

10 January 2011

President Michael R. Peevey
Commissioner Nancy E. Ryan
Commissioner Timothy Alan Simon
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dear Commissioners,

The FIT Coalition is a California-based entity focused on expanding “wholesale distributed generation” (WDG) in California and the nation as a whole. As the Commission has noted in numerous recent decisions and press releases, the WDG market potential is huge and has been previously overlooked. The Commission is working to remedy this situation with a number of new programs focused on 20 megawatt and below renewable energy projects, but many problems remain. The primary set of problems relate to interconnection to the utility grid.

The current process is clearly broken, for a variety of reasons, with interconnection studies taking literally years to complete. We are writing now to ask for your help in further improving opportunities for WDG. In particular, we request that the Commission fund, or help to fund, an independent process audit of the utilities’ interconnection procedures for WDG. The utilities and CAISO are beginning a reform process (FERC recently approved the CAISO reform proposal)¹, but the proposed reforms in many cases take us backwards from where we are today.

For example, the utilities’ proposed changes would increase study time for smaller projects from a theoretical 330 days to an average of 630 days, which includes up to a year-long waiting period for these studies just to begin. This is a result of changing from a serial study process under current procedures, to a cluster study process, as proposed by the utilities. There are indeed many merits to a cluster study process but these benefits may in our view be realized without adding substantial time to the study process.

Direct experience from the CAISO interconnection reform process, and from a multitude of active developers with extensive experience navigating interconnection procedures, indicate many areas that could be improved, such as antiquated modeling systems that can only be accessed by one user at a time, understaffed IOU interconnection departments and repeated failures to adhere to timelines specified in interconnection tariffs.

¹ FIT Coalition’s protest of the CAISO proposal is here:
<http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12483309>.

Accordingly, we have recommended in the CAISO and utility interconnection reform proceedings that the utilities and CAISO utilize an independent party to conduct a detailed process audit of their interconnection procedures in order to identify ways to reduce this extended study timeline. This recommendation has not yet been accepted by CAISO or the utilities. Our feeling is that with the massive improvements in computing power, software simulation, and other process improvements, that the interconnection study process duration could be reduced very substantially. What now takes years could, we believe, take only weeks in the future; as exemplified by the timely interconnection evaluations by SMUD when performing interconnection studies for 120 MW of WDG projects that applied for its Feed-In Tariff program. But the key first step in realizing this better future is to complete an independent process audit.

More generally, most of the utility interconnection process is still a “black box” because so little information is shared with the public or with regulators. The independent process audit would shine much-needed light into this black box.

We note also that PU Code section 399.20(e) requires that utilities streamline interconnection for projects 3 megawatts and below, as specified:

An electrical corporation shall provide expedited interconnection procedures to an electric generation facility located on a distribution circuit that generates electricity at a time and in a manner so as to offset the peak demand on the distribution circuit, if the electrical corporation determines that the electric generation facility will not adversely affect the distribution grid.

The Commission has yet to implement SB 32, which added this language to the code, and for this reason the FIT Coalition requests that the Commission consider including a review of interconnection issues and insert a comprehensive interconnection process audit requirement into the SB 32 proceeding that the Commission has stated it plans to open in 2011.

We also request that the Commission include in this rulemaking a revision of Rule 21 as the preferred tariff for interconnecting all WDG, instead of FERC-jurisdictional tariffs that the utilities currently prefer. Recent consultant reports for the Commission have used a revised Rule 21 approach (allowing up to 30% of a circuit’s peak load for solar instead of 15%) for estimating WDG potential and we would like to see this revised approach, or a similar revision to SGIP WDATs, formalized by the Commission.

Last, the FIT Coalition believes that utility confidentiality rules should be revised with respect to distribution grid expenditures. According to CEC data, these expenditures average 74% of utility capital expenditures, and it is therefore unacceptable that decision-making procedures are generally blocked from seeing into this “black box” that represents a massive and ongoing investment by ratepayers.

Especially given the tremendous impact that the distribution grid investments should have with respect to accommodating significant levels of WDG.

In sum, we request that the Commission convene a rulemaking to implement SB 32, review CPUC-jurisdictional interconnection procedures for WDG, and conduct a concurrent independent process audit of the utilities' interconnection procedures for WDG.

The FIT Coalition alternatively requests the Commission's advice on other approaches to funding such a study and motivating the utilities to consent to such a study. It is our view that such a study would cost around \$500,000 and would, at this level, constitute a wise investment of ratepayer funds because it would likely result in substantial improvements to utility interconnection procedures.

Sincerely,



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