

COM/CR6/li1 **ALTERNATE PROPOSED DECISION**

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Ratesetting
10/26/2017 Item #16a

Decision **ALTERNATE PROPOSED DECISION OF COMMISSIONER
RECHTSCHAFFEN** (Mailed 9/21/2017)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Assess
Peak Electricity Usage Patterns and
Consider Appropriate Time Periods for
Future Time-of-Use Rates and Energy
Resource Contract Payments.

Rulemaking 15-12-012

**DECISION GRANTING LIMITED MODIFICATION AND OTHERWISE DENYING
PETITION FOR MODIFICATION OF DECISION 17-01-006**

Summary

Recognizing the need for time-of-use rate periods that provide accurate price signals, Decision (D.) 17-01-006 (Decision) adopted a framework, including guiding principles, for designing, implementing, and modifying the time intervals reflected in time-of-use (TOU) rates¹ for each of the three investor-owned electric utilities. Despite the need to shift customers to TOU periods that provide a time-differentiated price signal that more accurately

¹ Time-of-Use pricing utilizes a per-unit-of consumption rate structure that varies depending on the time of day during which energy is consumed, with higher per-unit rates applied during blocks of hours in which electricity demand or costs tend to be higher.

reflects the cost of electricity, the Decision included a limited transition mechanism to protect customers with existing solar systems and solar projects under development. Solar Energy Industries Association and California Solar Energy Industries Association filed a Petition for Modification of the Decision that would expand eligibility for the grandfathering protection. The request made by Petitioners, and the arguments supporting it, were largely addressed in the Decision. We find merit in modifying the Decision in two limited respects. First, we extend the interconnection-on-file date to 60 days following the issuance of this decision for public schools and other public agency customers of Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company (SDG&E). We make this modification because projects under development during the pendency of D.17-01-006 may not have had sufficient time to achieve the interconnection application milestone established therein. Because there are benefits in having uniform interconnection-on-file dates among the three utilities, we modify D.17-08-030, which provided a limited extension to grandfathering rule, just for schools, in SDG&E's service territory. Second, for all three utilities, we eliminate the requirement that construction of projects eligible for grandfathering be completed by a date certain (previously July 31, 2017). In all other respects, the Petition for Modification is denied. This proceeding is closed.

1. Background

In Decision (D.) 17-01-006 (Decision), we adopted a framework, including guiding principles, for designing, implementing, and modifying the time

intervals reflected in time-of-use (TOU) rates² for San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Pacific Gas and Electric Company (PG&E). SDG&E, SCE and PG&E are the three investor-owned utilities (IOUs) subject to this rulemaking. TOU rates reflect the cost of energy by time, resulting in retail pricing that is closer to cost and motivates customers to shift usage to times when it is more efficient for the grid. If TOU periods are set incorrectly, then customers will pay more (or less) for the cost to provide that electricity. In addition, incorrect TOU periods encourage customers to increase usage at times of scarcity and decrease energy use at times of surplus. As the amount of renewable generation on the grid increases, the time of highest energy cost (peak periods) has shifted to later in the day. There are also now times when renewable generation must be curtailed because the amount of available electricity exceeds demand. D.17-01-006 confirmed that because the time of peak net load has changed to later in the day, it is imperative that each IOU promptly update TOU periods to reflect current conditions.³ As a mechanism to ease transition to new TOU periods, D.17-01-006 allows certain customers to retain current TOU periods for five years (residential) or ten years (non-residential).

² Time-of-Use pricing utilizes a per-unit-of consumption rate structure that varies depending on the time of day during which energy is consumed, with higher per-unit rates applied during blocks of hours in which electricity demand or costs tend to be higher.

³ As of the date the Decision was issued, SCE had set new TOU periods for some customers and had proposed additional changes in its most recent rate design case, SDG&E's proposed TOU period changes were under consideration in its General Rate Case Phase 2, with a decision expected later in 2017, and changes to PG&E TOU periods had been proposed in PG&E's General Rate Case Phase 2 filed in late 2016.

On March 2, 2017, the Solar Energy Industries Association (SEIA) and the California Solar Energy Industries Association (CalSEIA) (together, Petitioners) filed a Petition for Modification (PFM) of the Decision. Petitioners ask that the transition mechanism be modified to let prospective solar customers enroll in and be grandfathered under the existing TOU periods.

The Decision allows customers with existing on-site solar systems to be eligible for grandfathering. The Decision also set a grace period (Eligibility Grace Period) to take into account customers who were in the planning process for installing a solar system. To qualify for the Eligibility Grace Period, a system had to meet two deadlines: January 31, 2017 (initial interconnection application) and July 31, 2017 (completion of interconnection). For schools the date for completion of interconnection is December 31, 2017.

Petitioners ask that instead of the dates above, the Eligibility Grace Period continue until after each IOU has implemented its new TOU periods.

A joint response in opposition to the PFM was filed on April 3, 2017, by PG&E, SCE, and SDG&E (IOUs). A response in support of the PFM was filed by the Association of California Water Agencies (ACWA), also on April 3, 2017. Petitioners filed a third-round reply to the IOU response on April 13, 2017.

Most recently, in D.17-08-030, issued August 25, 2017, the Commission extended the interconnection-on-file deadline for schools to March 31, 2017 and extended the Eligibility Grace Period for project completion to August 31, 2018.

Since the issuance of the Decision, the Commission, through the Public Advisor's Office, has received extensive public comment from solar providers, public agencies, and others regarding the impact of the Decision on their business and on solar projects under consideration. In particular, public comment from the solar industry states that solar providers do not believe they

can provide sufficient certainty to their customers to move ahead with solar projects.

2. Description of Grandfathering Provisions adopted in the Decision

The PFM seeks to modify the grandfathering provisions adopted in the Decision applicable to customers with existing on-site solar systems. The Decision permits such customers to continue utilizing, for specified periods, existing TOU rate period hours (“legacy TOU hours”), rather than becoming subject to new TOU period hours that will be adopted in rate proceedings. The Decision also allows certain customers in the process of installing solar to remain on legacy TOU hours if their systems are brought on line during a defined grace period. The Decision adopted the following terms and conditions to apply to the grandfathering measures adopted therein:

- **Customer Eligibility:** Applies to (a) residential customers with on-site solar systems, who opt-in to a TOU tariff prior to the Grace Period End Date as defined in the next bullet and (b) non-residential customers. This transition does not apply to customers who are already permitted to stay on legacy TOU hours for five years pursuant to D.16-01-044.
- **Eligibility Grace Period End Date:**
 - Schools: December 31, 2017
 - All Others: July 31, 2017
- **System Eligibility:** A system for which (i) an initial interconnection application is filed no later than January 31, 2017 and (ii) the interconnection applications, including final building inspection, is completed at any time prior to the Grace Period End Date is eligible. The system must be designed to offset at least 15% of the customer’s current annual load.
- **Duration:**

- For residential systems, this transition mitigation measure continues for 5 years after issuance of a permission to operate. In no event shall the duration continue beyond July 31, 2022.
- For non-residential systems, this transition mitigation measure continues for ten years after issuance of a permission to operate. In no event shall the duration continue beyond December 31, 2027 (for schools) or July 31, 2027 (for all other non-residential).
- **Attributes:** This transition mitigation measure allows the customer to maintain legacy TOU hours for the duration. Other changes in rate design, including allocating marginal costs to TOU periods and setting specific rate levels, will be litigated in utility-specific rate proceedings.⁴
- For administrative efficiency, IOUs may reduce the number of transition dates by consolidating customers into groups. This and any other administrative efficiencies should be established through the Tier 3 Advice Letter process.⁵

3. Discussion

3.1. Compliance with Rule 16.4 of the Commission's Rules of Practice and Procedure (Rules)

The PFM complies with the requirements set forth in Rules 16.4(b) and 16.4(d). Rule 16.4(b) states:

⁴ For example, the off-peak period for a legacy customer should continue to have a lower rate than the legacy peak period, but the differential should be modified when new TOU periods are implemented for other customers. This new differential should reflect the new marginal cost allocation, but the new electricity price for legacy peak period hours should not fall below the new price for legacy off-peak periods and the new electricity price for legacy off peak periods should not be increased above the price during legacy peak periods.

⁵ D.17-01-006, Ordering Paragraph 5.

A petition for modification of a Commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision. Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.

Rule 16.4(d) requires a PFM to be filed within one year of the issuance of the underlying decision. Petitioners have met the requirements of these rules.

3.2. Expanding System Eligibility until New TOU Periods are Adopted

The Petitioners argue that until the new TOU periods are determined in other pending rate proceedings, solar providers cannot reliably define the economic value of planned solar projects. Petitioners thus recommend the date of the final decisions adopting each IOU's new TOU periods be used to establish the end point of the grandfathering eligibility. In this way, solar providers would be able to determine the value of planned solar projects with certainty.

Petitioners argue that without this degree of certainty, solar providers will be severely impacted.⁶ ACWA supports extending the system eligibility period.

The IOUs correctly point out that the Decision already considered and addressed this concern. The Decision determined that the degree of uncertainty faced by solar providers is outweighed by other factors, including that (1) increasing the number of customers on the wrong TOU periods will result in

⁶ The Commission received extensive public comment from solar developers who are impacted by the change in TOU periods. We acknowledge that while the change in TOU periods may make sales more difficult for solar providers, rates must be determined based on cost of service and other long-standing principles of fair rate design. The principles adopted by the Commission are set forth in the Decision.

more energy being used during peak periods, and (2) the degree of uncertainty is limited because it is known that TOU periods will be shifting to later in the day. The IOUs also note that the California Independent System Operator opposes a longer system eligibility period because it would hamper its goal of reducing loads in the true high-cost periods. The IOUs also argue that charging TOU customers rates under inappropriate peak periods would also lead to higher costs and rates for all customers, than if customers were on TOU rates with appropriate hours. They also argue that granting the PFM would adversely affect the development of the energy storage market, and undermine the state's goals to reduce greenhouse gas emissions. These undesirable results would occur because customers on rates with the wrong TOU periods will continue to see a price signal that incentivizes them to use more during the now high-cost (and high-emission) early evening hours.

The arguments raised by the Petitioners for setting TOU grandfather periods based on individual IOU rate design proceedings have already been considered and denied by this Commission. In the Decision, we acknowledged that changes to TOU periods made in recent and near term rate cases will be significant. Although changes to TOU periods are handled in individual IOU rate cases, the general parameters of the current dramatic shift are already known. Even where final TOU periods have not yet been approved by the Commission, the proposed new TOU periods, and the data to support those proposals is available.

Solar providers have certainty that in the near future TOU peak periods will be set later in the day than previous TOU peak periods. Solar providers also have information, but not absolute certainty, regarding what new TOU time periods are likely to be adopted. No customer has absolute certainty about

future rate structures. Solar providers and their customers are not entitled to preferential treatment to the detriment of other ratepayers.

It is the responsibility of solar providers to develop a business model that will provide sufficient certainty to their customers. Solar providers, like any other business, will face some uncertainty. We are unpersuaded by the Petitioners' statement that, "There is no way for solar providers to 'handicap' for customers the odds of one [TOU rate] proposal being adopted over another."⁷ Solar providers can and should provide prospective customers different TOU and rate scenarios in order for customers to make an informed investment decision amidst some uncertainty. Solar providers can address risk by shifting it to their customers or by finding other mechanisms to address it, such as transaction structures that put the risk on the solar provider instead of the customer, or through a risk sharing mechanism.

The Decision carefully weighed the impact of changes in TOU periods to existing solar customers and potential new solar customers against the need to support clean reliable electricity service by instituting TOU periods that reflect grid needs and electricity supply costs. However, the Petition sufficiently demonstrates that the January 31, 2017 deadline for submitting an interconnection application adopted in D.17-01-006 may have been too abrupt to achieve its objective of grandfathering solar projects under development at that time. This is further confirmed by the response from ACWA, as discussed below.

⁷ Petition at 7.

3.3. Extending Customer Eligibility beyond January 31, 2017

The Petitioners argue that due to the timing of Decision publication, customers in the process of contracting for a solar installation had little more than one week to submit their initial interconnection application. In many instances, customers and installers had already expended significant resources negotiating over potential projects, but were not at a point where an interconnection application could be filed by January 31, 2017. Petitioners claim that for many customers, this deadline offered insufficient time to submit an initial interconnection application, so that many customers who were proceeding with contracting for solar installations have placed their projects on hold and will not be able to accurately assess the value of installing solar until new TOU periods are established. The Petition included declarations by solar project developers demonstrating existence of projects in development that were unable to meet the January 31, 2017 deadline. ACWA supports the PFM request and states that a number of its own members were in contract negotiations at the time the Decision was issued.

The Decision acknowledged that even with a grace period, some customers may need to re-start their design and development process for a solar project. A number of dates were considered as the deadline for filing a new interconnection application. In the end, we determined that a quick deadline would best promote appropriate design of new systems, limit the number of customers on out-dated TOU periods, and provide certainty for all customers. The Petition has brought this issue to the fore again and persuades us that there is reason to revisit our prior conclusion, to a limited extent.

On June 26, 2017, the Administrative Law Judge (ALJ) issued a ruling soliciting comments on the merits of modifying D.17-01-006 to extend the

interconnection-on-file date and eligibility grace period for schools in the service territories of PG&E and SCE in the same manner as proposed for SDG&E in Application (A.) 15-04-012 (*San Diego Gas & Electric Company's request to establish marginal costs, allocate revenues, and design rates for service provided to its customers*). As noted in the Ruling, to qualify for TOU grandfathering under the criteria in D.17-01-006, a customer had to satisfy two deadlines: January 31, 2017 (for initial interconnection applications), and July 31, 2017 (for completed interconnection applications). For schools, however, the deadline for completed interconnection applications was set at December 31, 2017. As noted in D.17-01-006, many school districts had stated that due to the extended timeframe required for schools to develop solar facilities, a six-month grace period to qualify for TOU grandfathering was insufficient. In D.17-01-006, the Commission accordingly extended this grace period deadline applicable to schools to the end of 2017.

The Ruling, issued in this proceeding on June 26, 2017, solicited comments on the merits of modifying D.17-01-006 to extend the eligibility grace period for schools in the service territories of PG&E and SCE in the same manner as contemplated for SDG&E in A.15-04-012. Under this scenario, schools in all three utilities' service territories would be subject to the same extension in eligibility grace period, namely, to August 31, 2018. Likewise, for all three utilities, the interconnection-on-file date for schools would be extended to March 31, 2017, to support in-progress project completion.

Comments in response to the Ruling were filed July 11, 2017 by SCE, SEIA and CalSEIA, and ACWA. Reply comments were filed on July 18, 2017 by the Travis Unified School District (TUSD), PG&E, and SCE. The IOUs (SCE and PG&E) express no objection to the limited modification of D.17-01-006, as articulated in the Ruling. SEIA and CalSEIA, ACWA, and TUSD all express

opposition to the disposition articulated in the Ruling, arguing that it is too narrow in scope and does not go far enough, and reiterating support for the PFM.

Based on the record subsequently developed in this proceeding, including the June 26, 2017 Ruling and the comments and reply comments filed thereon, we are persuaded to extend the interconnection-on-file date for grandfathering to public schools and public agencies in the service territories of PG&E, SCE and SDG&E to 60 days from the date of this decision. For the purposes of this decision, “public agencies” should be defined as public schools, colleges and universities; federal, state, county and city government agencies; municipal utilities; public water and/or sanitation agencies; and joint powers authorities.

Comments opposing the disposition outlined in the Ruling highlight that the abrupt interconnection-on-file date adopted in D.17-01-006 adversely impacted public school and non-school public agency projects that were intended to benefit from the grandfathering transition period. The comments argue that extending the eligibility grace period for schools would not go far enough to address adverse impacts on other non-residential solar customers. ACWA primarily discussed how the gap in transitioning to new TOU periods would negatively affect solar projects sponsored by public water agencies.

We are persuaded to modify the interconnection-on-file date in order to mitigate the harshness of the Decision on public entities that were planning projects in good faith but lost the opportunity to benefit from the eligibility grace period adopted in D.17-01-006. We do so, however, in a more limited manner than requested by the Petitioners. The Petitioners seek a modification that would apply to all non-residential customers. Our determination to revisit this issue is based on the fact that the decision making process for large capital investments at public agencies is different from private entities. Public agencies, like schools, or

city and county agencies, are subject to established inflexible budget cycles and decision making procedures. Other non-residential customers presumably have a more nimble decision making process for capital investment akin to private entities. Accordingly, we adopt a modest modification to the interconnection-on-file deadline to provide an opportunity for public schools and agencies proceeding in good faith to get project approvals in sufficient time.⁸

This modification is consistent with the spirit of D.17-01-006, which found that a grace period for customers who are in the process of contracting for or installing solar facilities will help these customers qualify for grandfathering of the TOU periods that were in place at the time of the Decision (Findings of Fact 39). The Decision also determined that having a consistent fixed end date for all three IOUs for eligibility and for the grandfathering period benefitted planning for the IOUs and benefitted customers by providing them with a clear deadline for completing their interconnection applications. Nothing in the Petitioners' request warrants having TOU grandfathering based on IOU-specific general rate cases or otherwise revisiting this aspect of the Decision.

In its reply comments on the Ruling, TUSD disputes PG&E's statement that no differences exist in the circumstances applicable to PG&E customers as compared to those in other IOU services territories that would be affected by modifications in grandfathering provisions. TUSD argues that unlike SDG&E, whose new base TOU periods are expected soon, and even SCE who has an

⁸ We note that the use of smart inverters became mandatory as of September 9, 2017 pursuant to Ordering Paragraph 4 of D.14-12-035, as implemented in approved advice letters 4914-E (PG&E), 2956-E (SDG&E) and 3471-E (SCE). Accordingly, applications for interconnection of inverter based technologies submitted on or after September 9, 2017 must comply with Phase 1 smart inverter requirements as defined in Section Hh of Rule 21.

expected time frame within which its new base TOU periods will be determined, there is no indication as to when PG&E's new base TOU periods will be determined.⁹

While TUSD correctly notes rate case timing differences among the IOUs, any risks or uncertainties related to such differences apply to all customers, not just schools. Customers are always subject to uncertainties as to rate case timing depending on the service territory where they reside. This timing uncertainty, however, offers no reason to establish inconsistent grandfathering requirements for schools based on the service territory in which they reside.

3.4. Extending the Eligibility Grace Period End Date beyond July 31, 2017

The Petitioners argue that customers with projects long under development will be unable to meet the interconnection deadline imposed by the Decision because of circumstances beyond their control, such as delays in permitting processes or in the utilities performing required distribution upgrades. In its response, ACWA supported Petitioners' requests and asked that all public agencies be allowed a 12-month period for completing interconnection of a system rather than approximately six months. The Decision set the deadline for completing interconnection at July 31, 2017 for all qualified customers, except schools. As discussed in the section above, schools were granted an extended period for completion because schools are limited by public contracting and financing requirements and construction restrictions for schools. ACWA requests that the same extension be offered to all public agencies. ACWA argues

⁹ The procedural schedule A.16-06 013 (PG&E's Phase 2 General Rate Case Proceeding setting new Base TOU periods) has been suspended pending settlement discussions.

that all public agencies are subject to public processes for contracting and construction that make it difficult to complete projects in an expedited manner.

Upon further consideration, in light of the fact that construction can be affected by numerous matters outside of the customer's control, like permitting or utility review, we are persuaded that no deadline needs to be imposed upon construction. The grandfathering is limited to July 31, 2022 (residential), July 31, 2027 (non-schools non-residential), and December 31, 2027 (schools) as set forth in D.17-01-006. We make no change to the adopted duration of the grandfathering period, which was ten years for non-residential and five years for residential beyond the originally adopted construction deadlines, but simply eliminate the Eligibility Grace Period End Date to qualify for grandfathered TOU rates for any remaining time within the adopted grandfathering duration.

4. Comments on Alternate Proposed Decision

The Alternate Proposed Decision of Commissioner Rechtschaffen in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3. Opening comments on the Alternate Proposed Decision were filed on October 9, 2017 by the Petitioners, IOUs, a consortium of San Diego Public Schools (SD Schools), and on October 11, 2017 by California Large Energy Consumers Association and TUSD. Reply comments were filed on October 16, 2017 by the Petitioners, PG&E, and SD Schools. No substantive changes were made as a result of the comments but minor changes were made to improve clarity and consistency throughout the decision.

5. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Michelle Cooke is the assigned ALJ in this proceeding.

Findings of Fact

1. D.17-01-006 found that setting higher TOU rates during peak periods provides customers an incentive to reduce energy use by signaling that electricity is more costly at certain hours. (FOF 1.)

2. D.17-01-006 found that by increasing customers' peak-hour avoided-cost savings, TOU rates provide incentives for customers to install solar generation that is configured to maximize energy availability during periods of peak demand, for example with co-located energy storage. (FOF 3.)

3. D.17-01-006 found that TOU peak periods have shifted to later in the day, several hours beyond the time of maximum solar energy production, suggesting the need for co-located solar generation and storage to provide the best configuration to maximize energy supply during periods of peak energy use on the grid. (FOF 4.)

4. D.17-01-006 found that all three large electric utilities have begun to propose changes to TOU rates to reflect changes in the times of day when electricity is the most costly. (FOF 7.)

5. D.17-01-006 found that from both a load curve perspective and a marginal cost perspective, TOU periods shift over time. (FOF 10.)

6. D.17-01-006 found that unreasonably long grandfathering periods prolong the period during which such customers receive less accurate and less cost-based TOU pricing signals. D.15-07-001 adopted a five-year grandfathering period for certain residential Net Energy Metering (NEM) customers that were required to change tariffs or TOU periods. D.16-01-044 adopted a five-year grandfathering period for residential solar customers taking service under the successor NEM tariff. (FOF 30.)

7. D.17-01-006 found that based on the treatment previously accorded residential NEM customers in D.15-07-001 and D.16-01-044, a reasonable balance may be achieved by adopting a limited grandfathering period of five years for NEM customers who opt in to existing TOU rates no later than to June 30, 2017. (FOF 31.)

8. D.17-01-006 found that a ten-year grandfathering period for non-residential customers who complete interconnection applications prior to June 30, 2017 is reasonable. (FOF 32.)

9. D.17-01-006 found that the limited grandfathering adopted here for certain solar customers only applies to the definitions of the TOU periods, and not to the TOU period prices. The rate values within those fixed TOU periods, including methods for allocating costs to TOU periods and setting specific rate levels will be litigated in utility-specific rate proceedings. (FOF 33.)

10. D.17-01-006 found that solar customers taking service prior to the NEM successor tariff are not covered by the grandfathering adopted in D.16-01-044. (FOF 34.)

11. D.17-01-006 found that this proceeding did not develop a sufficient record to address transition mechanisms other than grandfathering. It is reasonable for the IOUs to consider alternative transition mechanisms in their Pending Rate Design Cases. (FOF 36.)

12. D.17-01-006 found that grandfathering of TOU periods results in customers receiving incorrect time-variant price signals. (FOF 37.)

13. D.17-01-006 found that the impact of grandfathering on revenue collection is not transparent to participating or non-participating customers. (FOF 38.)

14. D.17-01-006 found that a grace period for customers who are in the process of contracting for or installing solar facilities will help these customers qualify for

grandfathering of the TOU periods that were in place at the time of this decision. (FOF 39.)

15. D.17-01-006 found that the contracting and installation process for schools takes a long time because of the review processes required. (FOF 40.)

16. D.17-01-006 found that information on changing rates is important for rooftop solar vendors and their customers. (FOF 49.)

17. D.17-01-006 found that significant changes to TOU periods have been proposed, and some changes already adopted, in all three IOU territories. (FOF 50.)

18. D.17-01-006 found that SCE's rate design window filed in 2013 and SDG&E's rate design window filed in 2014 both proposed changes to TOU periods. (FOF 51.)

19. D.17-01-006 found that at this time, customers who invest in solar or other DER [Distributed Energy Resources] technologies, or in operational changes to shift time of energy use, should be on notice that TOU periods will be reviewed and potentially changed every five to six years. (FOF 52.)

20. All customers face a degree of uncertainty with respect to electricity rate structures.

21. D.17-01-006 concluded that sufficient information was available regarding likely changes to TOU periods for customers to make reasonable decisions on investments.

22. The grandfathering duration adopted in D.17-01-006 reasonably balanced the countervailing effects of cost uncertainty versus adherence to cost-based price signals based on known shifts in peak demand.

23. The PFM and subsequent record developed in this proceeding supports granting a limited modification to extend the interconnection-on-file date for

public schools and other public agencies to 60 days following the issuance of this decision to support in-progress project completion.

24. By keeping the number of solar systems eligible for grandfathering relatively limited and narrowly tailored, other customers are protected from inaccurate price signals and needlessly high rates due to higher generation costs.

25. Delays in construction of systems that have met the interconnection-on-file requirement and that are therefore eligible for TOU period grandfathering may be caused by factors outside of the customer's control.

Conclusions of Law

1. "Public Agencies" should be defined as public schools, colleges and universities; federal, state, county and city government agencies; municipal utilities; public water and/or sanitation agencies; and joint powers authorities.

2. There are no obvious reasons why public schools or other public agencies in SDG&E's service territory should have a different interconnection-on-file deadline than schools in service territories of PG&E and SCE and therefore the interconnection-on-file date for public schools other public agencies should be extended to 60 days following the issuance of this decision, to support in-progress project completion.

3. Given the limited number of solar systems eligible for grandfathering and the fact that delays to construction of eligible systems may be delayed by factors outside of the customer's control, the requirement that construction be completed by the eligibility grace period end date should be eliminated.

4. The PFM should be denied, except for the limited modifications referenced in Conclusion of Law 1, 2, and 3 of this decision.

5. With the adoption of this decision, denying the PFM except for the limited modifications adopted in the Order below, this proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The Petition for Modification of Decision 17-01-006, filed on March 2, 2017, by the Solar Energy Industries Association and the California Solar Energy Industries Association is denied in all respects, except for the limited modifications set forth in Appendix 1.
2. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company must file Tier 2 Advice Letters within 30 days of the effective date of this decision to conform their tariffs to the modifications adopted today.
3. All other pending motions and requests in this proceeding not otherwise explicitly noted or previously ruled upon are denied.
4. Rulemaking 15-12-012 is closed.

Dated _____, at Sacramento, California.

Appendix 1

Ordering Paragraph 5 of D. 17-01-006 is hereby modified, as follows, with deleted text stricken and added text underlined:

5. Each of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall ensure that customers with existing behind-the-meter solar be permitted to maintain time-of-use (TOU) rate periods for five to ten years. This period for retaining TOU periods applies only to qualified customers on the terms and conditions set forth below. Each investor-owned utility (IOU) is permitted to structure an alternative but equivalent mitigation measure for these customers, but any such alternative must be approved by the Commission. To minimize the administrative burden of retaining time periods for these customers, each IOU should propose procedures, such as setting a limited number of dates each year on which to migrate these customers to new TOU periods, that will ease administration. Each IOU, or the IOUs collectively, shall meet with parties to consider administrative procedures and each IOU shall file its own Tier 3 Advice Letter with specific administrative procedures no later than March 31, 2017. The terms and conditions are as follows:

~~Customer Eligibility:~~ Applies to (a) residential customers with on-site solar systems, who opt-in to a TOU tariff prior to ~~the Grace Period End Date as defined in the next bullet~~ July 31, 2017 and (b) non-residential customers. This transition does not apply to customers who are already permitted to stay on a TOU rate for five years pursuant to Decision 16-01-044.

~~Eligibility Grace Period End Date:~~

~~○ Schools: December 31, 2017~~

~~○ All Others: July 31, 2017~~

~~System Eligibility:~~ A system for which (i) an initial interconnection application is filed no later than January 31, 2017, or for Public Agency customers, 60 days following the issuance of this decision and (ii) ~~the interconnection applications, including final building inspection, is completed at any time prior to the Grace Period End Date is eligible.~~ The system must be designed to offset at least 15% of the customer's current annual load.

□ Duration:

○ For residential systems, this transition mitigation measure continues for five years after issuance of a permission to operate. In no event shall the duration continue beyond July 31, 2022.

○ For non-residential systems, this transition mitigation measure continues for ten years after issuance of a permission to operate. In no event shall the duration continue beyond December 31, 2027 (for schools) or July 31, 2027 (for all other non-residential).

□ Attributes: This transition mitigation measure allows the customer to maintain the same TOU periods for the duration. Other changes in rate design, including allocating marginal costs to TOU periods and setting specific rate levels, will be litigated in utility-specific rate proceedings.

(End of Appendix 1)