

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to
Continue Implementation and
Administration of California
Renewables Portfolio Standard
Program.

Rulemaking 11-05-005
(Filed May 5, 2011)

CLEAN COALITION MOTION FOR AMENDMENTS TO SCE'S CREST PROGRAM

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CLEAN COALITION MOTION FOR AMENDMENTS TO SCE'S CREST PROGRAM

The Clean Coalition respectfully submits this motion, pursuant to Rule 11 of the *Rules of Practice and Procedure* (motions), for immediate amendments to Southern California Edison's AB 1969 CREST feed-in tariff/CLEAN program.

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, foster environmental sustainability, and enhance energy security.

To achieve this mission, the Clean Coalition promotes the vigorous expansion of Wholesale Distributed Generation (WDG) – a market segment defined by renewable energy generation that connects to the distribution grid and serves local load. The Clean Coalition drives policy change to remove major barriers to the procurement, interconnection, and financing of WDG projects. Furthermore, to enable higher penetration of clean local energy generation, the Clean Coalition drives policy innovations that support the deployment of Intelligent Grid (IG) market solutions – such as demand response, energy storage, and advanced forecasting.

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We are submitting this motion in order to quickly address a major hurdle to wholesale distributed generation development under SCE's CREST program: pronounced and pervasive interconnection delays, and a number of related issues. All of the actions requested in this Motion can be implemented without modification to prior Decisions, tariffs, or contracts that have been approved in the implementation of the CREST program or the Rule 21 interconnection procedures.

I. Background

SCE's CREST program was created pursuant to AB 1969, California's current feed-in tariff program for renewable energy generators 1.5 MW or smaller. Over 90 CREST Power Purchase Agreements (PPAs) have been executed since D.11-11-012 (issued pursuant to a previous motion filed by the Clean Coalition) modified the CREST program. These projects all received their System Impact Study (SIS) from SCE before executing the PPA, as is now required by D.11-11-012.

Many of these CREST projects are, however, now hopelessly mired in SCE's interconnection process due to a finding by SCE of transmission interdependence - a finding SCE refers to sometimes as "transmission vague." Due to the CREST program modifications in D.11-11-012, which placed an 18+6 month deadline on the Commercial Online Date (COD), these developers must decide whether to proceed with the project despite these adverse findings, or abandon the valuable PPAs they currently possess.

Many CREST developers have been relying on SCE, at SCE's urging, to direct them to the areas that would avoid transmission interdependency issues, prior to the completion of System Impact Studies (SIS). Under SCE's stated policy, developers were to receive information on transmission issues early in the study process, even prior to applying for an SIS. Some developers were unfortunately shocked to learn that so many of their projects were transmission interdependent following the completion of the SIS for each project. The Clean Coalition doesn't know how this unfortunate situation developed, but it is clear that steps must be taken to remedy these issues.

SCE's SIS results indicating transmission interdependence are vague in the estimated costs of transmission upgrades and in many cases provided transmission upgrade construction timelines of 60-84 months, with literally no further justification provided by SCE. A delay in interconnection of 60-84 months will kill any CREST project subject

to this finding, because of the 18+6 month COD deadline. Based on the high dropout rate of projects in the current cluster study process (Cluster 4), some of these CREST projects may, however, eventually be cleared of transmission interdependence, which may allow some CREST projects to proceed after re-studies are conducted by SCE.

There is some confusion as to how common “transmission vague” findings are for CREST projects. In a public forum (May 2, 2012) a senior executive from SCE stated that all CREST projects with PPAs have been found to be transmission-interdependent. However, in a response to a Commission data request, on May 22, 2012, SCE stated that only 15 projects in their queue were transmission-interdependent. Directly contradicting this response from SCE, one developer has informed the Clean Coalition that it was told by SCE that they alone had 21 projects found to be transmission-interdependent. There are clearly many discrepancies in this area but it is also clear that the “transmission vague” issue needs rapid resolution if the current CREST queue projects are to come online within the Commission’s required deadlines. The present motion is designed to mitigate at least some of the problems associated with transmission interdependence findings for CREST projects.

Based on the successful practices adopted by many other jurisdictions, our current organizational focus is on rapid development of wholesale DG as an under-utilized and cost-effective market for helping to meet the state’s renewable energy and greenhouse gas emissions reductions goals. The Clean Coalition is in dialogue on a regular basis with parties active in the development of renewable energy in California, including project applicants, financiers, utilities, and other interest groups. We do not represent these parties; rather, we look to them for insight and recommendations with respect to the hurdles California is experiencing in actually getting projects built and delivering clean energy to consumers in a timely and cost-effective manner. Stemming from our discussions with developers and financiers, a number of entities have signed on (Attachment A) as supporters of this motion, and others have expressed support

privately but are unwilling to sign on publicly due to the fear that it may negatively impact their relationship with SCE..

CREST is a program with the potential to contribute to meeting California's renewable goals in the near term, more quickly than most other procurement programs. Despite the promise of CREST, the program is still handicapped by the interconnection issues described above. As direct evidence for this conclusion we need look no further than the fact that in over three years of this program being active only four new projects in SCE territory, constituting 5.25 MW, have come online, and only two new projects have come online since D.11-11-012 addressed the earlier fatal flaws in the CREST PPA, over nine months ago.¹ These interconnection issues threaten to moot all the Commission's beneficial changes achieved in D.11-11-012.

We estimate, based on conversations with developers and financiers, that up to 100 MW of CREST projects could move forward in 2012 if interconnection hurdles are removed. If we assume, for simplicity, that all of these are 1.5 MW solar PV projects, at \$3,500/kW, this could amount to a total of about \$105 million in federal tax credits for project developers in California, and a total investment of \$350 million – with the concomitant job creation and sales tax revenue this will generate in California.

II. Motion

The Clean Coalition requests that the Commission adopt a short list of key changes to the CREST program, which we elaborate further after this summary:

- Inform all developers immediately if they are not transmission-interdependent

¹ http://asset.sce.com/Documents/Shared/120611_ExecutedCRESTPPAs.xls

- Set an SIS re-study schedule for any projects that have signed a CREST PPA and are transmission-interdependent. Completion of all re-studies should take no longer than 60 days.
- Correct disparities in the record between SCE's public statements and data regarding how many projects are transmission-interdependent, and clearly identify these projects to the Commission and the applicants
- Require SCE to report to developers and the Commission the specific justification behind the 60-84 month timeline for each SIS with "transmission vague" findings, especially for studies where the upgrade cost has not been quantified
- The Commission should require a report on the performance of the CREST Program, to be completed by an Independent Evaluator
- Projects that are not actually triggering network upgrades themselves should not be held up behind other projects and should be allowed to "queue jump" if no other distribution-interconnected projects are queued ahead
- The commercial on-line date limitations for CREST projects should only commence upon execution of the interconnection agreement, not signing of the PPA

A. Inform all developers immediately if they are not transmission-interdependent

There is a great deal of confusion among developers, and renewable energy advocates like the Clean Coalition, as to the true status of CREST projects with respect to transmission interdependence - what SCE has labeled "transmission vague." We illustrated above the different information provided by developers and SCE, and the different information provided by SCE in public forums vs. in official communications with the Commission. Based on this abundant confusion, we recommend that the Commission require SCE to inform CREST developers immediately if they are transmission-dependent and provide developers who are subject to a "transmission vague" finding more information regarding this finding and potential mitigation

options. This information will allow developers to make a quick decision as to whether to stay in the queue or not.

- B. Correct disparities in the record between public statements and data regarding how many projects had transmission interdependence, and clearly identify these projects to the Commission and the applicant

As already discussed, there are discrepancies at many levels with respect to which CREST projects are in fact dependent on transmission, and we urge the Commission to require SCE to correct the record on this important matter such that both the Commission and impacted applicants have a clear and consistent understanding.

- C. Set a SIS re-study schedule for any projects that have signed a CREST PPA and are found to be transmission interdependent. Re-study should not take more than 60 days

The Commission should also require SCE to immediately set a schedule for re-studies for CREST projects that are impacted by the results of Cluster 4. SCE should be required to complete all such re-studies within 60 days of the effective date of the change.

- D. Require SCE to report to developers and the Commission the justification behind the 60-84 month timeline for each SIS, especially for studies where the upgrade cost has not been quantified

In many cases, SCE has provided no justification for its current determinations that some CREST projects are facing a 60-84 month timeline for interconnection, other than the assertion that these CREST projects are dependent on queued-ahead transmission projects (for which studies should be completed far in advance of the 60-84 month timeline). The Commission should require that SCE explain this determination so that parties may knowledgeably offer potential remedies. SCE should also be required to offer mitigation options that would allow CREST projects to proceed, if at all feasible.

E. The Commission should require an Independent Evaluator report on the performance of the CREST Program

The Clean Coalition has, based on our years of experience in working with the IOUs, developers and the Commission, developed a strong concern that in some cases regulated IOUs are failing to wholeheartedly conform to the clear direction and intent of the Commission and are, by omission or intent, implementing practices that make various renewable energy procurement programs ineffective. The CREST program is a good case in point. As we noted in our previous motion, which led to D.11-11-012, SCE strongly opposed modifying the CREST PPA to allow these projects to be financed. Since D.11-11-012's modifications to the CREST PPA, however, as noted above, only two additional CREST projects have come online, in large part due to the interconnection problems CREST projects are now suffering and that this motion seeks to remedy.

It is particularly striking that SCE, given a choice of interconnection tariff by the Commission at the inception of the CREST program, chose Rule 21 instead of WDAT, even though Rule 21 had no allowance for expedited interconnection if power will be exported by the project seeking interconnection. CREST projects, designed specifically to export power, will indeed export power. Moreover, as has become very clear in R.11-09-011, Rule 21 is not, in its form prior to the Sept. 13 decision approving a new Rule 21, designed for exporting generators. And yet SCE chose this interconnection tariff, which requires that all CREST projects use Rule 21 to interconnect. We are now seeing the fruits of this strange choice as most CREST projects are suffering from "transmission vague" determinations, with a 60-84 month delay, which will obviously kill all CREST projects facing this determination because of the COD requirements in the new PPA.

Based on this brief history, and many more episodes like this that the Clean Coalition has witnessed over the years, we strongly urge the Commission to exercise closer oversight of the IOUs with respect to renewable energy procurement programs. Specifically, we request that the Commission hire an Independent Evaluator to produce an annual report on the CREST program (until it is closed and all projects in the pipeline are disposed of), with sufficient detail for the Commission and observers to diagnose and correct any ongoing problems with the program.

- F. Projects that are not actually triggering upgrades themselves should not be held up behind other projects and should be allowed to “queue jump”

CREST projects are 1.5 MW or less, by law, but are now being effectively placed in the same queue as projects up to 1,000 MW or more due to the “transmission vague” determinations described above. The point of the CREST program and other AB 1969 programs, as well as the new SB 32 program that modified AB 1969, is to streamline the development process for these smaller distributed generation projects, which have not been successful in the RPS program. Section 1 of SB 32 (as chaptered) states:

- (c) Small projects of less than three megawatts that are otherwise eligible renewable energy resources may face difficulties in participating in competitive solicitations under the renewables portfolio standard program.
- (d) A tariff that allows owners or operators of electric generation facilities that are eligible renewable energy resources to sell electricity generated by those facilities to electrical corporations and local publicly owned electric utilities would address these barriers and could assist in the achievement of the renewables portfolio standard and the state’s goals for reducing emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006.

Accordingly, it is entirely contrary to express legislative intent to effectively place CREST projects into the same queue as far larger projects.

One remedy for this situation is to allow CREST projects that would be able to interconnect without transmission upgrades in the absence of queued-ahead

transmission projects or queued-ahead distribution projects to “jump the queue” and interconnect before the queued-ahead transmission projects. The details of this policy would need to be worked out, probably in Phase 2 of R.11-09-011, to begin this fall. However, we mention it here to highlight this important tool for resolving a key hurdle for many CREST projects now. An effective first step to making this solution reality would be to require IOUs to issue a report showing which CREST projects in their queue will not have any reverse flow (that is, they are at or below the minimum load on the substation). These projects would be eligible in theory for queue jumping.

G. The commercial on-line date limitations for CREST projects should only commence upon execution of the interconnection agreement

D.11-11-012 imposed a new requirement on CREST developers: that projects come on-line within 18 months of PPA execution, with one six-month extension for regulatory delays outside the control of the developer (D.11-11-012, p. 11). The Clean Coalition and Silverado Power commented on the Proposed Decision, suggesting that the clock should commence not on PPA execution but from the time interconnection studies are completed. The Final Decision puzzlingly acknowledged that our point was valid but then urged us, without acting on our recommendation, to remain active in the Commission’s implementation of section 399.20 (D.11-11-012, p. 12).²

We reiterate this important point here: the COD clock should commence only upon execution of the interconnection agreement (in this case, the IFFOA).³ Many System Impact Studies and Facilities Studies (or sometimes combined studies) take more than a year to complete when they should, based on the new proposed Rule 21 and existing WDAT, take only 90 days to complete for the SIS and an additional 90 days for FS.

² The Decision states: “In comments to the proposed decision, Silverado Power LLC and Clean Coalition suggested that the Effective Date be calculated from the date an interconnection agreement, not a PPA, is entered between the parties. We see benefits to this suggestion and urge Silverado Power LLC and Clean Coalition to raise this issue as the Commission implements section 399.20.”

³ Under the new Rule 21, some CREST projects may go through a cluster study or be forced into WDAT, in which case the completed Phase 2 study should be the trigger for COD deadlines rather than a Facilities Study, but these situations will probably be quite rare.

Accordingly, placing developers at risk for losing an executed PPA due to egregious delays by SCE is unreasonable.

Alternatively, we request that the Commission modify D.11-11-012 to remove any limitation on the duration allowed for regulatory delays outside of the developer's control, including specifically interconnection study delays.

III. Conclusion

The Clean Coalition respectfully requests that the Commission expedite the changes to the CREST program requested herein.

Respectfully submitted,

TAM HUNT

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Dated: October 12, 2012

Attachment A: CREST developers supporting this motion

Dr. Mark S. Shirilau, P.E.
President and CEO
Aloha Systems, Incorporated

Rusty Wood, LEED-AP
Vice President
West Hills Construction, Inc. - Energy Division

John Barnes
President and CEO
Solar Land Partners, Inc.

Roy Phillips
President
REP Energy, Inc.

Al Rosen
Peter Weich
Absolutely Solar, Inc.

VERIFICATION

I am an attorney for the Clean Coalition and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing pleading are true.

I declare under penalty of perjury that the foregoing is true and correct.
Executed this 12th day of October, 2012, at Santa Barbara, California.

Tam Hunt

A handwritten signature in black ink, appearing to read 'TH', with a long horizontal stroke extending to the right.

Clean Coalition