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 CALIFORNIA FARM BUREAU FEDERATION ON THE PROPOSED DECISION OF COMMISSIONER MICHAEL R. PEEVEY

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure the California Farm Bureau Federation ("Farm Bureau")[1] submits these comments on the Proposed Decision of Commissioner Michael R. Peevey. ("PD") Farm Bureau commends the thoughtful review of the record reflected in the PD's determinations, as well as the recognition of the development of the net energy metering ("NEM") program and the impact of that development on the issues related to impending changes to the NEM program. Even within the limited period of time available, the Commission has been able to effectively amass extensive information about the transition representing a variety of differing viewpoints. The PD effectively presents and analyzes the information to reach sustainable paths to assure the NEM program moves forward. Farm Bureau supports the approach and many of the elements of the PD, including the duration of the availability of the current NEM tariff, the effect of system modifications and the benchmark by which the transition is measured, the time of interconnection. While Farm Bureau supports the approach reflected by the PD in its determination of the appropriate number of years for the transition, 20 years, we continue to believe there are strong grounds for greater reliance on the expected life of systems for the appropriate standard. The foregoing positions are addressed more specifically below.

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[1] The California Farm Bureau Federation is California's largest farm organization with approximately 78,000 agricultural and associate members in 53 county Farm Bureaus. California farmers and ranchers sell $44.7 billion in agricultural products annually. Farm Bureau's members expect to pay in excess of $850 million annually for their electric service.

II. THE THRESHOLD ELIGIBILITY REQUIREMENTS SET OUT IN THE PD FOR THE CURRENT NEM TARIFF SHOULD BE ADOPTED

A. The PD's Establishment of Beginning and End Dates for NEM Transition Should be Adopted

A key component of the PD is its establishment of the framework for the transition, providing that customers will be eligible under the current NEM tariff if the interconnection of their systems occurs prior to the earlier of July 1, 2017 or the date on which a utility reaches its NEM transition trigger level.[2] There are two key elements to the determination; that the interconnection be the deciding factor for eligibility, and that such eligibility continue for the full duration of the NEM program. The approach balances the fairness to those considering projects and complies with the legal requirements of the statute which provides that:

> A large electrical corporation shall offer the standard contract or tariff to an eligible customer-generator beginning July 1, 2017, or prior to that date if ordered to do so by the commission because it has reached the net energy metering program limit of subparagraph (B) of paragraph (4) of subdivision (c) of Section 2827.[3]

Thus the statute contemplates that the existing NEM tariff run its course under the time period set out and the constraints set out. The successor NEM tariff is not mandated to commence until a utility has reached its statutory capacity or the 2017 date occurs. The PD's framework not only provides clear direction with a reasonable time period to make the transition, but also recognizes and allows for the fulfillment of the program goals.

The PD's approach reflects a pragmatic solution as well, recognizing the ramifications of the uncertainty that has arisen for customers who were in the process or

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[2] PD, page 21.

[3] PUC Code section 2827.1(b); the standard contract or tariff referred to is that which the Commission is to develop prior to December 31, 2015.

were contemplating plans for projects while the transition is considered. Because the provisions of AB 327 established mandated changes for the existing NEM tariff, those who were considering projects have been faced with a significant level of uncertainty about their plans. As a result, projects likely have been delayed in various stages of development while the transition period has remained under consideration, a deferment of over seven months while certainty is restored. Until a Commission determination is made on the transition period, customers will not have clear information about the implications of any decision on pending projects. Thus, they have been unable to effectively balance the costs and benefits of the project. The PD's establishment of the transition period at 2017 or the trigger date allows for a fair transition period, which recognizes that customers have put on hold actions and decisions while the requirements are being sorted out. A separate transition for post January 2016 projects as referenced by the PD[4] was appropriately dismissed. Not only is a single transition period appropriate from an administrative and information framework, it also recognizes the already substantial interruption that has occurred for customers in their planning processes. Such an additional segregation of projects would further chill development of projects. In the case of Farm Bureau's members, projects can require up to two years or more from planning to completion.

Although Farm Bureau recognizes the vast majority of NEM projects are for solar generation facilities, the Commission should keep in mind that other types of generation facilities are eligible for NEM as well. Because non-solar facilities do not

[4] PD, page 23.

arise as frequently, the planning associated with them and the attendant engineering, permitting and approvals are likely more extensive than the more typical solar projects.

B. The PD's Conclusion on the Treatment of System Modifications is Reasonable

As the PD reflects, there were multiple proposals presented regarding how to treat modifications and repairs to NEM systems eligible for the transition period at issue.[5] Farm Bureau, like many parties, recognized that some accommodation would be necessary for the repairs, maintenance and modifications to the systems. That customers will be able to remain eligible under the adopted transition period "as long as the generation system capacity is increased by no more than the greater of 10 percent of the existing system capacity or 1 kW, and is sized to meet but not exceed the customer's peak load"[6] is a reasonable solution, which recognizes the realities of daily operations. The clarity of the parameters for repair, maintenance and modifications provides operators with important certainty over the future of their systems.

III. THE 20 YEARS TRANSITION IS BASED ON A CONSERVATIVE ESTIMATE OF THE EXPECTED LIFE OF NET METERING SYSTEMS

The PD adopts a 20 year transition for NEM, accounting for both the reasonable payback standard and the equipment's expected life standard. As Farm Bureau presented in its comments on this matter, there are valid legal grounds to support use of the expected life of a system as a benchmark for establishment of the transition period. Recognizing the discretion the Commission possesses in implementation of a balanced transition, nevertheless, Farm Bureau believes the expected life standard better aligns with the customers' expectations of what was offered through the NEM program. The

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[5] PD, pages 24 to 25.
[6] PD, page 26.

transition period adopted of 20 years for customers is based on a conservative estimate of the equipment's expected life.[7]

Many verifiable references were included in the underlying comments representing solid ground for the expected life of the equipment of 25 years and up to 30 years.[8] In fact, 20 years may well represent the low end of the continuum for the expected life of the equipment. Although the PD assesses the various elements underlying both the expected life and reasonable payback standards, Farm Bureau notes that some shortcomings associated with the reasonable payback standard continue to exist.

Many comments and analyses demonstrated the difficulty in fairly establishing an administratively determined reasonable payback period for all customers. The PD recognizes the limits on the accuracy of the estimates based on the payback period due to constraints from the source data and the methodologies used for their calculation.[9] Such limitations, as well as the fact that there may be great variability depending upon the type of renewable generation under consideration, as well as the types of customers who may be affected, suggests it may not be necessary to utilize a conservative estimate of useful life in establishment of the transition period for customers. A transition period of 25 years is supportable based on the same rationale underlying the PD's determination.

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[7] PD, page 20.

[8] 30 years – NREL Study for life cycle assessments. See http://www.nrel.gov/docs/fy13osti/56487.pdf; 25 year warranties are standard for a number of solar manufacturers, see comments of CALSEIA, December 13, 2013, page 4.

[9] PD, page 19.

IV. CONCLUSION

For the farmers and ranchers who Farm Bureau represents, any certainty that can be achieved in their business operations, which are inherently uncertain, is an important achievement. Such certainty for our customer group is the key feature of this PD and a focus on that certainty should continue to be considered in adoption of a decision. The elements of the PD which assure certainty provide customers with the ability to assess whether further investments in renewable energy under a net metering framework make financial sense. For agricultural customers, the planning process for implementation of an investment requires careful consideration of a variety of factors thus lengthening the average time for assessment of whether to pursue a project. It is important, from Farm Bureau's perspective, that a Commission decision provides a reasonable window of certitude for customers to receive the benefits of the program that was established. Importantly, the PD's allowance for systems installed by customers taking service prior to July 1, 2017 or the date the utility reaches its NEM transition trigger level to remain on the current NEM tariff serves the overall goals for the State by providing a balance of equity, benefits and certainty.

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Respectfully submitted,

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