

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 UTILITY REFORM NETWORK ON THE
PROPOSED DECISION OF PRESIDENT PEEVEY CONCERNING A NET
ENERGY METERING TRANSITION PERIOD



Marcel Hawiger
Matthew Freedman
Staff Attorneys

THE UTILITY REFORM NETWORK

785 Market Street, Suite 1400
San Francisco, CA 94103
Phone: (415) 929-8876 ex. 311
Fax: (415) 929-1132
Email: marcel@turn.org

March 12, 2014

SUBJECT INDEX OF RECOMMENDED CHANGES

- The Proposed Decision should be amended so that the policy determinations are consistent with Findings of Fact 2 and 3.
- The Commission should find it reasonable to treat commercial and residential customers differently consistent with the different payback periods and customer expectations.
- The twenty-year transition period for residential customers should be capped at December 31, 2017.

**COMMENTS OF THE UTILITY REFORM NETWORK ON THE
PROPOSED DECISION OF PRESIDENT PEEVEY CONCERNING A NET
ENERGY METERING TRANSITION PERIOD**

Pursuant to Rule 14.3, the Utility Reform Network (“TURN”) submits these comments on the Proposed Decision of President Peevey (“PD”) adopting a twenty-year (20) transition period for all customers on a net energy metering (“NEM”) tariff.

1. The PD Commits a Factual Error in Relying on Payback Periods for Commercial Customers to Calculate a Single Transition Period for Both Residential and Commercial Customers

Mindful of the directive of Rule 14.3, TURN will not reargue certain policy determinations in the PD. However, there is one overarching factual error in the text of the PD which should be corrected, and the correction of this fact concerning payback periods warrants a slightly different policy outcome for the transition period for residential customers only.

In the text of the Discussion (Section 5.1.) and the Conclusion (Section 5.1.2) the PD asserts that the twenty-year transition period was 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.”¹ The PD uses several contractual terms as a basis for concluding

¹ PD at 20.
TURN Comments on PD
R.12-11-005
March 12, 2014

that twenty years is “consistent with the expected useful life of NEM PV systems.”²

The factual error lies in the discussion of the “reasonable payback” period in Section 5.1.1. The PD concludes that twenty years is necessary to ensure recovery of the initial investment plus some return based on the fact that “it will take up to 18 years for customers from certain customer classes to recover their initial investment under the existing NEM structure.”³ However, as illustrated in the very next two sentences of the PD, payback periods lasting until 2031 apply **only** to commercial (non-residential) solar systems.⁴ The SCE data relied on by the PD demonstrate that the payback period for residential customers **never** extends beyond 2024 for every vintage year of installation.⁵ The independent calculations performed by SCE, PG&E, SDG&E and TURN all demonstrate exactly this same relationship, with payback periods for residential customers never exceeding 2024. Most significantly, using actual PowerClerk database information, PG&E calculated that by 2013, due to declining system costs, 90% of residential solar customers had payback periods below 10.5 years.⁶

² PD at 21.

³ PD at 18.

⁴ PD at 18. See, also, SCE Reply Comments, Appendix A at 5, Table 3. Due to differences in underlying rate tariffs, the economics of commercial solar installations in SCE’s service territory are not quite as favorable as for residential customers, even though installation costs are lower for larger systems.

⁵ SCE Reply Comments, Appendix A at 5, Table 3.

⁶ PG&E Reply Comments, Appendix A, p. 5, Figure 3.

Indeed, Findings of Fact Nos. 2 and 3 more accurately summarize the data showing that the payback periods for residential customers range from “8 to 12 years,” while the payback periods for commercial customers range from “8 to 18 years.”⁷ The PD commits a factual error by conflating these data in the text discussion and by selecting a transition period of 20 years for all customers, based strictly on data for commercial customers. The data for payback periods for residential customers warrants a much shorter transition period.

2. Correcting the Factual Error in the Text of the Proposed Decision Should Lead to a Policy Choice to Adopt a Shorter Transition Period for Residential Customers

The text discussion and policy choice concerning a transition period should be modified to be consistent with the actual facts, as correctly summarized in Findings of Fact Nos. 2 and 3. The Commission should find it reasonable to treat residential and commercial customers somewhat differently for purposes of the transition period. Since payback periods for residential customers are shorter, the transition period **for residential customers only** should not extend for twenty years, especially for systems installed after 2012.

One option would be to limit the residential transition period to ten or fifteen years; however, this option might not allow a very few vintage year installations to fully recover their investments. Thus, the most reasonable solution that guarantees investment recovery for the solar customer-generator while reducing the potential for very large cost shifting to nonparticipating

⁷ PD, Findings of Fact Nos. 2 and 3, p. 32.

customers is to adopt a **transition period for residential customers of 20 years or December 31, 2027, whichever occurs earlier**. In other words, the twenty-year transition period would be capped at 2027 for residential customers. This solution would result in a payback period of ten years for customers installing in 2017, and longer periods for customers installing prior to that date. All residential customers installing solar in 2007 or earlier would be subject to a twenty-year transition period.

Capping the transition period for residential customers properly reflects the actual data concerning residential system paybacks and more fairly reflects the economics of residential solar installations.

TURN is a ratepayer advocacy group representing the interests of residential customers. Some data suggest that payback periods for commercial customers are not much longer than for residential customers.⁸ Nevertheless, TURN still recommends a more favorable (longer) transition period for non-residential customers because we accept the results of several comprehensive evaluations, including the most recent NEM Evaluation Report,⁹ that residential

⁸ PG&E Reply Comments, Appendix A, p. 8, Figure 6. TURN presumes that differences in the commercial tariff rates account for the different outcomes for SCE and PG&E. However, as discussed in the PD, such analyses do not necessarily include the economics of solar installations by government and nonprofit entities which may not be able to utilize income tax credits.

⁹ See, PD at 6, fn. 9.

APPENDIX A

Revisions to Conclusions of Law and Ordering Paragraphs

Citation	Change or Add:
New Conclusion of Law	<u># The data on payback periods and cost shift impacts illustrate that it is reasonable to adopt a different policy for residential and commercial customers.</u>
Conclusion of Law 2	2. A 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).
New Conclusion of Law	<u># It is reasonable to cap the transition period for residential customers so as to end by December 31, 2017.</u>
Ordering Paragraph 1	... 20 years from the original year of interconnection of the renewable distributed generation system, <u>capped at December 31, 2017 for residential systems, except as otherwise provided in this decision.</u>