



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

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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 CALIFORNIA CLIMATE AND
AGRICULTURE NETWORK ON THE ASSIGNED COMMISSIONER'S
PROPOSED DECISION ESTABLISHING A NET ENERGY METERING
TRANSITION PERIOD**

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Dated: March 17, 2014

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I. INTRODUCTION

On February 20, 2014, Commissioner Peevey's Proposed Decision establishing a Net Energy Metering Transition Period ("the PD") was served to parties in R.12-11-005. Parties were invited to submit comments regarding this decision no later than March 12, 2014.

Seventeen sets of comments were submitted in response to the PD, including CalCAN's. The bulk of the parties' comments are generally supportive of the approach taken in the PD, although most solar industry and customer representatives suggest the PD's findings should instead result in a grandfathering period of 25 years or more. The IOUs and ORA argue that the PD is inconsistent with the language and intent of AB 327, and request that the Commission instead adopt their respective transition proposals as laid out in comments earlier in this proceeding.

We maintain our support for the approach taken in the PD, as well as our request that the length of the transition period be adjusted upwards to 25 years, based on the estimations of expected system life and reasonable expected payback period documented in the record.

We also seek to address a set of issues raised by parties in their opening comments, including:

- Shorter transition periods for any customer-generators prior to attainment of the 5% cap or July 1, 2017, are not supported by AB 327 and will disadvantage larger, more complex non-residential installations; and
- Dissenting parties are misguided in relying upon ‘average’ or ‘median’ calculations to discredit the PD’s conclusions regarding reasonable expected payback period.

The following sections discuss these issues in detail.

II. SHORTER TRANSITION PERIODS FOR ANY CUSTOMER-GENERATORS PRIOR TO ATTAINMENT OF THE 5% CAP OR JULY 1, 2017, ARE NOT SUPPORTED BY AB 327 AND WILL IN PARTICULAR DISADVANTAGE LARGER, MORE COMPLEX NON-RESIDENTIAL INSTALLATIONS

In the Proposed Decision, the Commission dismisses concerns of a ‘gold rush’ and “decline[s] to adopt a shorter transition for customers that enroll in NEM between January 1, 2016 and the implementation of a successor tariff.”¹ Instead, all customer-generators eligible under the current NEM tariff are granted the same transition period. SEIA/TASC and Vote Solar each support this finding and offer compelling reasons, in addition to those laid out in the PD, as to why adopting separate transition periods based on the date of interconnection is insupportable.²

However, PG&E argues that because customers who interconnect after this decision is issued will “know about the adopted NEM transition period”, it is acceptable to grant them a shorter transition period than that given to other NEM customer-generators.³

We disagree and urge the Commission to give the same transition period to all customer-generators interconnecting prior to when the cap or cut-off date is reached. We agree with SEIA/TASC and Vote Solar that the language in statute requires the Commission to establish a transition period, and that any shorter transition period would

¹ Proposed Decision at 23.

² SEIA/TASC at 6-8; Vote Solar at 4-5.

³ PG&E at 4 and 12-13.

create unacceptable uncertainty, and likely act as a disincentive to participation in the program.

PG&E fears a transition period that would encourage a ‘rush’ of interconnections and increase the likelihood of the 5% cap being reached before July 1, 2017. Citing a letter from Assemblymember Perea, PG&E argues that such an outcome would be counter to the intent of AB 327.⁴ However, if the Legislature’s intent had been to limit cost-shifting by deliberately restricting the number of customer-generators receiving the terms of the existing NEM tariff, it should have lowered the 5% cap and/or the July 1, 2017 cut-off date. Clearly, it did not. In fact, as SEIA/TASC note, AB 327 codifies the Commission’s May 2012 decision by setting minimum megawatt requirements for each IOU and “does not indicate that customers under that cap should be subject to different rules depending on when their system was installed or interconnected.”⁵

From the perspective of agricultural customer-generators, any adoption of shorter transition periods for ‘late adopters’ would particularly disadvantage those wishing to install larger, more complex non-residential systems. As Vote Solar notes, some larger projects can take up to two years to reach interconnection given the complexity of design, installation, permitting, and financing required.⁶ Given that AB 327 includes no mention whatsoever of a shorter transition for ‘late adopter’ installations, those who are currently planning complex installations will have had no reason to suspect that they would receive different terms unless their system was slated to interconnect after the 5% cap or July 1, 2017 was reached. Under PG&E’s proposal, someone who commenced project planning in 2013 and whose project required a full twenty-four months to reach interconnection might only receive access to the NEM tariff on which their investment was calculated for a little over two years.

In the interest of preserving diversity of size, complexity and other characteristics in California’s distributed renewables generation, we request that the Commission refrain from issuing multiple transition periods that would unfairly disadvantage projects with longer installation processes.

⁴ PG&E at 13.

⁵ SEIA/TASC at 8.

⁶ Vote Solar at 4.

III. DISSENTING PARTIES ARE MISGUIDED IN RELYING ON ‘AVERAGE’ OR ‘MEDIAN’ CALCULATIONS TO DISCREDIT THE PD’S CONCLUSIONS REGARDING REASONABLE EXPECTED PAYBACK PERIOD

Multiple parties claim that a 20-year transition period is not consistent with estimations of “reasonable expected payback period” because the *average* simple payback estimates provided by IOU analyses are several years lower than 20 years. As CalCAN noted in its Supplemental Reply comments prior to the release of the PD, IOU analyses clearly show a wide distribution of predicted simple paybacks, including many customers who will achieve payback long after the ‘average’ payback year.⁷

ORA argues that the transition period should fall closer to the “mid-range” of when customers would recover their initial investment, implying that investments falling outside of this range were imprudent and should not be respected by the Commission in its decision.⁸ Edison and PG&E similarly claim that the PD mischaracterizes their analyses by acknowledging the upper range of expected payback periods, e.g. those outside of the “mid-range” referenced by ORA.⁹

ORA’s argument about the prudence of an investment would be valid if all renewable energy systems were exactly the same product, and if their price, design, financing, installation, and intended purposes were all consistent. This is, of course, not the case. Rather, the Commission and the State of California have a vested interest in promoting a wide diversity of system parameters to achieve our distributed generation goals. Accompanying a diversity of system parameters will be a diversity of payback periods, which the Commission must recognize as falling within the “reasonable expectations” of customer-generators. We therefore reassert our support for the PD’s interpretation of the IOU payback analyses.

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⁷ Submitted January 6, 2014. Discussed at page 4.

⁸ ORA at 3-4.

⁹ PG&E at 9-10; Edison at 10-11.

IV. CONCLUSION

CalCAN greatly appreciates the opportunity to contribute to the record on this matter. Our primary concern is to ensure that existing agricultural customer-generators, as well as those planning to interconnect before attainment of the 5% cap or cut-off date, have the level of certainty they need to confidently invest and reasonably achieve the expected results. In particular, as we have emphasized throughout our comments in this proceeding, we seek to sustain agricultural growers' faith in the ability of the Commission and the State to fairly regulate distributed renewable energy generation. This includes recognition of the fact that agricultural operators consider a multitude of complex and overlapping variables before deciding to invest in renewable energy.

We applaud the Commission's efforts with the Proposed Decision, including its scope and approach. We look forward to continued involvement as the successor tariff is debated and formed.

Executed March 17, 2014, in Sacramento, CA.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Adam Kotin", is written over a light gray rectangular background. The signature is cursive and fluid.

Adam Kotin

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