Pursuant to Section 313 of the Federal Power Act and Rule 713 of the Federal Energy Regulatory Commission’s (FERC or Commission) Rules of Practice and Procedure, the Clean Coalition respectfully submits this request for rehearing of ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS AND DENYING MOTIONS, 135 FERC ¶ 61,093 (the “Order”), on April 29, 2011, ruling in favor of SCE’s WDAT amendment but requiring also that SCE post information on a monthly basis about its interconnection applications.

I. BACKGROUND AND SUMMARY

In conditionally accepting SCE’s WDAT amendment, the Commission approved a doubling in the length of interconnection procedures for smaller renewable energy projects, both on paper and possibly in practice, as well as a significant increase in costs. The former WDAT SGIP had a “paper” interconnection timeline of about 320 days. The new GIP timeline has a “paper” timeline that averages 692 days. In practice, the former SGIP led to lengthy delays, though we have no data from SCE demonstrating how long SGIP projects actually took to interconnect – indeed, we have almost no data from SCE on any aspect of their interconnection procedures, resulting in a “black box” for both the Commission and stakeholders.
The Commission ostensibly applied a stringent standard of review in its Order, applicable to Participating Transmission Operators’ (PTO) proposals to revise interconnection tariffs. The applicable standard of review is stringent due to concerns about anti-competitive behaviors that are not present when evaluating interconnection procedures by ISOs or RTOs (the latter standard is known as the “independent entity” standard of review).

**In practice, however, the Commission applied a very lenient standard of review that effectively abdicated its duty to regulate PTO interconnection procedures and made factual errors along the way.**

The Commission dismissed comments and protests from three highly experienced intervenors, including the California Public Utilities Commission, the Interstate Renewable Energy Council and the Clean Coalition, all of whom expressed strong concerns about SCE’s proposal. The only request that was heeded, of dozens made by these intervenors, was to require that information be shared by SCE with respect to the application of its new WDAT.

SCE proposed two alternatives, the Fast Track process and the Independent Study Procedure, to the default cluster study process (which will take an average of 692 days for completion of studies alone) to mitigate this very lengthy cluster timeline. The Clean Coalition identified, however, a number of potentially fatal flaws in these alternatives, including:

- A “poison pill” inserted late during the stakeholder process that exposes Fast Track applicants to uncapped, undefined and indefinite cost liability that may result from distribution grid and network upgrades at literally any point in the future. It is highly unlikely that banks or equity investors will finance renewable energy projects subject to this uncapped liability. New facts have come to light since our Protest of SCE’s WDAT amendment, including increased developer concern about the poison pill provisions. In Attachment A, we have included a
list of companies who believe this poison pill language will make Fast Track projects unfinanceable.

- Undefined criteria for the Independent Study Procedure that rely only on “engineering judgment” and prevent an applicant from having any idea of its potential for success before committing $50,000 plus $1,000 per megawatt for the application fee. If the ISP applicant fails, it must then wait for the next cluster window and pay an additional $50,000 plus $1,000 per megawatt fee and have literally nothing to show for its ISP application except a large hole in its bank account.

- Moreover, no timelines for completion of studies is included for the Independent Study Procedure, which may well give rise to a backlog of requests like that which prompted the reform efforts to begin with.

In sum, the Commission failed to take into account the concerns expressed by expert stakeholders and approved a new interconnection tariff that represents a net worsening in many ways of the current interconnection problems facing SCE. In doing so, the Clean Coalition alleges that the Commission committed factual and legal errors that require a rehearing.

II. ALLEGATIONS OF ERROR

In accordance with 18 C.F.R. §§ 385.713 (c)(1) and (2), the Clean Coalition provides the following allegations of error in the Order:

A. The Order commits reversible error by improperly applying a more lenient standard of review to SCE than is required by law, effectively abdicating its role as a regulator.
B. In contravention of requirements for reasoned decision-making, the Order erroneously disregards intervenors’ arguments and evidence, and commits a number of factual errors with respect to SCE’s WDAT.

III. REQUEST FOR REHEARING

An agency must show that it has engaged in reasoned decision-making by articulating a satisfactory explanation for its action that includes a rational connection between the facts found and the choices made.¹

The Commission’s standard of review for considering PTO interconnection tariff revisions is more stringent than that for ISOs like CAISO. The Commission reconfirmed this matter in its recent conditional approval of CAISO’s GIP Proposal (133 FERC ¶ 61,223, Dec. 16, 2010, p. 25, emphasis added):

Multiple parties raise concerns that CAISO’s GIP proposal could have adverse consequences if adopted by the California IOUs in their WDATs. This order, however, narrowly addresses CAISO’s proposal for interconnection procedures for its transmission system and, thus, the IOUs’ WDATs are not before the Commission at this time. Therefore, any concerns with the California IOUs’ WDATs are outside the scope of this proceeding. Our acceptance of the GIP proposal recognizes the special accommodations we afford independent entities under our interconnection policies, for the reasons summarized above. Any utility proposing to utilize an approach that mirrors the GIP will have to justify its consistency with Order No. 2003 and Order No. 2006 and Commission precedent under the relevant standard, and it will not enjoy an independent entity variation accommodation.

The Commission reaffirmed in the same order that Order No. 2003 requires any proposed changes to SGIP to be “consistent with or superior to” the WDAT SGIP.²


²
Moreover, the Commission’s determinations “must be supported by arguments explaining how each variation meets the standard [of review].”\(^3\) The phrase “each variation” is very important because it is patently not the case that SCE argued, nor did the Commission find, that each change in the new WDAT is “consistent with or superior to” the former WDAT.

The Clean Coalition requests that the Commission reconsider its conditional acceptance of SCE’s WDAT Amendment, in line with the abovementioned legal guidance and our discussion below.

A. Allegation: The Order commits reversible error in granting SCE’s requested amendment without properly applying the correct standard of review.

1. The new cluster process substantially lengthens the default interconnection procedure

We have described the appropriate standard of review above. Prior to discussing the Order’s legal errors in more detail, we would like to clarify the relevant interconnection study timelines being discussed in this proceeding because there are major discrepancies between what SCE claims as the new timeline and what is in fact the new timeline. In written testimony SCE provided to the Commission, SCE cites a current SGIP timeline of 320 calendar days and compares this to a proposed cluster study process that they describe as “approximately 420 calendar days.”\(^4\) Unfortunately, SCE was disingenuous and did not make an “apples to apples” comparison, as the proposed

\(^3\) So. Cal. Edison, et al., 113 FERC ¶ 61,022 at P 5 (emphasis added).
\(^4\) Prepared Direct Testimony of Gary Holdsworth on Behalf of Southern California Edison (Exhibit No. SCE-1), p. 22
420 day timeline requires, in order to be accurate, that an interconnection request is made on the last day of the second cluster window in each year and does not take into account the wait time required for the Phase I study to begin, which is up to 14 months. Waiting times are a necessary fact of a cluster study process because clusters occur in defined windows, as opposed to any time during the year, as is the case with serial studies.

In addition, SCE’s 420-day timeline does not take into account the 60 day waiting period between the second cluster window closing and commencement of the Phase I Study. Finally, SCE’s timeline does not include the (up to) 30 days that developers have to wait up to obtain a meeting with SCE to discuss Phase II results.

In order to make an “apples to apples” comparison with the current SGIP timeline, which is serial and can therefore be started any time, all of these additional days have to be accounted for. In the real world, rather than the world of “best case timelines” presented in SCE’s written testimony, a developer will likely have to wait to enter a cluster study and will be most concerned with the vital second cluster window, which is followed, 60 days later, by the beginning of the Phase I cluster study. The developers’ waiting period will range from a “best case” of 60 days (for an interconnection request submitted on March 31, the Phase I study begins on June 1) to a “worst case” of 425 days (for an interconnection request submitted on April 1, the Phase I study begins June 1 of the following year), resulting in an “average wait for GIP Phase I” of 242 days (the average of 60 and 425 days), which must be added to the timelines presented by SCE in order to achieve an apples to apples comparison.

In addition, the full timeline must take into account the 30-day wait for Phase II results at the end of the Phase II study process. Including the 242-day “average wait for GIP Phase I” and the 30-day wait for the Phase II results at the end of the process, SCE’s real world proposed timeline becomes 692 days (242-day “average wait for GIP Phase I” +
420 study days + 30 result waiting days), which is more than double the 320 day SGIP timeline! Again, this timeline does not include time required to negotiate an interconnection agreement or to construct required grid upgrades.

This doubling of the SGIP timeline is the main reason why the Clean Coalition argues that SCE’s proposed tariff cannot be deemed “consistent with or superior to” the existing SGIP unless SCE shows that the Fast Track or ISP are viable alternatives to the cluster process – which they have not.

In sum, SCE’s new WDAT GIP doubles the paper timeline for all applicants and will very likely lead to a lengthening of the timeline in practice, rather than merely on paper, because the alternatives to the cluster process are not viable. Thus it is very likely that almost all proposed projects will have to go through the cluster process, with an average 692 day timeline. We do not know in actuality what the average interconnection study time has been for SCE’s WDAT SGIP queue because they have not shared this data with stakeholders. We can only assume, however, that it has been shorter than the average two year study process now being required under the new cluster process. The net effect of the new GIP is to increase the costs for applicants and to lengthen the interconnection study timelines. This is not “consistent with or superior to” the previous SGIP and thus constitutes grounds for rehearing.

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5 SCE’s arguments about the length of time to work through the current backlog ignores the ability to add new staff to resolve the serial study backlog – which they have acknowledged is necessary to work through the remaining serial study backlog even with the new WDAT GIP in place. While cluster studies are less susceptible to processing time improvements by adding new staff, serial studies are by definition entirely susceptible to adding new staff to resolve backlogs because they are done one at a time, serially, and more hands on deck can more quickly work through any backlog.
2. The new Fast Track procedure includes a “poison pill” that is a major hurdle to the financeability of Fast Track projects

The Order highlights the accelerated options of Fast Track and the Independent Study Procedure as alternatives to the average 692-day cluster process. There are, however, a number of major problems with Fast Track, such that it is fatally flawed and not a viable alternative to the two-year cluster study process.

Perhaps the most serious problem with SCE’s proposed Fast Track is the newly-added Section 6.6 and 6.7. This section imposes on developers uncapped, undefined and indefinite cost liabilities associated with “future engineering or other study work” related to both distribution and network upgrades, with no temporal limit for this cost liability:

Interconnection Customer retains financial responsibility for any Interconnection Facilities, Distribution Upgrades, or Network Upgrades determined by subsequent engineering or study work, such as final engineering and design work, or other future operational or other technical study, such as to identify and determine the cost of any Distribution Provider’s Interconnection Facilities required by the Generating Facility, or of short circuit duty-related Reliability Network Upgrades as assigned to the Interconnection Request during the Cluster Study Process as set forth in Section 4, that are attributable to the Interconnection Request. If future engineering or other study work determines that the Interconnection Customer is financially responsible for Interconnection Facilities, Distribution Upgrades, or Network Upgrades identified in these future studies, the GIA will be amended to assign the Interconnection Customer financial responsibility for such facilities and upgrades.

Given the substantial potential costs of distribution and network upgrades, few developers, and even fewer capital providers, will be willing to accept the uncapped cost risk proposed by SCE. In fact, several developers we have communicated with feel strongly that this provision is a “poison pill” that effectively renders the Fast Track
useless because it is too risky. We have included a list of companies in Attachment A, all of whom fear that this poison pill language will make Fast Track projects unfinanceable.\(^6\)

The broad cost liability language proposed by SCE, with no temporal limit, is far too onerous to be reasonable. We therefore ask the Commission to compel SCE to remove any reference to future costs other than those that are identified at the time of interconnection through the Fast Track studies (initial review and supplemental review) – which should be more than sufficient to account for interconnection costs.

3. The Order contradicts itself in arguing that the Fast Track procedure is a viable alternative to the cluster process and commits factual errors
   
a. The Order contradicts itself with respect to Fast Track viability.

The Order contradicts itself by arguing that Fast Track is a viable option as an alternative to the very lengthy cluster process and then also acknowledging that the undefined financial liability imposed by the GIP on Fast Track applicants will lead to less certainty for applicants. The Order states (para. 92): “If a generator opts for an expedited study process [under Fast Track], it does so with the knowledge that the associated cost estimates may be less accurate than if it participated in the full cluster study process.” As the Clean Coalition argued in our Protest, the GIP language in sections 6.6 and 6.7 is a “poison pill” because it imposes uncapped, indefinite and

\(^6\) The Commission raises the issue that no developers protested the WDAT Amendment. The problem is that most developers do not have the resources to do so – and rely on entities like the Clean Coalition and IREC to do so on their behalf. As our Attachment A demonstrates, there is strong developer concern about aspects of the WDAT Amendment. Additionally, we have heard privately from several developers who opposed the amendment but did not want to say so publicly and risking angering the PTOs. This, in itself, highlights the risks of an interconnection process fraught with subjective decision-making by the PTOs.
undefined financial liability on Fast Track applicants. As we explained above, many developers believe that this provision makes any Fast Track project unfinanceable (see Attachment A). Thus, the Commission cannot argue consistently, on one hand, that Fast Track is a viable option as an alternative to the cluster process and then argue, on the other hand, that Fast Track applicants must accept uncapped, undefined and indefinite financial liability in order to proceed with Fast Track.

In sum, both the tariff and the Order are contradictory on the issue of Fast Track and thus the Order commits factual and logical errors that warrant rehearing.

b. The Order makes factual errors

The Order makes other factual errors. For example, para. 33 states: “The CPUC, Clean Coalition, and IREC argue that SoCal Edison’s proposed cluster study process is too long, estimating that the process will take between 510 to 690 days to complete, and further assert that SoCal Edison should conduct more than one cluster study per year.” This is incorrect because the Clean Coalition argued – and demonstrated – that the cluster process will take an average of 692 days, not a maximum of 690 days (assuming that the required timelines are actually met, which recent history does not suggest will be the case). This is a significant difference in meaning and constitutes additional grounds for rehearing.

The Order also states (para. 73): “SoCal Edison states that even with the 2 MW threshold, more than 50 interconnection requests on SoCal Edison’s distribution system have qualified for the fast track process since its implementation, demonstrating that the pro forma fast track screening process is working as designed.” It is correct that SCE states this in its answer, but the SCE statement itself is not correct. SCE never presented such evidence during the stakeholder process. SCE presented almost no data on its interconnection procedures despite numerous requests from the Clean Coalition –
resulting in the ongoing black box with respect to interconnection procedures. The Commission’s requirement that SCE share monthly data for 24 months will be very helpful in resolving this black box issue over time, but we have enough information now to know that SCE’s WDAT Amendment is unworkable for a number of reasons, as detailed in our Protest and herein.

4. **The new Independent Study Procedure is also fatally flawed because there is no way to reduce uncertainty regarding whether a project qualifies for this procedure beforehand**

SCE proposed the Independent Study Procedure (ISP, emulating CAISO’s new procedures) as a second alternative to the cluster process. Applicants must demonstrate that they have a Commercial Online Date (COD) that could not be met under the cluster process and, equally important, that the project is electrically independent from any other proposed projects. SCE offers no objective criteria whatsoever for how electrical independence will be determined.

Whereas CAISO made a conscious effort in its new GIP (approved by the Commission in December, 2010) to use objective screens rather than subjective judgment in order to determine electrical independence, SCE opted to base its independence analysis entirely on “engineering judgment”:

Distribution Provider will evaluate each Interconnection Request for known or reasonably anticipated, in the engineering judgment of the Distribution Provider, relationships between the Interconnection Request and any earlier-queued Interconnection Requests in the Cluster Study Process, the Independent Study Process, or Interconnection Requests studied under predecessor interconnection procedures that have yet to complete their respective Interconnection System Impact Study or Phase I Interconnection Study.
As written, this test constitutes yet another black box of “engineering judgment” with literally no objective criteria provided. This language provides, in other words, *carte blanche* to SCE to deny ISP requests with no explanation other than “engineering judgment.” The grid itself is not a subjective system. It is a physical and objective system and is modeled with software simulations. Accordingly, it seems that any judgments about electrical independence should be made using objective criteria instead of undefined and subjective engineering judgment. CAISO adopted objective criteria for the ISP in section 4.2 of their new tariff, so there is no reason why SCE cannot do the same.

Without improvements or clarifications on this issue, we must assume that the ISP, like SCE’s Fast Track, constitutes simply a “false hope” for smaller developers.

The Order seems to confuse this point (para. 55):

> We also dismiss Clean Coalition’s argument regarding SoCal Edison’s lack of objective criteria for determining cluster study boundaries. We believe that Clean Coalition’s proposal to incorporate such criteria is not feasible because each cluster is formed based on the other projects that are in the queue when SoCal Edison commences the cluster study process. Thus, the manner in which SoCal Edison clusters interconnection requests will vary each year on a case-by-case basis depending on how that year’s projects are electrically-interrelated and is not susceptible to the incorporation of objective tariff criteria.

We have two responses to this statement: 1) the purpose of objective criteria is that *they* apply to all situations, so no foreknowledge of the actual projects in any particular area is required; 2) CAISO included objective criteria in their new GIP, and we urged SCE to do the same, so why is this feasible for CAISO’s GIP but not for SCE? These clear errors of judgment and reason by the Commission constitute grounds for rehearing.
In sum, if both Fast Track and the ISP are fatally flawed processes, then smaller developers will be forced into the standard cluster process and be subjected to its 692-day average timeline, which is more than twice as long as the former SGIP paper process. This is, again, an apples to apples comparison. The old SGIP was backlogged in a serious manner but we have no data from SCE demonstrating what the actual processing timelines were under SGIP. There is no guarantee, however, that the new GIP will not suffer from the same problems that assailed the SGIP. Instead, it is quite likely that similar problems will occur and, indeed, delays in the cluster process are already being discussed as a real possibility by CAISO as part of their in-progress GIP 2 reform process (which will affect SCE’s GIP also as CAISO’s changes are incorporated into SCE’s GIP).

The end result of SCE’s new ISP is that applicants seeking to avoid the default cluster process, which takes an average of two years just for studies to be completed, may opt for the ISP but have literally no way to know if the independence criterion will be met before applying for the ISP. Thus, applicants will have to spend $50,000 plus $1,000 per megawatt with no way to know beforehand if this is money thrown down the drain. If an applicant does not qualify for ISP, it must simply wait until the next cluster window and apply then, paying an additional $50,000 plus $1,000 per megawatt to enter into the cluster process.

These errors of judgment and reasoning constitute additional grounds for rehearing.

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7 We also note that the Sacramento Municipal Utility District (SMUD) has demonstrated the speed with which interconnection requests can be processed. SMUD processed 30 interconnection applications for its feed-in tariff program in 2010 in three months, with only two full-time staffers working on these applications – which is a far larger amount of interconnection requests in relation to their size than SCE has been processing under their WDAT SGIP. The interconnection studies were completed in three months and interconnection agreements completed in another three months. (Personal communications from Sherri Ekloff at SMUD).
5. The Commission did not apply the correct standard of review by ensuring that “each variation” of SCE’s proposal is “consistent with or superior to” existing procedures.

The Order states (para. 28): “[W]e find that SoCal Edison’s proposed GIP will expedite the process for small generator interconnection and help resolve the current backlog of small generator interconnection requests. For these reasons, as well as those discussed below, we find the proposed GIP to be consistent with or superior to SoCal Edison’s current SGIP and LGIP.”

However, as discussed above, Order 2003 requires that “each variation” of the utility proposed changes must be “consistent with or superior to” existing procedures – and the Commission did not conduct this analysis for each variation. As the previous quotes demonstrate, the Commission took a gestalt approach and concluded (wrongly, in our view) that the net change was positive. But this is not the correct review required – “each variation” must be assessed and found to be consistent with or superior to existing procedures. This oversight constitutes grounds for rehearing.

B. Allegation: In contravention of requirements for reasoned decision-making, the Order erroneously disregards intervenors’ arguments and evidence.

The Order states (para. 27, emphasis added): “We find that SoCal Edison’s proposal strikes an appropriate balance between preserving the interests of small and large generator interconnection customers while ensuring that other viable options are available to process interconnection requests as quickly as possible.” Similarly, the Order states (para. 30, emphasis added): “we find that further delay in implementing the relaxed fast track process and new independent study process as options for small generators may instead exacerbate the existing backlog of interconnection requests.”
The Clean Coalition demonstrated in its comments to the Commission that the “viable options” and “relaxed fast track process” that the Commission refers to are not in fact viable or relaxed. As discussed above, there are a number of fatal flaws in the new fast track process and it is unlikely that the ISP will be available to any more than a handful of developers, if any.

The Order disregards, almost in their entirety, the strong concerns stated by three entities that follow these issues assiduously and comprehensively: the California Public Utilities Commission; the Interstate Renewable Energy Council (funded by the DoE in order to track and improve interconnection procedures around the country); and the Clean Coalition, a newer organization that is focused entirely on improving the market for distribution-interconnected renewable energy projects in California and around the country. The only concern that the Commission acknowledged as valid was the issue of data transparency – the Order requires that SCE share data on its interconnection procedures on a monthly basis for 24 months. This in itself is very helpful because data transparency is the first key step to real reform. But we have enough data already on many issues to know that SCE’s WDAT amendment will not improve the interconnection process as SCE claims it will.
IV. CONCLUSION

For the foregoing reasons, the Clean Coalition urges the Commission to grant our request for rehearing and to reconsider SCE’s WDAT Amendment under a proper application of the stringent standard of review required by law.

Respectfully submitted,

TAM HUNT

Dated: May 30, 2011
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Santa Barbara, California, this 30th day of May, 2011.

TAM HUNT

[Signature]

Attorney for:
Clean Coalition
Attachment A

The listed parties agree with the following statement with respect to the “poison pill” language inserted by SCE and PG&E into their interconnection tariff amendments:

We believe that the "poison pill" language (below) inserted by SCE and PG&E into their interconnection tariffs will make Fast Track renewable energy projects generally unfinanceable. This is the case because this language imposes uncapped, undefined and indefinite financial liability on Fast Track interconnection applicants. It is highly unlikely that any bank or other investor will make a loan or equity investment in renewable energy projects that have this kind of financial liability hanging over them.

PG&E’s language (included in Sections 2.2.2, 2.2.3 and 2.4.1.1 of the new GIP) and SCE’s identical language (Section 6.6 and 6.7 of the new GIP) is as follows:

Interconnection Customer retains financial responsibility for any Interconnection Facilities, Distribution Upgrades, or Network Upgrades determined by subsequent engineering or study work, such as final engineering and design work, or other future operational or other technical study, such as to identify and determine the cost of any Distribution Provider’s Interconnection Facilities required by the Generating Facility, or of short circuit duty-related Reliability Network Upgrades as assigned to the Interconnection Request during the Cluster Study Process as set forth in Section 4, that are attributable to the Interconnection Request. If future engineering or other study work determines that the Interconnection Customer is financially responsible for Interconnection Facilities, Distribution Upgrades, or Network Upgrades identified in these future studies, the GIA will be amended to assign the Interconnection Customer financial responsibility for such facilities and upgrades.

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