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)

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

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FOR The Local Government Sustainable Energy Coalition

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I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission's ("Commission") the Local Government Sustainable Energy Coalition [1] ("LGSEC") submits these Reply Comments on the Proposed Decision regarding the first phase of implementation of Assembly Bill 327 (2013). The Commission should extend the length of the transition period for renewable distributed generation systems to 30 years, if not for all customers then at minimum for public sector customers, who have installed these systems using public funds based on assumptions that justify the investment, in accordance with State regulations. The opening comments on the Proposed Decision show support for this approach from other customer groups, who have similar concerns about their investments, and from technology interests. The Commission should disregard comments from the investor-owned utilities that argue for a shorter transition period. The analysis on which the utility position is based overlooks fundamental realities about the varied nature of investments in renewable distributed generation.

II. PUBLIC AGENCY INVESTMENTS IN DISTRIBUTED GENERATION ARE DIFFERENT THAN PRIVATE INVESTMENTS

In opening comments, the LGSEC and the Net Energy Metering Public Agency Coalition ("NEM-PAC") provide information regarding why it is appropriate to afford a transition period that is longer than 20 years to local government investments in distributed generation operating under net energy metering tariffs. It is important to note that when local governments invest in these technologies, we are using public funds, often funds approved by our voters. Local government decisions to invest in renewable technology are made in accordance with statutory

[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.

and regulatory requirements. Many local governments spend a lot of time investigating various options for deploying renewable distributed generation, studying the benefits and costs of ownership versus power purchase agreements or other arrangements. In almost every case, the investment is justified as a hedge against future energy costs based on analysis of the current net energy metering tariff a gainst the current standard tariff (which costs are generally expected to rise, based on historical record). The Commission should be pay heed to the distinction made in the opening comments on the staff report by CalSEIA, which is applicable to all customers: "The "payback period" should not be defined as the point at which the initial investment is repaid, but the point at which the initial expectation of savings is achieved. This point is equivalent to the expected lifetime of the system."[2]

Other factors such as local policies to reduce greenhouse gas emissions also play a role. However that role is subsidiary to the overall question of prudently investing public funds. In addition, many local governments purchase performance guarantees that correspond with their solar module warranties, further evidence of the expectation by the governments that the systems will operate for at least the warranty term, usually 25 or 30 years.[3]

PG&E in its opening comments (p. 11) suggests that while local governments may have longer payback periods, they can qualify for "third-party financing, through which tax and depreciation savings can be monetized and passed through to the end-user via lower PPA and

[2] CA Solar Energy Industries Association, *Comments Of The CA Solar Energy Industries Association Regarding The Establishment Of A Net Energy Metering Transition Period*, December 13, 2013.

[3] There are countless cities, counties, and special districts across California that have invested in renewable distributed generation under these assumptions, including but not limited to: the City of Santa Monica; the Santa Monica-Malibu Unified School District; the Oakland Unified School District; the Antioch Unified School District; the Solano Community College District; the San Ramon Valley Unified School District; the Desert Community College District; the Shasta Community College District; the Yuba Community College District; the San Jose-Evergreen Community College District; the Culver City Unified School District; the Glendale Unified School District; the Kern Community College District; the Romoland Unified School District; the Southwestern Community College District; the Murrieta Valley Unified School District; the West Valley-Mission Community College District; Yolo County.

leasing prices." While some local governments may use third -party agreements to install solar, there are many others that assume ownership of the systems. To make a blanket assertion that all local governments will follow a certain model is (1) inaccurate and (2) if ac cepted by the Commission would amount to a tacit endorsement of a particular business model for solar installations, a form of market coercion in which the Commission should not engage.

An arbitrary decision now by the Commission to eviscerate the length of time over which local governments will be able to recoup their investment s based on commitments to local voters would destroy confidence by local governments in the State. It would have a chilling effect on future participation in energy programs, if the basi s for long -term investments could disappear and leave the local government liable for costs. Reducing the time period over which investments in renewable distributed energy can be recovered could create a disincentive to invest in energy efficiency concurrent with investments in the renewable generation system. In some instances, the local government may be relying on the savings in utility bills to help pay for energy efficiency investments that could contribute to moving toward zero net energy operations.

III. THE PROPOSED DECISION CORRECTLY DOES NOT PENALIZE CUSTOMERS WHO BEGIN SERVICE BETWEEN NOW AND 2017

The Proposed Decision considered and rejected a shorter transition period for customers that enroll in NEM between January 1, 2016 and the implementation of a successor tariff. [4] The LGSEC joins the Farm Bureau and other parties in supporting the Proposed Decision 's finding that customers should not be p enalized because they take service between now and the statutory end point for the NEM tariff (which is either when the utility reaches its cap or 2 017). We concur with the Farm Bureau that, " Not only is a single transition period app ropriate from an

[4] Proposed Decision, pp. 22-23.

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." [5] Like the Farm Bureau's members, it can often take local governments up to two years or more to plan and complete installation of a distributed renewable energy system.

IV. THERE IS NO SUCH THING AS AN "AVERAGE" CUSTOMER

The Proposed Decision makes several references to the "average customer" in its justification for a 20 year transition period. [6] In opening comments, some parties discuss "mid ranges" of when all NEM customers can expect to recover the initial investment. [7] Relying on the idea of an "average" payback period is bad policy. Focusing on investment in solar technology, customers with below-average solar economics – for whatever reason – will have above-average payback periods. Using an average as the basis for drawing the line of the payback period inappropriately discriminates against these customers. Solar PV installation costs per kW and per expected kWh vary widely depending on the quality of the components (higher quality typically costs more), the relative size of the solar system (smaller systems generally cost more per kW and expected kWh due to diseconomies of scale), the type of installation (e.g., carport PV installations generally cost more than the comparable rooftop application), the tariffs available to customer before the solar system is installed and after it is installed (the value of solar output can vary several-fold depending on the tariffs available for a given customer and their specific solar application), each customer's pre-solar load profile (depending on the utility and the available tariffs, customers with relatively flat pre-solar load profiles may benefit

[5] California Farm Bureau Federation, *Opening Comments,* p. 4.
[6] See, for example, pp. 10, 11.
[7] Office of Ratepayer Advocates, *Opening Comments*, pp. 3-4.

significantly less from installing solar PV).

That some customers' payback periods are longer due to a combination of such factors that happen to be relatively unfortunate in one or more of these respects is no reason for these customers to be afforded less protection by the Commission's decision in this proceeding. The policy should protect all solar customers' interests in this respect. This means setting the net energy metering transition period at the upper end of the payback period spectrum, not at the "average" point in the spectrum.

V. OTHER PARTIES AGREE THERE MAY BE DIFFERENT CIRCUMSTANCES FOR CERTAIN CUSTOMER CLASSES

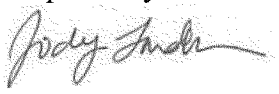
The opening comments show other parties differentiating between investments made by customers taking service under residential tariffs, and those taking service under commercial tariffs.[8] The Utility Reform Network cites different payback periods for residential customer investments in solar technology than for commercial customers. While the LGSEC supports a longer transition period than the 20 years for which TURN advocates, it is telling that a primary consumer advocate recognizes the different circumstances that apply to different customer classes, and the appropriateness of treating them differently in terms of the length of the transition period.

VI. CONCLUSION

The Commission should adopt a transition period of 30 years for renewable distributed generation systems affected by Assembly Bill 327. If the Commission cannot justify this transition period for all customers, it should recognize that investments by local governments and public agencies, as well as other customers who take service under commercial tariffs, have different terms and cost structures that justify a longer transition period of 30 years.

[8] See, for example, opening comments of the Agricultural Energy Consumers Association (p. 4), NEM-PAC (pp. 1-3), The Utility Reform Network (pp. 2-3).

Respectfully submitted,



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