

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Incentives for Distributed Generation And Distributed Energy Resources)))))))))	Rulemaking 04-03-017 (Filed March 16, 2004)
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REPLY COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO ON DRAFT DECISION OF PRESIDENT PEEVEY AND ALJ MALCOLM ADOPTING POLICIES AND FUNDING FOR THE CALIFORNIA SOLAR INITIATIVE

I. Introduction

The City and County of San Francisco (CCSF) respectfully submits these reply comments on the Draft Decision issued on December 13, 2005 by President Peevey and Administrative Law Judge Malcolm, captioned “Interim Order Adopting Policies And Funding For The California Solar Initiative” (“Draft Decision”). CCSF replies to the proposal presented by Pacific Gas and Electric Company (PG&E) in its opening comments that the California Public Utilities Commission (Commission) should support legislation increasing the net-metering cap with a generation-only credit for photovoltaics (PV). CCSF agrees with PG&E that the Commission should support legislation to increase the net-metering cap for PG&E. However, CCSF disagrees that such legislation should restrict a customer’s credit to only the generation component of their bill rather than for the total. The incentive created by the present net-metering structure is a sound means to accomplish other policy goals, and should not be diluted.

II. CCSF Supports Increasing The Net-Metering Cap By Legislation This Year

PG&E also notes that it is “close to reaching the net metering cap of 0.5% of system demand established by the Legislature” and that it will reach this cap in early to

mid 2006.¹ CCSF agrees that the Commission should actively support PG&E's proposal to seek legislation to increase the net-metering cap. Such legislation would forestall any potential delay in offering net-metering benefits to customers installing solar photovoltaics (PV) in 2006. While PG&E does not recommend a particular cap increase, CCSF suggests that the Commission support an increase to at least two percent of PG&E's system demand. A two percent figure would establish sufficient medium-to-long-term market predictability to stimulate an increase in the rate of solar PV installations.

III. The Commission Should Not Support Legislation to Substitute Generation Net Metering for Retail Net-Metering

PG&E asks the Commission to support legislation that would allow IOU customers to only receive a credit for the generation portion of excess solar self-generation as part of any legislation increasing the net-metering cap. Current legislation allows IOU customers to receive compensation for excess solar self-generation based on the utilities' total retail rates. The generation component typically comprises only around forty percent of the total retail rate for residential customers. PG&E believes that compensating customers at the retail rate does not sufficiently protect ratepayers. It states that retail rates are generally far above the market price for the solar generation exported to the grid. However, there are still good policy reasons to continue the application of retail net-metering.

PG&E's proposal for generation-only credits would diminish the economic incentive for customers to install solar PV systems. CCSF estimates that PG&E's proposal would result in a roughly 5–10 percent increase in the overall cost of electricity for a typical single-family home, net of exports from a net-metered solar PV system.² The result would be a longer pay-off time for a typical existing system.

¹ PG&E's January 3, 2006 Opening Comments at 11-12.

² Credit for domestic solar production during peak hours would drop to around 40% of its present rate under a residential time-of-use schedule. Factoring in the cost of electricity from the grid at night, when solar panels are not producing, the net cost of solar plus grid electricity would increase by an annual average of 5–10% for a customer in a typical single-family home.

Customers considering installing new systems would be faced with the additional disincentive of installing larger systems to compensate for the reduced on-peak payback. Typically, a net-metered PV system is sized to bring a customer's annualized net energy charge close to zero. This sizing depends on rates paid to a customer by the utility for net-metered solar generation. Because the total retail rate under residential net-metering is higher on-peak, when solar panels are most productive, than off-peak, an optimally-sized PV system for a typical single-family home today is roughly 2–3 kilowatts. Under PG&E's generation-only proposal, this optimal installed capacity would probably increase to somewhere in the range of 4–5 kilowatts because each kilowatt-hour of production on-peak would receive a payback of only 35–40 percent of today's payback. Installing this additional capacity to compensate for the reduced on-peak payback would add perhaps \$20,000 to the capital cost of a residential PV system.

It is important to remember that the value of solar self-generation goes beyond a simple comparison of direct financial costs and benefit to IOU customers. The Commission stated that the California Solar Initiative is being proposed to contribute to the environmental goals "to significantly increase the amount of renewable generation and distributed generation in California and thereby decrease GHG [(green house gas emission)] emissions, improve air quality, and diversify California's energy portfolio."³

³ June 14, 2005 Assigned Commissioner And Administrative Law Judge's Ruling Seeking Comment On Staff Solar Report, pg. 4.

The retention of retail net-metering, which provides customers with a credit based on the total retail rate, is reasonable surrogate for these other hard-to-quantify benefits, and provides an important incentive to IOU customers for installing solar PV.

January 9, 2006

Respectfully submitted

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CERTIFICATE OF SERVICE

I, **KIANA V. DAVIS**, declare that:

I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen years and not a party to the within action. My business address is City Attorney's Office, City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-4698.

On January 9, 2006, I served

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by electronic mail on the attached service list.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on January 9, 2006, at San Francisco, California.

/s/
KIANA V. DAVIS