRE A LONGER TRANSITION PERIOD

There is one area where the Proposed Decision can be improved. This is the transition period for distributed generation systems installed either before July 2017 or achievement of the net energy metering ("NEM") cap. The Proposed Decision finds 20 years to be reasonable. While a 20 year transition period may be workable for private entities that are eligible for tax credits or accelerated depreciation, it could leave public agencies in a detrimental situation where they are not able to recover the cost of investing in a distributed generation system. As the LGSEC indicated in our reply comments on the staff report, "The transition period to be established by the Commission pursuant to AB 327 should be applied to preserve the *expected savings* which formed the basis of the public agency's decision to undertake a NEM project and, thereby, ensure that public agencies are not penalized for undertaking the resource intensive process of building a NEM project."²

The LGSEC has had an opportunity to review an advance draft of the comments being

¹ The LGSEC is a statewide membership organization of cities, counties, associations and councils of government, special districts, and non-profit organizations that support government entities. Each of these organizations may have different views on elements of these comments, which were approved by the LGSEC's Board. A list of our members can be found at www.lgsec.org.

² *Reply Comments of the Local Government Sustainable Energy Coalition on the Assigned Commissioner's Ruling Regarding The Establishment Of A Net Energy Metering Transition Period*, December 23, 2013, p. 2.

submitted by the Net Energy Metering Public Agency Coalition (“NEM-PAC”). We concur with the arguments presented by NEM -PAC regarding longer break -even or payback periods for public agencies, their inability to write -off a bad investment (which necessity could occur if the payback period for public agencies is arbitrarily truncated by a decision by the Commission in this docket on the question of the transition period), and the statutory and regulatory requirements that apply to public agency investments in renewable energy.

If the Commission does not lengthen the transition period for all systems, it should establish a separate category of transition period for public agencies that take service under commercial, not residential, tariffs. Public agencies have invested on behalf of their constituents in renewable energy systems. The public should not be penalized by the change in State law. We note that one of our members, the City of Santa Monica, has indicated to the Commission its support for a 30 year transition period.

The LGSEC also has a concern for our constituents who take service under residential service, who may also be adversely impacted by a transition period that may be less than the life of the system that was expected when the constituent installed the system. Many local governments are encouraging our residents and businesses to install renewable energy systems to help us reach our locally established climate and energy goals.

III. THE COMMISSION SHOULD ADDRESS THE INCLUSION OF ENERGY STORAGE SYSTEMS

The Proposed Decision on p p. 28-29 indicates the Commission will address the question of energy storage systems that support net energy metering in a later decision. The LGSEC encourages the Commission to commence this examination in the near future. The LGSEC concurs at this time with the preliminary findings in the Proposed Decision that energy storage should operate under the same terms as the distributed generation systems they support. Energy

storage is an important tool in the more robust utilization of distributed renewable energy , and the Commission should promote its use in net energy metering systems.

IV. CONCLUSION

The Commission should adopt the Proposed Decision with the modification described above. It is critical that local governments be able to recover their investments in renewable distributed generation, made under certain financial assumptions, governed by statutory and regulatory requirements, and supporting the policy goals of the State and locally elected governing boards and councils.

Respectfully submitted,



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For THE LOCAL GOVERNMENT
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ATTACHMENT A

RECOMMENDED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS

Findings of Fact

4. Public agencies defined as “ this state, any state department, subdivision or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission, or any joint powers a uthority by any of these agencies” have longer payback periods of 25 to 30 years.

45. The Governor’s message to the legislature when signing AB 327 encourages the Commission to protect customers for the expected life of their NEM-eligible systems.

56. For residential and commercial customers, ~~t~~Twenty years constitutes a reasonable payback period as contemplated in AB 327, in that existing analyses show that customers of ~~all~~these customer classes are likely to achieve full payback for system installation costs in this timeframe. For public agencies, thirty years constitutes a reasonable payback period as contemplated in AB 327, in that existing analyses show that customers of this customer class are likely to achieve full payback for system installation costs in this timeframe.

76. ~~A 20-year~~ The above transition period is consistent with the expected useful life of NEM PV systems as reflected in several contexts, including PPAs and financing agreements.

Conclusions of Law

2. For residential and commercial cus tomers, aA transition period of 20 years from the date of interconnection of a renewable generation system is consistent with Pub. Util. Code § 2827.1(b)(4). For public agencies, a transition period of 3 0 years from the date of interconnection of a renewa ble generation system is consistent with Pub. Util. Code § 2827.1(b)(4). “Public agencies” are defined as the state, any state department, subdivision or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission, or any joint powers authority by any of these agencies.

ORDER

IT IS ORDERED that:

1. Renewable generation systems installed by residential and commercial customers of Pacific Gas and Electric Company, San Diego Gas and Electric Company, and Southern California Edison Company taking service under a Net Energy Metering (NEM) tariff or contract prior to July 1, 2017, or the date on which a utility reaches its NEM trans ition trigger level, whichever comes first, shall remain on their previously applicable NEM rate structure for 20 years from the original year of interconnection of the renewable distributed generation system, except as otherwise provided in this decision. Renewable generation systems installed by public agency customers, as defined herein, of Pacific Gas and Electric Company, San Diego Gas and Electric

Company, and Southern California Edison Company taking service under a Net Energy Metering (NEM) tariff or contract prior to July 1, 2017, or the date on which a utility reaches its NEM transition trigger level, whichever comes first, shall remain on their previously applicable NEM rate structure for 30 years from the original year of interconnection of the renewable distributed generation system, except as otherwise provided in this decision.

2. Renewable generation systems eligible for the ~~20-year~~ transition period in Ordering Paragraph 1 above may be moved to the successor tariff before the expiration of the system's transition period upon request of the customer-generator.

3. Renewable generation systems eligible for the ~~20-year~~ transition period adopted in this decision that are modified or repaired shall remain eligible for the remainder of their original transition period, as long as the modifications or repairs do not increase the system's generation by more than the greater of 10 percent of the capacity installed before the transition to the successor tariff or 1 kilowatt, and are sized to meet but not exceed the customer's peak load.

5. Renewable generation systems eligible for the ~~20-year~~ transition period adopted in this decision shall not lose eligibility if transferred to a new owner, operator, or utility account at the original location.