



September 17, 2015

President Michael Picker
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: Immediate Action Needed to Preserve Opportunity for San Diego Customers to Adopt Solar Energy

Dear President Picker:

Our companies install solar energy systems in the San Diego region. We are writing with an urgent request for your intervention to prevent significant disruption to California's rooftop solar industry that will ensue as soon as next month, threatening the jobs of more than 3,000 San Diego-area employees, impacting local economic activity, and impairing progress toward the state's aggressive climate goals.

First, on behalf of the solar industry, thank you for the hard work done by your office and other Commission staff to meet the December 31, 2015 deadline to establish a net energy metering successor tariff (NEM 2.0) pursuant to AB 327 (Perea, 2013). We understand the Commission's final business meeting of the year is scheduled for December 17 and that you expect the Commission to vote on a NEM 2.0 decision at that meeting. Your leadership on this and other clean energy issues is greatly appreciated.

As you may know, San Diego Gas and Electric (SDG&E) is very close to hitting its NEM program limit, or "cap," and will likely reach the point where it ceases to interconnect solar systems under the current NEM tariff within weeks of the December 31, 2015 NEM 2.0 deadline. SDG&E would hit the cap in March 2016 if the current rate of installation were maintained. However, SDG&E is

expected to reach its NEM cap much sooner as customers are motivated to submit applications before the current NEM tariff expires, creating a surge in applications that has already begun. That eventuality, combined with the possibility that a final vote on NEM 2.0 could slip past December if commissioners wish to hold the decision or consider modifications, creates the very real likelihood that SDG&E could reach its NEM cap before the Commission adopts a NEM 2.0 successor tariff.

Even if the Commission issues a decision on the successor tariff before SDG&E reaches its program limit, there will be disruption in the opportunity for San Diego customers to adopt solar due to construction times and the need for companies to maintain a stream of projects. Many companies have a queue that fluctuates between a few days and a few months in order to maximize labor efficiency. Due to the urgency in the current regulatory outlook, those queues are now on the longer end of the spectrum.

Customer contracts for solar energy typically are completed and entered into months before the system is interconnected. Before a solar company submits an interconnection request that can be approved, it must: reach an agreement with the customer; schedule a site survey; complete the survey; design the system; finalize the customer agreement; submit building permits; receive approved permits; install the system; and undergo an inspection by the local building department or authority having jurisdiction. At each of these steps there could be unexpected delays, some of which may be due to reasons beyond the solar company's control.

For example, if an upgrade to the home's electrical panel is necessary, SDG&E is currently taking eight weeks to give approval in most cases. For multi-family and commercial systems, the timeline from sale to interconnection takes even longer, since design and engineering are more complex, installation times are longer, system upgrades are more likely to be needed, and permit applications can take longer to review.

For the reasons explained above, it will be difficult for solar industry sales personnel helping potential customers in October or November to accurately estimate the economics of a system that might not be interconnected until the following March – after SDG&E has reached its NEM cap. This will result in uncertainty and confusion among customers and hinder the engagement of new customers, leaving companies no option but to idle staff. Having employees be unproductive for a two-month span simply cannot be maintained by most companies, especially if future solar economics may become worse for customers. Positions would be furloughed, relocated or reduced. Workforce reduction means loss of valuable employees who have been trained and reduction of economies of scale, ultimately resulting in higher prices for customers and jeopardizing future investment.

Beginning next month, there will be a period of growing customer confusion as different companies will be forced to make varying guesses about what NEM tariff will be available when the system is interconnected. SDG&E customers are currently installing solar at the pace of 20 MW per month, which is expected to increase significantly over the last quarter of the year. At that volume, it is difficult to project how quickly the cap will be reached, and many customers will be at risk of being caught in the middle. Stories of customers who installed systems only to find they

were unable to interconnect would likely also dissuade future customers from investing in solar after NEM 2.0 has been adopted.

We believe these constitute emergency conditions that necessitate action by the Commission to minimize disruption to the rooftop solar industry and ensure that homeowners, businesses, schools and other government entities in the San Diego region will continue to be able to deploy rooftop solar while the Commission develops and deliberates on the NEM successor tariff.

The solution to this problem is within the Commission's existing authority and is fairly simple to implement. A straightforward decision providing that SDG&E shall continue to offer the existing NEM tariff until three months after the advice letter implementing the NEM 2.0 successor tariff is approved would be sufficient to alleviate the uncertainty customers otherwise will face during the transition. By alleviating uncertainty about what tariff a prospective solar customer might ultimately access, a decision from your office would allow the solar industry to continue solar installations in San Diego during the transition to NEM 2.0 while continuing the high standards of transparency and integrity the state has worked so hard over the past eight years to achieve.

Issuing a decision ordering SDG&E to continue the existing NEM tariff until after the NEM 2.0 decision has been adopted is well within the Commission's statutory authority and is consistent with statutory intent. In requiring the Commission to ensure that "customer-sited distributed generation continues to grow sustainably," the Legislature made clear its intent to the Commission to take actions necessary to avoid significant disruptions such as the tariff uncertainty impending in San Diego. Section 2827.1 provides the Commission with explicit authority to order a utility to offer a new NEM tariff (which can simply be a continuation of NEM) when the utility reaches its 5% NEM cap. The Commission has broad authority to address this situation under Section 700, and no statute specifically prohibits Commission action.

The State of California has exerted significant effort and invested significant resources to grow a self-sustaining distributed solar industry that continues to thrive without state rebates. State leaders should be proud of that accomplishment. Solar providers are striving to reduce costs further, which would help expand access to solar to a broader audience. To allow a significant part of that industry to short-circuit in a critical part of the state due to a timing error that was unanticipated would reverse the progress that has been achieved. We look forward to your response and are available to provide any additional information you may desire.

Sincerely,

Jennifer Thomas, Vice President
American Solar Direct

Scott Sarem, CEO
Everyday Energy

Mike Teresso, President
Baker Electric Solar

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