

**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
THE ASSIGNED COMMISSIONER'S RULING REGARDING THE
ESTABLISHMENT OF A NET ENERGY METERING TRANSITION PERIOD**

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FOR Local Government Sustainable Energy
Coalition

December 23, 2013

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission's ("Commission") and the rulings of the Assigned Commissioner and Administrative Law Judge, the Local Government Sustainable Energy Coalition¹ ("LGSEC") offers these Reply Comments to the Assigned Commissioner's Ruling regarding the first phase of implementation of Assembly Bill 327 (2013). Like many of the other customer groups that submitted opening comments, members of the LGSEC have invested in solar energy for our government facilities, and encouraged our communities to do the same in their privately owned homes and businesses, to help California achieve its ambitious energy and environmental goals, and also to hedge against rising energy costs and therefore better use scarce public resources. Our solar installations are critical elements of climate, sustainability, and energy policies and regulations adopted by local governments. The Commission should honor the financial commitments local governments have made in good faith.

The LGSEC has reviewed the many opening comments submitted on December 13. The comments of the other customer groups, particularly the Net Energy Metering Public Agency Coalition ("NEM-PAC"), the Agricultural Energy Consumers Association ("AECA"), the California Farm Bureau Association, and the California Climate and Agriculture Network, are equally true for local governments. We agree with AECA when it states: "This analysis and the ultimate investment decisions were based on the NEM program (full retail) structure that existed at the time these investments were made. The concept that fundamental NEM program parameters could now change for these existing investments is of great concern to our

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.

members.”²

The LGSEC concurs with the other customer groups on the following issues:

1. The Net Energy Metering transition period should be based on the life of the systems. The NEM-PAC’s comments on the process local governments have undertaken prior to investing in solar systems are relevant for the LGSEC. Our governing bodies approved these investments based on the expectation they would realize savings by continuing service under the then-current NEM tariff. The transition period to be established by the Commission pursuant to AB 327 should be applied to preserve the *expected savings* which formed the basis of the public agency’s decision to undertake a NEM project and, thereby, ensure that public agencies are not penalized for undertaking the resource intensive process of building a NEM project. Industry and interest groups and affected governmental agencies recognize that twenty-five (25) to thirty (30) years is the expected useful life of a photovoltaic (“PV”) system and expected payback periods are calculated based on this assumption. This expected useful life approach is consistent with methods used to finance PV installations under AB 811 and similar Property Assessed Clean Energy programs.
2. The LGSEC agrees with those parties who suggest that the warranty lifetime is not a good basis for the reasonable payback period. It is unlikely for one to make an investment simply to be paid back. The savings that accrue after the payback period is the whole reason for investing in solar. Using payback period as the grandfathering period would undermine the investment rationale.

As far as using warranties as a proxy, the LGSEC agrees with the Farm Bureau that although warranties are likely a factor in the customer’s decision to move forward with the project, just like the payback period, they are not an appropriate standard by which to measure how

² AECA Opening Comments, December 13, 2013, p. 2.

long a customer anticipated the system was capable of generating energy to offset usage. The more appropriate reference is the anticipated operational life of the system.

3. The LGSEC agrees that the reasonable expected life of a project should commence with the date of interconnection.
4. The LGSEC agrees with NEM-PAC that the reasonable expected life of the system should be calculated at 30 years in order to fairly and adequately protect the investment of public sector customers “who justifiably relied on the tariff when making long-term investments in solar PV systems.”³
5. The question of the addition of solar panels or other modifications to an existing system that increases its capacity on or after July 1, 2017, poses an interesting conundrum. Is it more desirable for customers to increase the amount of solar or other eligible renewable electricity being generated from NEM facilities, but then subject those facilities to a tariff and payment structure that are different from the one under which they made the initial investment? Or is it more desirable to leave the existing system, and the tariffs under which it operates, in place, and forego additional renewable energy that could be generated at the customer site, some of which would be used by the customer and the excess which would be exported to the grid? This is an issue that may merit further discussion.

The LGSEC firmly believes that existing systems should receive full retail NEM credit for the 30 year life of the system. Subjecting additions to existing solar systems to the new NEM tariff, while leaving the existing tariff in place for the original system, would create a billing headache for utility providers and customers, as discussed above. However, the number of additions to existing systems will be relatively low and the LGSEC believes that utilities are capable of creating a billing system that reflects both NEM tariffs at each site. If it is deemed

³ NEM-PAC Opening Comments, December 13, 2013, p. 11.

infeasible to bill for both the original system and the addition under separate tariffs, the LGSEC believes that the entire system should remain on the original tariff on which the system was originally enrolled; the terms of original agreement should be maintained in that case.

The LGSEC appreciates this opportunity to help the Commission implement AB 327. The Commission must be mindful of the signals it would send if it abrogated the existing arrangements under which local governments have invested in distributed renewable energy systems, and in which local governments have encouraged their constituents to invest. Changing the terms of existing systems will undermine confidence in solar as an investment and will put a chill on solar installation, and its attendant benefits, in California.

Respectfully submitted,



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