



**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)

**OPENING COMMENTS OF NLINE ENERGY, INC. TO THE PROPOSED DECISION  
REVISING THE SELF-GENERATION INCENTIVE PROGRAM PURSUANT TO  
SENATE BILL 861, ASSEMBLY BILL 1478, AND IMPLEMENTING OTHER  
CHANGES**

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**1. INTRODUCTION**

Pursuant to the *Proposed Decision Revising the Self-Generation Incentive Program Pursuant to Senate Bill 861, Assembly Bill 1478, and Implementing Other Changes* (PD), NLine Energy, Inc. (NLine) submits these opening comments.

NLine Energy is a California-based conduit hydroelectric development company that specializes in the deployment of pressure reduction turbines (PRTs). NLine Energy has actively participated in this proceeding since the inclusion of PRTs in the Self-Generation Incentive Program (SGIP). NLine Energy's clients for hydro projects are the municipal water agencies in California that represent 90-percent of all water conveyed, treated, collected and recycled within the state. However, NLine also sees great potential to capture wasted steam pressure from numerous other applications. NLine Energy appreciates the opportunity to provide comments on this PD.

## 2. COMMENTS ON THE PROPOSED DECISION

### (a) Nationally Recognized Testing Laboratory Requirement

NLine strongly disagrees with the PD related to the Nationally Recognized Testing Laboratory (NRTL) requirement as it creates an undue burden on certain technologies and duplicates current policies related to the safety and reliability of SGIP eligible technologies.

As stated in NLine Energy's Reply Comments to the Staff Proposal (January 22, 2016, pg. 6), the equipment used in PRTs is wholly unique to the site. Hydraulic conditions drive the technology selection which may range from any one of 40 different technologies. Thus, each portion of the equipment is custom - the turbine, the generator and the switchgear. To require NRTL certification for every piece of equipment will require separate NRTL for each piece of equipment, excessive costs, and **will certainly exclude and prevent future PRT participation in SGIP**. NRTL certification may make sense for some inverter based technologies (batteries, solar PV), but should not be universally required. Currently, Rule 21 interconnection standards have strict requirements that mandate strict compliance with both reliability and safety of the equipment, which provides the necessary checks for non-inverter based technologies. This PD over-regulates safety and reliability issues that have already been addressed in Rule 21, which already disallow any unsafe technologies from interconnection to the grid.

Additionally, this very issue was addressed in the recent Net Energy Metering Successor Tariff Decision (D.16-01-044). The Proposed Decision in that proceeding also called for NRTL certification, but it was removed after staff received comments from NLine and others about the unintended consequences. D.16-01-044 states, "Because warranties have been required under both CSI and SGIP, it is reasonable and not burdensome to require a minimum 10-year warranty

or service agreement to ensure proper maintenance and continued system performance."<sup>1</sup> NLine supports a 10-year warranty provision as an alternative to the NRTL requirement.

Therefore, NLine strongly encourages the Commission to change the NRTL requirement so that renewable PRTs are not incidentally eliminated from the program. NLine urges the Commission to instead or alternatively require a 10-year warranty or service agreement to ensure proper maintenance and continued system performance. NLine hopes the Commission will amend the PD in this regard and use the phrasing from the NEM Successor Tariff Decision for consistency.

**(b) Budget Split**

The PD proposes to split the budget as follows: Storage receiving 75% (15% for projects under 10 kW) and Generation receiving 25% (10% for renewable generation projects). As stated by numerous parties in comments and reply comments to the *Energy Division Staff Proposal to Modify the Self-Generation Incentive Program pursuant to SB 861 and the Commission's Own Motion* (Staff Proposal), the allocation of 25% to generation technologies and 75% to storage technologies does not strike the correct balance among the eligible SGIP technology. We find an increase to 75% for storage technologies to be completely unfounded as the Commission, in both the Staff Proposal and PD, point out the prior year saw storage utilize 55% of the funds. Aligning the budget with actual results is the proper method.

The Staff Proposal justified the jump in storage funding on the conclusion that electric-only fuel cells will be excluded from the program. The PD however, explains that electric-only fuel cells will not be excluded, thus removing the justification for raising the storage budget to

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<sup>1</sup> D.16-01-044, p.83.

75%. However, the PD fails to make this adjustment, claiming that the 75% allocation is now purely justified by “the program’s goals.”<sup>2</sup>

Additionally, as pointed out by many parties through comments on the Staff Proposal, there are flaws of fact and subsequent conclusions that render the Staff Proposal unreliable, which have been overlooked in this PD. NLine pointed out one such flaw that led to the incorrect conclusion that PRTs incentive levels should be reduced, which will be discussed in detail under the Incentive level response section.

In conclusion, we find that a weighting of the budget of 55% for energy storage technologies and 45% for generation technologies is warranted and based on actual data.

**(c) Incentive levels**

The PD proposes an incentive reduction for PRT technologies from \$1.07-watt to \$0.60-watt, largely based on the recommendation of the Staff Proposal, which relied entirely on the Itron Study. NLine Energy pointed out several irrefutable errors in the Staff Proposal that are not addressed in this PD. The Staff Proposal uses a base case PRT sized at 400 kW with stated total system cost of \$282,372 as noted in Table 6-8. There is a fundamental and elementary flaw in this methodology as it does not consider projects that have *actually filed* for SGIP funding since 2011. The Statewide SGIP report, dated May 16, 2016 (included as Attachment 1) illustrates that nine PRT projects have either received PBI, have achieved the Proof of Project Milestone, or have secured a reservation. Given this “real” data, the average project size is 331 kW with an average total eligible project cost of \$1,949,585. It appears that the Staff Proposal base case was modeled on a single project and did not include any public, readily-available information in the SGIP database. For these reasons, the PD incorrectly and unduly

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<sup>2</sup> PD, p.22.

reduces the PRT incentive level to \$0.60-watt. NLine recommends that based on the rocky start of PRTs in the SGIP program (see NLine Energy's comments on the Staff Proposal), PRTs start at \$0.90-watt to align with the proposed wind technology incentive level. This request is not without basis. Regarding a specific storage class, the PD cites that, "the currently low level of participation in SGIP by this customer category supports the argument that SGIP design needs to consider the unique needs of a residential customer." The Commission has the authority to stimulate a technology and customer category (California's water agencies) to encourage greater participation in SGIP.

**(d) Budget allocated on a continuous basis**

NLine supports the PD's allocation of SGIP budget funds on a continuous basis with the declining incentive levels.

**(e) Step down trigger**

NLine urges the Commission to provide clarity on what triggers a step down in the incentive level. It is unclear exactly what amount or percentage of funds will trigger a step.

**(f) Developer Cap**

NLine generally supports the transition to a developer cap. However, NLine encourages the Commission to further clarify the proposal. NLine is concerned that a single developer can take up the entire 10% set-aside for renewable generation. Given that the Commission is already placing generation technologies at a severe disadvantage given the 75%/25% split, the Commission should at the very least protect the small 10% renewable bucket from being absorbed by a single company.

**(g) CA supplier status**

NLine supports a 50% requirement.

**(h) Energy efficiency audit requirement**

NLine opposes the extension of the energy efficiency audit requirement. The current SGIP rules require that that an applicant must complete an energy audit, submit the audit to the PAs and invest in measures with paybacks of less than two years prior to receiving SGIP funds. The PD continues to require applicants to conduct an energy efficiency audit, but does not require the applicant to invest in measures with less than a two year payback. The Commission is putting undue and unnecessary financial burden on customers to conduct an energy efficiency audit with no requirement to implement the findings.

For example, NLine customers completed six energy efficiency audits and found not a single energy efficiency measure with less than a five year payback. Each energy efficiency audit cost approximately \$2,500 based on the complexity of the sites where PRTs are installed, which are typically at water treatment plants with multiple electric-consuming technologies. The energy efficiency audit is unfortunately a waste of time and resources in this program does not meet the goals of SGIP. The PD should be amended to remove the energy efficiency audit requirement altogether.

**(i) Lottery system**

NLine Energy supports a proposed lottery system to replace the first-come, first served system. Given the released details surrounding the latest auction, it is imperative that the Commission make dramatic changes to the way it allocates funds.

**(j) Minimum Zero Emission Fuel Blending Requirements**

NLine agrees with the PD and Bloom Energy's biogas fuel Blending Requirement as outlined in Table 3 of the PD.

**(k) PRTs permitted to receive the biogas adder**

NLine supports the PD.

**(I) 80% capacity factor PBI**

While this PD substantially redesigns the SGIP rules, there are lingering issues with regards to PRT PBI calculations that have not been addressed.

Specifically, when an applicant files an SGIP application, each PRT is assigned a capacity factor based on the incentivized capacity calculation (pressure across and flow through the turbine(s)). The capacity incentive calculation and resulting capacity factor are based on existing and forecasted water / pressure data supplied by the water agencies to arrive at an average capacity incentive (kW) and capacity factor (%). This capacity incentive calculation is straightforward and fair and was addressed in the SGIP guidebook in 2014. However, the PBI calculation assumes a static 80% annual capacity factor for all PRTs for five years.

There is a flaw in this methodology. For projects that we have completed reservations, PPMs or received incentive claims, the annual capacity factor is less than 80% annually. When an applicant initially files for a PRT that has a 65% average annual capacity factor, it is unlikely that they will achieve a 80% capacity factor in the PBI years as the site has been sized based on expected flows and pressures. In this example, the PBI payment would be unduly penalized 18.75% of that year's PBI payment based on the difference between 65% capacity factor and 80% capacity factor.

NLine's proposed fix is to set the PBI capacity threshold at the average capacity factor that is filed with the initial reservation application. First, this cures an arbitrary 80% percentage that has no statistical data to warrant the percentage allocation. Second, there is data in the SGIP data base that demonstrates the common capacity factors for several PRT applications. Third, the average capacity factor PBI method is a more realistic method to calculate the future PBI

payments because the applicant must show proof of wasted energy resource data to support their capacity factor claim. These fixes correct the current flaws in the PBI calculation for PRTs.

**(m) 5% application fee**

NLine supports the five-percent application fee.

**(n) Maas Energy's Petition for Modification**

NLine greatly appreciates the initial findings presented in Maas' Energy's Petition for Modification of D. 15-12-027 with regards to the 2016 Program opening on February 23, 2016. Several anomalies were identified by Maas as well as other parties during the program opening that included a disproportionate number of applications being accepted by three parties within the first minutes of the program opening. A report filed by Energy Solutions suggests that three parties did not comply with the terms and conditions of the online portal. One of the parties has offered to voluntarily cancel certain of its reservation request applications such that the manufacturer concentration limit is reduced to 50% or a return of \$17,815,431 to eligible applicants. The PD asserts that the issue of equity raised by the Petition to Modify as well as the withdrawal of these applications is equitable and therefore the continuation of any investigation or return of any funding is moot and the issue is resolved. While NLine filed no applications on February 23, 2016, we find the irregularities on the 2016 SGIP opening to be significant and worthy of a formal investigation. We thus disagree with the Commission's proposal to resolve this issue without formal investigation.

The decision to move to an online portal in a short amount of time was a poor decision that created a comedy of errors leading to the February 23, 2016 SGIP Program opening. Neither Energy Solutions nor the applicants were sufficiently engaged to assist with the construct of the

portal and limited training was provided. In fact, NLine identified numerous flaws with the online database that were communicated to both Energy Solutions and the PAs.

The terms and conditions of the online portal were sufficiently documented that prevent modification of the portal. Yet, the Energy Solutions memo clearly demonstrates that three parties modified code, as well as violated terms and conditions of the portal, to offer them an undue advantage during the opening of the program. This gave them a disproportionate amount of accepted reservation applications within the minutes of the program opening. The findings listed in the Energy Solutions memos are detailed and factual and require a formal investigation and inquiry to validate the authenticity of the claims to determine if certain applications should be rejected outright. The Commission has the authority, jurisdiction and more importantly the requirement to open a formal investigation in light of these claims.

While Stem's offer to cancel certain applications offers an "olive branch" to allow for additional applicant participation, the offer should be rejected. Stem, along with two other companies, are specifically identified as entities that may not have complied with the terms and conditions of the online portal. If, through a formal investigation, any companies were identified to have not complied with the terms and conditions of the portal, ALL of their applications should be canceled with prejudice with appropriate additional penalties.

Further, if Stem's offer to cancel applications is accepted, how will these funds be distributed to applicants? Parties suggest that the next applicant with the appropriate time stamp should be offered the reservation in lieu of any voluntarily or involuntarily rejected applications. We find an error in this methodology in that it is impossible to determine who the rightful "next in line" party should be based on certain parties' taking over the portal requiring some parties

submit on multiple occasions. If the initial abnormalities had been absent, then a time-stamping reservation acceptance is applicable, but under these circumstances, they are not.

Based on these arguments, we find the only fair and consistent decision is for the Commission to cancel all February 23, 2016 reservation applications, initiate a formal investigation and only open SGIP once all allegations have been investigated and resolved and proper training has completed for the online portal. To sweep this issue under the carpet, as the PD aims to do, is a clear shirking of the responsibilities of the Commission and casts a dark shadow on the use of ratepayer funds. Tthe Commission needs to take a leadership position on this issue and act accordingly to provide a swift and fair formal investigation, cancel any reservation applications that did not comply with the terms and conditions of the online portal and prevent these projects from re-application, seek penalty payments from any parties that did not comply with the terms and conditions, and re-initiate the 2016 SGIP funding after the investigation is complete and a new SGIP Handbook is published implementing the changes outlined in the final decision.

### **3. CONCLUSION**

NLine Energy appreciates the opportunity to comment in this proceeding.

Respectfully submitted June 6, 2016 at Sacramento, California.

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