

**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)

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**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 Local Government Sustainable Energy  
Coalition

March 12 , 2014

## **Table of Contents**

I.	INTRODUCTION .....	1
II.	PUBLIC AGENCIES REQUIRE A LONGER TRANSITION PERIOD.....	1
III.	THE COMMISSION SHOULD ADDRESS THE INCLUSION OF ENERGY STORAGE SYSTEMS .....	2
IV.	CONCLUSION .....	3

ATTACHMENT A: Letter from the City of Santa Monica

ATTACHMENT B: Recommended Changes to Findings of Fact, Conclusions of Law,  
and Ordering Paragraphs

## **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<sup>1</sup> ("LGSEC") submits these Comments on the Proposed Decision regarding the first phase of implementation of Assembly Bill 327 (2013). The LGSEC generally supports the Proposed Decision and urges the Commission to adopt it, with the modification noted below.

## **II. PUBLIC AGENCIES REQUIRE A LONGER TRANSITION PERIOD**

There is one area where the Proposed Decision can be improved. This is the transition period for distributed generation systems installed either before July 2017 or achievement of the net energy metering ("NEM") cap. The Proposed Decision finds 20 years to be reasonable. While a 20 year transition period may be workable for private entities that are eligible for tax credits or accelerated depreciation, it could leave public agencies in a detrimental situation where they are not able to recover the cost of investing in a distributed generation system. As the LGSEC indicated in our reply comments on the staff report, "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."<sup>2</sup>

The LGSEC has had an opportunity to review an advance draft of the comments being

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<sup>1</sup> 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](http://www.lgsec.org).

<sup>2</sup> *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*, December 23, 2013, p. 2.

submitted by the Net Energy Metering Public Agency Coalition (“NEM-PAC”). We concur with the arguments presented by NEM-PAC regarding longer break-even or payback periods for public agencies, their inability to write-off a bad investment (which necessity could occur if the payback period for public agencies is arbitrarily truncated by a decision by the Commission in this docket on the question of the transition period), and the statutory and regulatory requirements that apply to public agency investments in renewable energy.

If the Commission does not lengthen the transition period for all systems, it should establish a separate category of transition period for public agencies that take service under commercial, not residential, tariffs. Public agencies have invested on behalf of their constituents in renewable energy systems. The public should not be penalized by the change in State law. We note that one of our members, the City of Santa Monica, has indicated to the Commission its support for a 30 year transition period; see Attachment A.

The LGSEC also has a concern for our constituents who take service under residential service, who may also be adversely impacted by a transition period that may be less than the life of the system that was expected when the constituent installed the system. Many local governments are encouraging our residents and businesses to install renewable energy systems to help us reach our locally established climate and energy goals.

### **III. THE COMMISSION SHOULD ADDRESS THE INCLUSION OF ENERGY STORAGE SYSTEMS**

The Proposed Decision on pp. 28-29 indicates the Commission will address the question of energy storage systems that support net energy metering in a later decision. The LGSEC encourages the Commission to commence this examination in the near future. The LGSEC concurs at this time with the preliminary findings in the Proposed Decision that energy storage should operate under the same terms as the distributed generation systems they support. Energy

storage is an important tool in the more robust utilization of distributed renewable energy, and the Commission should promote its use in net energy metering systems.

#### **IV. CONCLUSION**

The Commission should adopt the Proposed Decision with the modification described above. It is critical that local governments be able to recover their investments in renewable distributed generation, made under certain financial assumptions, governed by statutory and regulatory requirements, and supporting the policy goals of the State and locally elected governing boards and councils.

Respectfully submitted,



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For THE LOCAL GOVERNMENT  
SUSTAINABLE ENERGY COALITION

# ATTACHMENT A

## LETTER FROM THE CITY OF SANTA MONICA



**Mayor Pam O'Connor**  
**Mayor Pro Tempore Terry O'Day**

**Councilmembers**  
**Gleam Davis**  
**Robert Holbrook**  
**Kevin McKeown**  
**Tony Vazquez**  
**Ted Winterer**

March 4, 2014

*Mike*  
Mr. Michael R. Peevey  
President, California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: AB 327 Transition Period for Net Energy Metering (NEM) tariff

Dear President Peevey,

The City of Santa Monica has invested in solar energy for government facilities, and has encouraged residents and businesses to invest in solar power in order to achieve our community's environmental goals and as a defense against escalating energy costs. These investment decisions were made based on calculations that included full retail credit for net metered energy. The possibility that the value of net metered energy could shrink after long term investments have been made is of great concern. The City urges the Commission to honor the financial commitments that public agencies, residents, and businesses made in good faith and ensure that full retail value NEM is available for the full 30 year expected life of solar photovoltaic systems.

The proposed decision issued by CPUC on February 20, 2014 states that "a 20-year transition period is consistent with some estimates of the expected useful life of such systems, reflected in many existing power purchase agreements." However, the Santa Monica-Malibu Unified School District has entered into a power purchase agreement with a term of 25 years and would be financially impacted if the NEM value changes after 20 years. We believe that a 30 year transition period more accurately reflects the expected life of solar photovoltaic systems and the financial decision making process behind investments in renewable distributed generation.

Changing the NEM tariff for existing solar systems before the end of their useful life would introduce considerable uncertainty to the solar market in California, weakening the case for solar investments and making it more difficult for Santa Monica to achieve its distributed renewable generation and climate goals. The City of Santa Monica urges the Commission to adopt a 30 year transition period for all solar systems interconnected before July 1, 2017, or the date on which the utility reaches its statutorily required net energy metering cap.

Sincerely,

  
Pam O'Connor  
Mayor

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## EXHIBIT B

### RECOMMENDED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS

#### Findings of Fact

4. Public agencies defined as “this state, any state department, subdivision or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission, or any joint powers authority by any of these agencies” have longer payback periods of 25 to 30 years.

45. The Governor’s message to the legislature when signing AB 327 encourages the Commission to protect customers for the expected life of their NEM-eligible systems.

56. For residential and commercial customers, twenty years constitutes a reasonable payback period as contemplated in AB 327, in that existing analyses show that customers of all these customer classes are likely to achieve full payback for system installation costs in this timeframe. For public agencies, thirty years constitutes a reasonable payback period as contemplated in AB 327, in that existing analyses show that customers of this customer class are likely to achieve full payback for system installation costs in this timeframe.

76. A 20-year The above transition period is consistent with the expected useful life of NEM PV systems as reflected in several contexts, including PPAs and financing agreements.

#### Conclusions of Law

2. For residential and commercial customers, a transition period of 20 years from the date of interconnection of a renewable generation system is consistent with Pub. Util. Code § 2827.1(b)(4). For public agencies, a transition period of 30 years from the date of interconnection of a renewable generation system is consistent with Pub. Util. Code § 2827.1(b)(4). “Public agencies” are defined as the state, any state department, subdivision or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission, or any joint powers authority by any of these agencies.

#### ORDER

##### IT IS ORDERED that:

1. Renewable generation systems installed by residential and commercial customers of Pacific Gas and Electric Company, San Diego Gas and Electric Company, and Southern California Edison Company taking service under a Net Energy Metering (NEM) tariff or contract prior to July 1, 2017, or the date on which a utility reaches its NEM transition trigger level, whichever comes first, shall remain on their previously applicable NEM rate structure for 20 years from the original year of interconnection of the renewable distributed generation system, except as otherwise provided in this decision. Renewable generation systems installed by public agency customers, as defined herein, of Pacific Gas and Electric Company, San Diego Gas and Electric

Company, and Southern California Edison Company taking service under a Net Energy Metering (NEM) tariff or contract prior to July 1, 2017, or the date on which a utility reaches its NEM transition trigger level, whichever comes first, shall remain on their previously applicable NEM rate structure for 30 years from the original year of interconnection of the renewable distributed generation system, except as otherwise provided in this decision.

2. Renewable generation systems eligible for the ~~20-year~~ transition period in Ordering Paragraph 1 above may be moved to the successor tariff before the expiration of the system's transition period upon request of the customer-generator.

3. Renewable generation systems eligible for the ~~20-year~~ transition period adopted in this decision that are modified or repaired shall remain eligible for the remainder of their original transition period, as long as the modifications or repairs do not increase the system's generation by more than the greater of 10 percent of the capacity installed before the transition to the successor tariff or 1 kilowatt, and are sized to meet but not exceed the customer's peak load.

5. Renewable generation systems eligible for the ~~20-year~~ transition period adopted in this decision shall not lose eligibility if transferred to a new owner, operator, or utility account at the original location.