

**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)

**COMMENTS OF THE
CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION
ON THE NET ENERGY METERING TRANSITION PERIOD
PROPOSED DECISION**

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Pursuant to Rule 14.3 of Commission Rules of Practice and Procedure, the California Solar Energy Industries Association (CALSEIA) hereby submits these comments on the Proposed Decision Establishing a Transition Period Pursuant to Assembly Bill 327 for Customers Enrolled in Net Energy Metering Tariffs, issued on February 20, 2014.

1. A CONSERVATIVE ESTIMATE OF SYSTEM LIFE IS AT LEAST 25 YEARS

The Proposed Decision recognizes that customer expectations and regulatory certainty are fundamental components in the establishment of the transition period. As the Proposed Decision states:

“... adopting a transition period that denies customer-generators the opportunity to realize their expected benefits would not be in the public interest, to the extent that it could undermine regulatory certainty and discourage future investment in renewable distributed generation.”¹

It follows logically that the Commission must set a transition period that matches expectations of system life. The Proposed Decision states:

¹ Proposed Decision at 20.

“... it is reasonable to adopt a transition period that is based on a conservative estimate of the equipment’s expected life, and that ensures reasonable payback that includes some return on the customer’s initial investment.”²

However, in setting the transition period at 20 years rather than 25-30 years, the Proposed Decision fails to base the transition period on a conservative estimate of expected life. The findings of fact and related conclusions of law in the Proposed Decision ignore a number of compelling reasons presented in the record why the expected life of a system is greater than 20 years. Three of those reasons require corrections in the Proposed Decision: the industry standard warranty period, the calculators on the GoSolar website, and the financing terms of many public agency customer-generators.

Warranties

The clearest evidence demonstrating that the equipment’s expected life is at least 25 years is the market standard for equipment performance warranties. As detailed in CALSEIA’s opening comments, every leading manufacturer of solar modules sold in the California market warrants the power output of their modules for at least 80% of the original output for 25 years.³ Each of these products is on the list of equipment eligible for California Solar Initiative incentives maintained by the California Energy Commission (“CEC”) and posted on the GoSolar website, which is a joint effort of the CEC and the Commission. Therefore, determining a conservative estimate of expected system life to be 20 years must be based on a conclusion that people expect their systems not to last as long as the warranty period. This is factually incorrect, since the very nature of a

² Ibid.

³ CALSEIA Opening Comments at 4.

manufacturer warranty is to give consumers a minimum expectation of the useful life of a product.

Calculators

NEM-PAC in its opening comments referenced estimated savings calculators on the GoSolar website, part of the Commission's efforts to provide appropriate expectations to consumers, which assume a system life of 25 or 30 years.⁴ It would be inconsistent for the Commission to conclude a reasonable expectation for system life is 20 years when it has been and continues today to proactively provide information to consumers giving expectations for longer system life.

Long-Term Financing

Many non-residential customers have financing terms that are greater than 20 years. As the Local Government Sustainable Energy Coalition pointed out in its reply comments:

Industry and interest groups and affected governmental agencies recognize that twenty-five (25) to thirty (30) years is the expected useful life of a photovoltaic ("PV") system and expected payback periods are calculated based on this assumption. This expected useful life approach is consistent with methods used to finance PV installations under AB 811 and similar Property Assessed Clean Energy programs.⁵

For those customers, it is simply untrue that 20 years is an approximation of expected lifetime. No reasonable investor would expect an energy generating facility to stop functioning before it is paid for.

Based on these three factual errors, in addition to other compelling evidence in the record, the Commission should set the transition period at a valid

⁴ NEM-PAC Opening Comments at 6.

⁵ LGSEC Reply Comments at 2.

conservative estimate of expected life, which must be at least 25 years.

2. THE PROPOSED DECISION CORRECTLY ESTABLISHES ONE TRANSITION PERIOD

The Proposed Decision correctly declines “to adopt a shorter transition period for customers that enroll in NEM between January 1, 2016 and the implementation of a successor tariff,” as requested by the IOUs.⁶ The stated reason for this part of the decision is simply that “it will be administratively simpler and more transparent to treat all customers enrolling in NEM before the implementation of a successor tariff in a consistent way.”⁷ The Commission should consider even more compelling reasons as well.

Creating two classes of customers for purposes of the transition period would be a departure from legislative direction on the creation of the net energy metering program. The Legislature established a net metering program with full retail credit to encourage total statewide adoption of solar and other renewable energy to reach the equivalent of at least five percent of each utility’s “aggregate customer peak demand.” It is not within the scope of the determination of a transition to a successor program to change the decision on what group of customers receives the net metering rules as originally conceived. If a new class of customers is only eligible to take service under current net metering rules for up to a year and a half, as proposed by the IOUs, it would not constitute implementation of the net metering rules as originally conceived. Moreover, this would circumvent and render meaningless a critical provision in AB 327, which effectively codifies the Commission’s determination of how “aggregate customer

⁶ Proposed Decision at 23.

⁷ Ibid.

peak demand” is to be calculated through the MW limits set forth in Public Utilities Code section 2827(c)(4)(B).

Furthermore, AB 327 does not say the Commission should establish “one or more transition periods.” Rather, as pointed out in the opening comments of SEIA and Vote Solar, as well as those of CALSEIA, the legislation directs the Commission to establish “a transition period.”⁸

In addition to being “administratively simpler,” having a single transition period will also be simpler for customers to understand. If there are three classes of customers – those who install before a decision on the successor tariff is issued, those who install between that decision and a date based on a certain level of solar penetration, and those who install after that later date – explaining scenarios to potential customers would become more confusing, especially for public entities and other non-residential customers who typically have longer project development timelines and less certainty about the dates of installation and interconnection of their system. This uncertainty would unnecessarily lead to market disruption and have a negative impact on the rate of solar installations.

3. CONCLUSION

CALSEIA appreciates the opportunity to provide these comments and requests that the Commission accept these recommendations.

DATED at Santa Rosa, California, this 12th day of March, 2014

By: /s/ Brad Heavner
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⁸ Public Utilities Code §2827.1(b)(6).

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