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 REPLY COMMENTS ON ALTERNATE PROPOSED DECISION

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May 31, 2016

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The Clean Coalition respectfully submits these reply comments on the alternate proposed decision on various Rule 21 reforms ("APD"), filed on May 6, 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.

I. Reply comments

a. ORA

The Clean Coalition objects to ORA's proposed reduction from five years to three years for the CEO pilot (ORA opening comments, p.2). More than three years is required to evaluate the accuracy of estimates because, inter alia, utility procurement programs generally allow at least 24 months after signing a Generator Interconnection Agreement (which is the final aspect

of the interconnection study process) before delivery of energy and this time is commonly needed or desired by the applicant. Construction of interconnection facilities generally occurs late in the project development process, and developers are typically required to complete initial or final interconnection studies before even being eligible to enter a procurement queue or bidding process. Most procurement programs now require a Phase 2 study to be completed, or its Fast Track equivalent, which is an increase in requirements from the previous Phase 1 requirement for many programs, including for example the RAM program. As a result, few projects electing the CEO are likely to have completed interconnection and final true up in three years even if they apply immediately after the new pilot begins. In prior comments, the Joint Utilities repeatedly noted that too few projects have yet completed the entire interconnection process to assess the effectiveness of the reforms adopted in 2012, and this same consideration supports the need for a five year pilot as the minimum necessary to evaluate this important new interconnection option.

We also note that adopting a five year pilot in no way prevents modification by advice letter during the course of the pilot as warranted by experience.

ORA also expresses concerns about possible modifications of the pilot during its five-year run. As the Clean Coalition and the joint IOUs point out in opening comments, however, modifications should be possible with interim advice letter filings, as required by experience with the pilot as it progresses. (Clean Coalition opening comments, p. 6, Joint IOU opening comments, p. 4).

Last, ORA is incorrect in concluding that the PD providers greater incentives for the utilities to avoid cost overruns (ORA, p. 2): "While the 25% cost envelope cap in the APD provides the cost certainty the Applicants seek, the use of a memorandum account for cost overruns creates a disincentive for the IOUs to exercise the due diligence required to provide accurate costs assuming ratepayers would bear these costs."

The APD addresses this issue squarely (APD, p. 32):

> Utilities may be able to recover from ratepayers the net of inaccurate estimates upon a showing that such costs were prudently incurred, given the causes of cost estimate inaccuracy within a utility's ability to control. Net cost overruns deemed imprudently incurred would be allocated to utility shareholders.
>
> In our determination, the memorandum account equitably spreads the risk of inaccurate cost estimates between developers and utility shareholders across the entire portfolio of Rule 21 projects. The Commission deems that the potential

> shareholder responsibility for imprudently incurred interconnection costs through a reasonableness review properly aligns the impetus for better cost estimating by the entity that is solely responsible for developing the estimate: the utility.

The Clean Coalition agrees that the memorandum account with reasonableness review is the better approach than that described in the PD in terms of finding the appropriate balance of ratepayer benefits and potential liabilities—particularly given the data that the Clean Coalition has previously presented data that shows a significant trend to over-estimate the costs of interconnection (opening comments on Joint Cost Certainty Proposal, 22 May 2015), and thus the absence of significant risk of ratepayer liability for exceeding the cost envelope estimates. As noted, the approach recommended by ORA and previously supported by the Joint Utilities did not create an incentive for more accurate cost estimates, but rather for overestimation of costs so as to minimize shareholder risk; this is detrimental to applicants and would ultimately result in higher costs for ratepayers.

b. Joint IOUs

The Clean Coalition commends the Joint IOUs' broad support for the APD, which reflects effective and detailed interaction between parties to resolve differences. The IOUs do, however, propose modifications, some of which the Clean Coalition agrees with.

We agree that some additional time should be provided to produce the CEO estimate and the Joint IOUs argue for 45 days (the comments don't specify calendar or business days) beyond the time already allotted for the Supplemental Review (Joint IOU opening comments on APD, p. 5). The Clean Coalition, as described in our opening comments, suggests allowing an additional 20 business days or 30 calendar days for the CEO estimate.

The Clean Coalition supports the Joint IOUs' request (p. 7) to extend the initial 30 day advice letter filing requirement to 60 days. This request will not result in any significant delay but will support the ability to the utilities to continue collaboration with parties by allowing time for external review prior to filing. This supports the developing consensus process and will minimize the likelihood of opposition or requests for subsequent changes through the formal comment period after filing.

As noted in our opening comments, we agree with the Joint Utilities that FERC jurisdictional interconnection costs, such as those associated with transmission upgrades, are beyond the scope of this pilot

Lastly, the Joint Utilities wish to formally note that it would be appropriate to request future modification to the pilot with Tier II Advice Letter filings if and when experience with the pilot warrants recommending changes (Joint IOU opening comments, p. 4). While nothing would otherwise restrict this option, the Clean Coalition supports clearly defining this modification process in conjunction with review by parties and an interconnection working group (if such is established and active).

c. IREC

We note broad agreement with IREC's opening comments.

IREC raises concerns about the life of the CEO estimate once provided to an applicant (IREC opening comments, p. 6). We note, however, that prior reforms to Rule 21 established clear timelines and financial commitments, and projects failing to submit deposits will be removed from the queue. The cost estimate only applies to projects as long as they retain their status in the queue, and as such, will remain valid with proper assignment of cost responsibility reflecting the date of completed application.

We agree with IREC's call for periodic meetings to review memorandum account results, and we note that quarterly reporting is required by the APD. Historically, the incidence of final estimates varying from final costs by more than 25% is extremely uncommon, as indicated through the data requests previously cited (Clean Coalition Opening Comments on Joint Cost Certainty Proposal, Attachment 1, 22 May 2015). Last, we agree that such incidents should be reviewed and understood by parties should they occur (see APD at 38).

II. Conclusion

For the reasons stated above, the Clean Coalition strongly supports the APD but also urges the Commission to adopt our suggested modifications.

Respectfully submitted,

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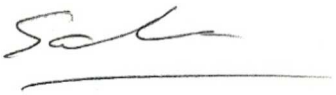

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