BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's own motion to improve distribution level interconnection rules and regulations for certain classes of electric generators and electric storage resources.	Rulemaking 11-09-011 (Filed September 22, 2011)

CLEAN COALITION OPENING COMMENTS ON PROPOSED DECISION

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The Clean Coalition respectfully submits these opening comments on the proposed decision on various Rule 21 reforms ("Proposed Decision" or PD), filed on February 16, 2016.

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources ("DER")—such as local renewables, advanced inverters, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER.

Our opening comments are summarized as follows:

- We support the PD's resolution of the Joint Motions on the Unit Cost Guides and enhanced Pre-application Report, and on non-exporting energy storage interconnection improvements. We note, however, that both of these motions implicate significant additional work before they are completed and this will require a forum, which is not currently discussed in the PD. The Commission also requested and received numerous comments from parties about additional outstanding interconnection issues that are either new or have been deferred from prior phases of this proceeding that need to be resolved; we request that the Commission indicate in some manner whether it will be opening a new OIR shortly to resolve these issues.

- The new 50% RPS by 2030 and a renewed focus on Distributed Generation underscores the importance of effectively addressing the interconnection cost certainty issues identified as a priority in this proceeding. Effective improvements in interconnection processes, including addressing uncertainty in costs, are also aligned with the AB 327 requirements for Distribution Resource Plans, and the Commission's Final Guidance on implementation requiring a streamlined process.

- The PD commits factual error in stating that no parties opposed the proposed Fixed Price Option for interconnection cost certainty. The Clean Coalition did indeed oppose this option and proposed a detailed alternative.

- No parties except the utilities expressed support for the Fixed Price Option that the PD adopts. All but one of the parties submitting comments on the IOUs' Fixed Price Option proposal expressed a preference for a cost envelope or a cost cap approach.

- The PD neither reflects nor references the extensive four-year record on cost certainty undertaken by parties in this proceeding, including the Energy Division's recommendations contained in the 2014 staff report that recommended a cost envelope approach. This also constitutes factual error and should be corrected.

- The Joint Utilities' Fixed Price Option (FPO) proposal is problematic for a variety of reasons, including its failure to provide any cost certainty for larger projects; the large proposed fee ($10k); the loss of likely actual cost savings relative to the estimate,[1] the substantial additional time required to obtain the FPO results; and

[1] On average, estimates have historically been 10-20% higher than actual costs determined at true up. Applicants value certainty, but not the certainty of a higher price, and are reluctant to forego expected lower final costs and resulting refunds.

its failure to address other long-identified issues in this already very delayed phase of the proceeding.

- As discussed in prior comments, we have reason to believe that few if any applicants will opt for the FPO, due to the problems described, as indicated by our polling of developers on the FPO proposal.
- The Clean Coalition strongly recommends that the Commission adopt a revised version of the Staff Proposal's Cost Envelope Option (CEO) as an alternative to the FPO proposal. The CEO addresses the problems with the FPO proposal and can provide multiple benefits to a substantially larger number of projects while ensuring more accurate alignment with actual costs. We believe that the revised CEO proposal and tariff language submitted by the Clean Coalition meets the needs of those parties supporting a general cost envelope approach during the extended course of this proceeding and addresses the concerns expressed by the IOUs in 2016. The current uncapped liability for utility cost overruns is a serious problem when developers are seeking financing to develop projects.

I. Opening Comments

a. A new OIR and/or a standing Rule 21 Working Group should be opened immediately to resolve the list of outstanding interconnection issues

Commission staff asked parties for comments on outstanding interconnection issues before the PD issued. The Clean Coalition provided input on this question, as did many other parties, showing that there is indeed a need for a continuation of this proceeding or a successor proceeding to resolve many outstanding issues. Moreover, the PD itself requires that a number of items be produced after the PD is finalized and there is, if the proceeding is closed and no successor proceeding opened, no forum in which to resolve these outstanding and continuing interconnection reform issues. Accordingly, we recommend that the PD be revised to not close this proceeding or, more appropriately, that the Commission issue a new OIR as soon as possible to continue this forum for ongoing interconnection reform.

Interconnection is in a period of rapid evolution as the grid is undergoing transformation through the adoption of DER. Vast quantities of data providing new insight into the operation of the distribution system is becoming available through investments in advanced metering devices and advanced inverters, and as grid modeling capabilities are being developed by grid operators and commercial vendors. These factors are revolutionizing the operation of the electrical grid, the factors influencing interconnection, and the processes by which interconnection is studied and approved. Under these circumstances it is vital to have an appropriate standing venue with experienced participants able to address the issues that will invariably arise, as well as those currently remaining to be resolved. While the PD refers to the DRP and IDER proceedings, these proceedings are addressing a broad range of other matters and are ill equipped to address the detailed technical and tariff issues that arise necessarily in the context of interconnection.

There is a long history of deferring scoped issues in this proceeding. The March 16, 2012 Settlement included a recommended scope for Phase II of this proceeding to be addressed by the end of 2012. The Commission noted in D.12-09-018 that it would make its best efforts to implement the recommended scope of Phase II. The Sept 26, 2012, scoping memo for Phase II contained six topics, of which the fourth was 'Implementation of Interconnection Cost Responsibility.' This was issue was scheduled to addressed through a PD in the 3rd quarter of 2013, which was to include:

a. Improving the predictability of the interconnection process through mechanisms to increase cost certainty and the use of cost-effective alternatives.

b. Consideration of proposals for ratepayer support of distribution system upgrades triggered by the interconnection of distributed generation.

Based on this history, we recommend that the Commission immediately open a new OIR to continue work on the list of outstanding and new interconnection issues and/or to convene a standing permanent Rule 21 Working Group.

The Clean Coalition reminds the Commission that in recommending these topics to be addressed through Joint Motions at the Status Conference held August 6th 2015, parties did so because these were the "low hanging fruit" - topics upon which agreement was likely, not because they were the necessarily the topics of greatest significance to ratepayers or other parties. It was never the intent of parties to only address the matters resolved in these motions, as is reflected in the oral and written briefings presented parties at the Status Conference, and by the submission by parties of a list of current known topics remaining to be resolved as Appendix C to the November 18th Joint Motion.[2]

b. The Clean Coalition supports the PD's resolution of the Joint Motion on the Unit Cost Guide and the Enhanced Pre-application Report

The Clean Coalition appreciates the PD's resolution of the Joint Motion on the Unit Cost Guide and the Enhanced Pre-application Report. Facilitated by Commission staff, the parties were able to come together for a productive collaboration and achieve an outcome that was satisfactory to all parties involved. The Clean Coalition originally proposed the Distribution Unit Cost Guide and original Pre-Application Report (PAR) in 2011. The PAR was adopted in Phase I of this proceeding and has proven valuable to applicants. Through the experience in the years since, we are pleased to be able to

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[2] Clean Coalition identified the following unresolved issues associated with interconnection predictability and costs:

1. Steps toward incorporation of DRP Interconnection Capacity data leading toward "plug & play" automated review and GIA for FT projects – as identified in the DRP Guidance
2. SCE ITCC Tax charges
3. Third Party competitive construction of upgrades
4. Rule 21 update review based on statistics of quarterly reports to identify which areas need attention – schedule and plan to implement periodic review for response to current problems and proactive attention to anticipated issues related to the evolving energy system
5. Data Collection & Access - path for improvement to address existing issues (use of AMI and inverter data for interconnection and DRP benefits analysis, line section data, incompatible databases between utility departments) coordinated with DRP & IDER proceedings)); and plans for automation of processes (grid information, application submission, review, studies).
6. Replacement Recovery Charges – Interconnection costs for which the applicant is held responsible include monthly or one-time charges for the replacement of facilities and upgrades that were triggered and paid for by the applicant's project. Review of the calculation of these charges is warranted, as the charges are frequently comparable to the replacement cost of the equipment even though the equipment is unlikely to require replacement within the contract period.

address enhancements to the PAR, and are looking forward to an initial Cost Guide in 2016. We will continue to work with the parties and the Commission to further develop these two innovative interconnection tools, as prescribed in the Joint Motion.

c. The Clean Coalition supports the Joint Motion on streamlining non-exporting energy storage interconnection

The Clean Coalition also appreciates and supports the PD's resolution of the Joint Motion on energy storage interconnection. We note, however, that the Joint Motion also only attempted to resolve those matters on which parties anticipated to be able to achieve consensus. Additional issues related to storage remain, including those raised by parties in comments on this motion, and we look forward to further progress on these issues in an expedited manner, as the Joint Motion itself prescribes.

d. The PD should be revised to reject the Fixed Price Option and adopt the Clean Coalition's Cost Envelope Option

i. No parties supported the Fixed Price Option and all but one party supported the alternative Cost Envelope Option

The cost certainty issue has been pending resolution for over four years now. It was originally part of the settlement talks that were conducted during 2011 and approved by the Commission in D.12-09-018. As part of the settlement negotiations cost certainty issues were deferred until Phase 2 of R.11-09-011, which commenced in 2012. However, the Clean Coalition feels strongly that the PD's proposed resolution of the cost certainty issue will moot most of the effort that has been expended over the last four or more years through an ineffective response to this issue and we recommend that the PD be either substantially modified or rejected.

We have previously highlighted why it is unlikely that any party will sign up for the FPO as proposed in the PD or as proposed by the IOUs, including its limited applicability, its additional $10,000 fee not credited toward study costs (compared to just $800 for the Fast Track Initial Review and $2,500 for the Supplemental Review) and its five months extended timeframe to receive results beyond the normal Fast Track process. These issues alone will result in limited and probably no customer participation.

Not a single party other than the IOUs supported the Fixed Price Option in the deliberations over the last few years. And every party but one that commented on the

IOUs' Joint Motion proposing the FPO instead supported some variant of the Cost Envelope Option.[3] Moreover, Energy Division staff supported the Cost Envelope Option in their 2014 staff report.

The Clean Coalition offered a detailed cost certainty solution called the Cost Envelope Option or CEO. We fleshed out this proposal in a series of filings and included a redlined Rule 21 tariff that specified precisely how this option would be enacted.[4] The PD only describes in passing this part of the record, along with a similar approach proposed by the Bioenergy Alliance of California and the Placer County Air Pollution Control District, in stating the parties' positions. The PD does not discuss the merits of the CEO in relation to the FPO at all. Rather, the PD adopts the FPO with no discussion of the merits of the alternatives proposed over the previous three-year period. The PD only addresses some concerns raised by ORA with respect to the FPO ratepayer liability, removing this section but not replacing it with an alternative.

We also note, as described further below, that the PD is vague on how the FPO is to work without the ratepayer funding backstop, which the PD ruled goes against the Commission's ratemaking principles.

ii. The PD overlooks the details of the procedural history with respect to the cost certainty issues, which constitutes factual error

The PD omits a number of key details in its statement of the procedural history with respect to the cost certainty issues, including the Energy Division's staff report on cost certainty issues ("Cost Certainty for the Interconnection Process: Staff Proposal - appended to the Ruling Setting Schedule for Comments on Staff Reports and Scheduling a Prehearing Conference"), filed on July 29, 2014. The Administrative Law Judge's Ruling that included the staff report stated (p. 1): "These staff reports will be the starting point for the evidentiary record on these two topics."

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[3] As cited in Clean Coalition Reply Comments on Joint Cost Certainty Proposal, June 8, 2015.

[4] Clean Coalition Opening Comments on Joint Cost Certainty Proposal, May 22, 2015, Attachment 2.

The Staff Proposal reflected the history of the issue of cost certainty in this proceeding, including the proposals put forth by the Clean Coalition and IREC, and the subsequent workshops and ruling ordering a proposal from the utilities. The staff proposal, reflecting the prior recommendations of IREC[5] and the Clean Coalition[6], recommended a hybrid approach consisting of a variation on Massachusetts' cost envelope option and the joint utilities' proposal. The PD does not mention this staff proposal in either the procedural history or in its discussion of the cost certainty issues. The same ruling requested comments on the staff proposal, recognizing that over a year had passed since the original party proposals on this issue[7], and numerous parties, including the Clean Coalition, filed opening and reply comments. The Clean Coalition generally supported the approach and reasoning of the ED staff proposal while noting that some areas required further development, and offered recommendations to address those matters.

The Clean Coalition noted that the goal of cost certainty is greatly enhanced by early cost predictability, and offered recommendations to strengthen these benefits, including publication of Unit Cost Guides to provide greater insight into likely costs before an application is submitted. We agreed with the staff report's conclusion that additional data will support further options that will improve the interconnection process and offer greater benefits to applicants and ratepayers. We offered additional data and recommendations regarding the use of reliable data to improve predictability and earlier

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[5] Comments of the Interstate Renewable Energy Council, Inc. on Amended Scoping Memo and Ruling Requesting Comments, October 25, 2012, p. 7.

[6] R.11-09-011 Interconnection & Cost Certainty Proposals Workshop, March 5th 2013, Clean Coalition Presentation, Revised Cost Sharing Proposal, slide 12 states:

All projects fall into one of three options for cost certainty:

1. Project's Distribution Grid Upgrade Plan-compliant costs are rate-based

2. Projects eligible for interconnection Standard Prices

3. Projects requiring studies for customized cost determination would benefit from interconnection cost estimate caps (125%)

[7] The staff report states: "Because more than a year has elapsed since initial proposals from the parties were vetted via workshop and comments, there will be a round of comments on this Staff Proposal."

cost certainty, including a list of the data available from numerous rounds of discovery requests to the utilities in 2011 and 2012, from the Clean Coalition and other intervenors.[8]

We further noted the major unintended incentive of the cost certainty proposals to increase estimated costs, due to potential penalties for shareholders, and the need to address this issue with an alternative approach. We recommended that competitive practices, in terms of allowing third parties to provide estimates for interconnection upgrades, which is allowed under the existing tariff[9] but denied in all cases in practice by the utilities, could provide improved contract certainty related to both cost and construction schedules while also substantially reducing total interconnection costs.

None of these comments or those of other parties are described in the procedural history or the cost certainty discussion.

In sum, the PD barely scratches the surface in describing the procedural history of the cost certainty issue, or the various proposals made over the last four years with respect to cost certainty.

These oversights constitute factual error and should be corrected.

iii. The Clean Coalition supports an alternate PD to include the Cost Envelope Option

The Clean Coalition reiterates our strong support for a Cost Envelope Option rather than the FPO because the FPO simply won't be used by parties due to its high cost, failure to reflect savings typically realized in actual cost true-up, and very lengthy additional time frame (60 business days extra just to issue the FPO report, nearly three months, for a total additional timeline of about five months). In comments on the Joint

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[8] Clean Coalition Opening Comments on Joint Cost Certainty Proposal, May 22, 2015, Attachment 1

[9] Rule 21, Section I.2 ('Third Party Installations') states: "Subject to the approval of Distribution Provider, a Producer may, at its option, employ a qualified contractor to provide and install Interconnection Facilities or Distribution Upgrades, to be owned and operated by Distribution Provider, on Distribution Provider's side of the PCC. Such Interconnection Facilities and Distribution Upgrades shall be installed in accordance with Distribution Provider's design and specifications."

IOU motion to approve the Fixed Price Option, all but one party supported some variant of the CEO rather than the FPO.

Taking into consideration concerns raised by the IOUs and various other parties, we recommended the following features for the revised CEO, a modified approach that used the staff CEO proposal as its starting point:

1. The CEO would be available to all projects that pass Fast Track or ISP, or NEM-A projects applying under the NEM portion of the Rule 21 tariff, but substation upgrades will disqualify a project from eligibility. Many bioenergy projects that won't qualify under the FPO due to the dollar limits applied by the FPO will also qualify for the CEO.
2. No upgrade dollar limits are imposed on CEO applicants but we include the "no substation upgrades" criterion that is also part of the FPO.
3. At any point prior to entering into an Interconnection Agreement, the applicant may elect either a 10% or 25% CEO as an alternative to the default interconnection estimate and true-up cost assessment approach. Electing the 10% CEO means that final costs will be limited to plus or minus 10% of the estimated costs; the 25% CEO means costs be limited to plus or minus 25%. Some parties may prefer the broader range in the expectation that actual costs will come in up to 25% lower than estimated, as has typically been the case.
4. Electing the CEO will trigger an additional 30 business days for the utility to generate the CEO report (for both 10% and 25% options), rather than the 60 business days required for the FPO.
5. Upon completion of interconnection engineering and construction, applicants will make any additional payments required to pay the full actual costs, but no more or less than the cost envelope estimates provided.
6. Net costs or net excess payments, if any, beyond the cost envelope range, will be rate-based[10] (no shareholder liability, as the Staff Proposal recommended). We anticipate, based on available interconnection study data, that there will be net excess payments rather than ratepayer liabilities because historical

interconnection cost estimates are higher than the actual costs for the large majority of projects (based on data request responses in this proceeding).

7. Fast Track and NEM-A projects will require a refundable $5,000 deposit for the CEO, ISP projects $8,000, and NEM-A $2,500. The amount refunded will be determined by the actual work performed. In no cases will applicants be required to pay more than the deposit for the CEO estimate. The required deposit will be adjusted over time based upon the actual costs of producing the CEO estimate. The CEO requires the utility to perform tasks that would otherwise occur after completion of an Interconnection Agreement; the deposit is intended to cover this work, reducing the total remaining tasks and associated costs that would otherwise occur later in the process.
8. The Commission will retain an Independent Evaluator to ensure that utility CEO estimates are accurate and consistent.
9. To further ensure that costs are accurate and reflect market efficiencies achieved through competition, utilities shall not unreasonably withhold approval of the third-party option ("Third-party installations") for building facilities and upgrades. [11] Applicants seeking to use third parties for interconnection upgrades may be able to obtain substantially lower costs than under the default utility option.
10. A balancing account would be created by each utility to cover costs in excess of the 10% cost envelope incurred by projects after signing of the GIA. In order to ensure that the balancing account remains solvent over time, any overcharge should be trued up every three years in each IOU's General Rate Case, as the IOUs describe in their Supplemental Filing submitted on May 8, 2015.

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[11] The current tariff gives use of third parties to the discretion of each utility. For example, Per ELECTRIC RULE NO. 21, PG&E 32002-E (2014), I.2 - THIRD-PARTY INSTALLATIONS:

"Subject to the approval of Distribution Provider, a Producer may, at its option, employ a qualified contractor to provide and install Interconnection Facilities or Distribution Upgrades, to be owned and operated by Distribution Provider, on Distribution Provider's side of the PCC. Such Interconnection Facilities and Distribution Upgrades shall be installed in accordance with Distribution Provider's design and specifications."

The following table compares the FPO and CEO.

	Applicability	Fee/deposit	Timeline
CEO	Projects passing FT or ISP; no substation upgrades (Possible initial $1,000,000 cap on upgrade facilities costs)	Refundable Deposit: $5,000 Fast Track $8,000 ISP $2,500 NEM-A	30 additional Business Days
FPO	Projects passing FT or ISP; no substation upgrades; under $500k total upgrade costs	Nonrefundable Fee of $10,000 for both FT and ISP	60 additional Business Days (3 months calendar time)

iv. The PD's conclusion that ratepayers cannot be a backstop for overages is not incompatible with the CEO alternative

The PD agrees with ORA's objections to the FPO based on the IOUs' suggestion that ratepayers will be liable for any cost over-runs resulting from the FPO (PD, pp. 23-24).

While the Clean Coalition's CEO proposal contained similar provisions for resolving cost over-runs, the approach can be modified relatively easily to avoid any potential ratepayer liability. We note however that the risk of significant cost shifting to ratepayers appears minimal based on the utility record regarding underestimated costs, and even such limited risk may be reduced or eliminated because the cost envelope approach automatically captures any variation from the estimated cost that falls within the range of the envelope, assigning these actual costs to the applicant. As noted below, the IOUs have previously reported only rare instances of underestimating costs by more than 10%, and no instances exceeding 25%.

The net result of these dynamics is that it is very likely that the CEO program will not lead to any ratepayer liability even as proposed. However, to ensure that this does not happen—and thus potentially violate the cost causation principles that the PD cites—we propose here to modify our CEO proposal to prevent any ratepayer liability through a balancing account and an insurance pool. We proposed a similar approach in our prior 2014 comments,[12] also cited and referenced in 2015,[13] but did not pursue it further as we attempted to accommodate utility preferences for the ratepayer backstop approach.

Based on previous years' interconnection cost data, comparing estimated to actual costs, it seems likely that the balancing account will run a surplus. However, to ensure that there is no ratepayer liability for potential balancing account over-runs, under the balancing account approach, IOUs may reduce or defer the full value of refunds to developers for interconnection costs that turn out to be lower than estimated in the GIAs if necessary to maintain solvency in the account —instead of refunding these amounts in full, an amount sufficient to maintain the utility's balancing account may be held back.

As also recommended in our prior comments[14], a very modest cost-estimate accuracy insurance fee should be assessed to amortize the actual risk of costs exceeding the 10% or 25% cost envelope option selected by the applicant.[15] If the account develops an ongoing surplus, these excess revenues may be distributed proportionally to contributors or retained to cover potential cost over-runs in future years.

The Clean Coalition did not recommend utility shareholder liability as this creates a strong incentive for utility staff to overestimate costs so as to avoid any potential shareholder impact. While we agree with not holding shareholders liable for cost exceedance, this does not absolve the utilities from responsibility for accurate cost estimation. We recommend, accordingly, that the Energy Division monitor accuracy of

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[12] Clean Coalition Opening Comments on Staff Proposals for Cost Certainty & Response to Questions Regarding Issues, Priorities and Recommendations for Energy Storage Interconnection, September 12, 2014, Attachment 3. Clean Coalition Reply Comments on Staff Proposals, September 26, 2014 (at 9 & 10).

[13] Clean Coalition Opening Comments on Joint Cost Certainty Proposal, May 22, 2015, (at 7).

[14] *Id* at 10.

[15] For example, a 1% fee would be sufficient to cover the full liability of every 10th project exceeding its cost envelope limit by 10% (i.e. 20% above the estimated cost with a 10% cap, or 35% above estimated costs where a 25% cap is applied). Based on data received by the Clean Coalition in 2012, utility cost estimates have been 6-18% above actual costs, showed few projects exceeding estimates by 10%, and no projects exceeding estimates by more than 25%. This risk would be further mitigated by the proposed exclusion of the highest risk projects from cost certainty protection as separately proposed.

estimates over time. If estimates are found to be significantly awry, the Commission should consider performance-based incentives or penalties.

As the (sole) provider of all interconnection services and distribution upgrades, the local utility is naturally positioned to stand behind its estimates by amortizing any risk of excessive final cost differences across all of its interconnection agreements. This position and experience allows utilities to reasonably anticipate and screen for issues that may arise during the construction process. Reviewing the record, including the prior data requests in this proceeding, the IOUs have previously reported only rare instances of underestimating costs by more than 10%, and no instances exceeding estimates by 25%. Accordingly, the adoption of the proposed 10% "cost envelope" presents negligible risk to the utilities while eliminating the much more significant financial impact applicants experience from the current estimation practice. This can be, in particular, a serious problem when developers are seeking financing to develop projects subject to these uncapped potential cost liabilities. Financiers see any factors that may lead to much higher costs as serious obstacles.

The party providing interconnection cost estimates and final cost determination has a responsibility to ensure and even warrantee the accuracy of the figures they provide. As the sole operator of its distribution grid, a utility is reasonably responsible for understanding changing grid conditions associated with its own operations or other interconnections for which it has existing agreements; where grid conditions change due to actions of the utility customers after an interconnection agreement is signed, that cost responsibility is properly allocated to the utility customers, and should not impact an interconnection agreement executed prior to the event.[16]

v. The PD does not address net ratepayer impact in responding to concerns regarding ratepayer liability.

The premise raised by the ORA and relied upon in the PD regarding transfer of costs to ratepayers is not warranted by the facts, and thus constitutes factual error. The PD fails to respond to the argument raised by the Clean Coalition in prior comments, and

[16] However, we would recommend a provision to allow the utility to buy back the interconnection agreement, making the applicant whole from actual losses, where this would result in lower ratepayer impact than fulfillment of the agreement to interconnect.

reflected in the 2014 Staff Proposal,[17] that ratepayers would likely realize net benefit from reduction in the cost of project development associated with increased cost certainty and the elimination of unbounded liability currently imposed upon wholesale interconnection applicants.[18]

California continues to have significantly higher installed costs than other most markets nationally despite comparable labor and equipment costs.[19] High risks and associated costs related to interconnection are both a contributing factor and an opportunity for improvement.

These measures would provide cost certainty without shifting cost allocation between customer classes, or even significantly between applicants. The fundamental public benefit achieved through the resulting increased certainty and accelerated decision processes far outweigh the negligible and mitigated risk to ratepayers, and the reduced development risk across innumerable projects will result in lower energy costs for ratepayers that will likely far exceed any costs.

vi. The FPO should, in the alternative, be made stronger

If the Commission insists on adopting the PD with the FPO, we recommend the following improvements:

- The PD should be revised to require, rather than "accept," the IOUs' offer to revisit and revise if necessary the FPO after one year of operation. The language as is could be interpreted as optional rather than mandatory (PD, p. 24).
- The fee should be reduced to \$2,500 for NEM-A projects, \$5,000 for Fast Track, and \$8,000 for ISP projects, with fees adjusted after one year of implementation to reflect the actual time required for these reports.

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[17] Cost Certainty for the Interconnection Process, Staff Proposal, July 18, 2014; Attachment A (at 3). Administrative Law Judge's Ruling Setting Schedule for Comments on Staff Reports and Scheduling Prehearing Conference, July 29, 2014.

[18] For example, if the resulting accelerated development and reduced risk allows the offered/accepted cost of energy (the PPA rate) to be just 0.1¢/kWh lower, ratepayers would save \$32,000 over a 20 year contract for each MW, enough to offset a \$300,000 unanticipated deficit on every 10 MW of new capacity. Assumes 1600 MWh/MW capacity per year for 20 years for 32,000 MWh.

[19] Clean Coalition Reply Comments on Staff Proposals, September 26, 2014 (at 11 & 12).

- The time for producing the FPO report should be reduced from 60 business days to 30 business days.
- The $500k total upgrade cost limit should be eliminated.
- If the $500k upgrade cost limit is not eliminated, it should be raised as needed to accommodate a reasonable portion of projects seeking interconnection. The PD should also clarify what the upgrade cost eligibility limits include. For example, the headline cost for upgrades doesn't include the ITCC tax costs that must be paid by the applicant, or the cost of ownership (COO) additional costs. The ITCC and COO additions can double the total upgrade costs, so it is important than the PD make it clear what is included in the eligibility cost limits.
- The above balancing account and annual envelope adjustment process should be incorporated into the FPO in order to avoid ratepayer liability.

II. Conclusion

For the reasons stated above, the Clean Coalition urges the Commission to adopt our recommendations with respect to the PD.

Respectfully submitted,

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Dated: March 7, 2016