

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Consider
Streamlining Interconnection of Distributed
Energy Resources and Improvements to
Rule 21.

Rulemaking 17-07-007
(Filed July 13, 2017)

**REPLY COMMENTS OF THE CLEAN COALITION IN RESPONSE TO
ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING RESPONSES TO
QUESTIONS ON WORKING GROUP THREE FINAL REPORT**

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I. INTRODUCTION

Pursuant to the November 27, 2019 *Administrative Law Judge’s Ruling Directing Responses to Attached Questions and Revising Schedule* (“Ruling”) in relation to Working Group Three’s Final Report, the Clean Coalition respectfully submits these reply comments to certain opening comments of Parties in this matter.

II. DESCRIPTION OF THE PARTY

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 is a project of Natural Capitalism Solutions, a 501(c)(3) non-profit.

III. COMMENTS

The Clean Coalition actively participated in the Working Group and development of the Report, building upon our history of leading participation in Rule 21 and related issues. Working Group Three reached consensus on a number of issues after constructive engagement and we fully support these recommendations. We were unable to achieve consensus on other issues; although we believe this may reflect fundamental differences in some instances, the press of time severely limited our ability to affirm facts, clarify and refine proposals based on stakeholder feedback, and resolve all concerns. We appreciate this opportunity to address Opening Comments and Responses of Parties to the questions attached to the Administrative Law Judges (“ALJ”) Ruling. We note broad concurrence on many points in Opening Comments, and offer the following replies in support of resolving remaining differences related to issues 24 and 27.

Replies to Party Opening Comments

Issue 24: Cost of Ownership

PG&E responds to Issue 24-b addressing customer equipment replacement cost options, stating that by including replacement cost in the COO, PG&E “can contemplate system operations untrammelled by questions about whether a special facility company can pay for a replacement when needed, whether the replacement suits the special facility company's operating plan, etc.”¹ and that leaving replacement costs out of the special facilities charge “would in some instances impose an excessive administrative burden on PG&E.”

In other words, PG&E is in the practice of charging interconnection customers for facilities replacement regardless of whether such replacement is needed or even contemplated by the customer. If a customer plans to operate a generation or storage

¹ Response of Pacific Gas and Electric Company (U-39-E) to Administrative Law Judge’s Ruling Directing Responses to Questions on Working Group Three Final Report, at 15.

facility for forty years, and the grid upgrades have a service life of at least forty years, the customer may have no reasonable interest in paying for replacement long after their need has ceased to exist. Charging a customer for equipment that is not requested because it is administratively easier for PG&E is no excuse. SCE has clearly demonstrated that it is practical to offer replacement options to customers, and options to address emergency unplanned replacement are fully available. Such basic reasonable good practice can be copied by all utilities and should be universal.

Public Advocates Office

The Clean Coalition deeply respects and appreciates the role of the Public Advocated Office (“PAO”) and the long history of dedicated staff who play a vital role for the Commission in this and other proceedings. Unfortunately on the particular issue of Proposal 24 (Cost of Ownership, “COO”) PAO staff appear to have somehow misunderstood both the goal and effect of the proposal, which is in fact to ensure ratepayer indifference and appropriate allocation of costs.

PAO states:²

IOUs confirmed that when the old facility is removed, it does not decrease the rate base and therefore does not lower the revenue that the IOUs collect from ratepayers. Interconnection upgrades do not lower costs for ratepayers. Upgrades raise maintenance costs due to new equipment. The adoption of this proposal could result in the under-collection of the COO charge and the transfer of costs from DER developers to ratepayers. The Public Advocates Office opposes the adoption of Proposal 24-a because of this potential to transfer costs from DER developers to ratepayers.

It is important to unpack this. IOUs did confirm that the capital costs of replaced equipment remains on the books for cost recovery from ratepayers, at least until it has been fully depreciated, but this is distinct from the operations and maintenance (O&M) costs and scheduled replacement. If any utility is continuing to collect O&M costs from ratepayers on equipment that is no longer in service, this is wrong and should be

² Comments of the Public Advocates Office to the Questions in Administrative Law Judge’s Ruling Directing Responses to Attached Questions and Revising Schedule, at 14.

corrected. If any utility is double billing to both ratepayers and the interconnection customer, this is also wrong and should also be corrected. Such corrections, if indeed they are necessary, should be addressed in the General Rate Case. Within the scope of this proceeding is only the question of proper allocation of costs to the interconnection customer. We cannot make that customer responsible for certain costs simply because a utility failed to properly allocated to costs to other customers; each must be addressed on its own merits.

PAO's claim that interconnection upgrades do not lower costs for ratepayers, and that upgrades raise maintenance costs due to new equipment, is unfounded and inaccurate. To the extent that an interconnection customer is replacing equipment that has been in service, they are clearly deferring the scheduled date for replacement of that equipment since the new facilities will have a later replacement date (and may be taking on the cost of replacement as well). This reduces costs to other customers, as well as often providing additional capacity for other customers use - for example, if reconductoring is needed to accommodate the applicant, the new wire is the next size up, generally adding more capacity than the applicant will use. While a thicker wire does not have higher actual O&M costs, even in circumstances where costs do increase, the proposal maintains applicant cost responsibility for all net additional cost, precisely with the purpose of avoiding any cost transfer to ratepayers.

We emphasize that there is no proposal to transfer any new costs to ratepayers here. The proposal is precisely to maintain ratepayer neutrality, and to correct any current practice that violates ratepayer neutrality by transferring costs to new applicants that would have otherwise been born by ratepayers if the new interconnection did not occur.

The only circumstances in which "this proposal could result in the under-collection of the COO charge and the transfer of costs from DER developers to ratepayers" would be if the utilities failed to collect the net additional costs from the applicant. The reverse is in fact the case, utilities routinely transfer costs from

ratepayers to interconnection applicants.³ This is made clear in the example provided by SCE⁴:

For example: if a 35-foot wood pole was replaced with a 45-foot wood pole, the equipment would be comparable in nature and ratepayers, not the interconnection customer, would continue to be responsible for paying for ongoing O&M. On the other hand, if a 35-foot wood pole was replaced with a Tubular Steel Pole, the equipment would not be comparable in nature and the interconnection customer would assume the responsibility of paying for ongoing O&M.

In the latter case, ratepayers are absolved of responsibility for the existing pole and all costs are transferred to the new interconnection customer. Proposal 24 seeks to correct this by only assigning any and all net additional costs to that new customer, such that other ratepayers are neither burdened nor improperly subsidized.

In practice ratepayers may actually benefit, as noted by SCE⁵ (emphasis added):

[I]f the location where an interconnection customer will operate requires new equipment to meet the interconnection customer's needs (e.g., a new capacitor bank that increases reliability in that location), *ratepayers would not be responsible for O&M costs even though ratepayers may benefit from the increased reliability*. Instead, the interconnection customer would be responsible for this ongoing O&M.

There is no proposal here to have ratepayers compensate individual interconnection customers for such added benefits, but if an existing capacitor bank is replaced with a larger bank, ratepayers should continue to pay neither more nor less, and the application customer should pay only any *increased* cost.

Some of the utilities have a practice in place of not assigning COO costs to the customer applicant for facilities that the applicant has paid for (and deeded to the utility) when the COO costs are essentially identical to those of the prior equipment which is being upgraded, and informally referred to this a "like for like". When

³ This is true unless a utility is actually engaged in accounting practices that effectively double bill and over collect from both customer classes, however we do not assert that this is necessarily occurring.

⁴ Response of Southern California Edison Company (U 338-E) to Administrative Law Judge's Ruling Directing Responses to Questions on Working Group Three Final Report, at 17.

⁵ Ibid at 17-18.

concerns were raised late in the working group process over differences in how utilities would interpret “like for like” efforts were made to strike that term from the final proposal, however no final consensus was reached between utilities and the term was not replaced. However, the concept of “Net Additional COO” was included and remains the foundation of the proposal.

PAO states⁶ that the distinction does not align with real-world conditions. This may be true with regards to the term “like for like”, at least for some utilities, although SCE provided a clear example in which the new equipment would be comparable in nature and cost, and therefore ratepayers, not the interconnection customer, would continue to be responsible for paying for ongoing O&M.⁷ However, because consideration of like-for-like is simply an alternative to calculation of “net-additional” COO, it merely allows for a simplified process where this calculation is not required, saving utility staff time and streamlining the process. As such, we do not oppose allowing each utility to make its own determination of “like-for-like” as any instance will otherwise be fairly calculated. None-the-less, we strongly support efforts by the Commission to encourage utilities to establish and publish a list of like-for-like (i.e. COO equivalence) to avoid unnecessary calculations and associated delays in development of Generator Interconnection Agreements. Efficiency in the interconnection process requires taking advantage of numerous such streamlining opportunities.

As noted in our opening comments (p.13) “For PG&E, if customer requests, and PG&E agrees to the installation of non-standard or Special facilities, the customer pays the additional cost of these facilities. The costs are based on the cost difference between standard and special/added facilities. And also includes cost of ownership to cover PG&E’s cost to own and maintain the special facilities.”

This clearly relates to the question of the IOUs ability to determine Net Additional cost basis, which is all that is needed to apply COO to the net additional cost.

⁶ PAO at 14.

⁷ SCE at 17.

Lastly, PAO states:⁸

The COO calculations create the risk that the cost of maintaining infrastructure could shift from applicants (DER developers or DER owners) to ratepayers. If the share paid by the applicant decreases, then the share paid by ratepayers will increase. The Public Advocates Office opposes the adoption of Proposal 24-a because, as written, it does not protect ratepayers from unreasonable cost increases.

As addressed above, there is in fact no risk under this proposal that ratepayers would pay any additional cost as a result upgrades associated with applicable new customer interconnection requests. The only direct impact on ratepayers is that we would not be improperly relieved of costs of service by unfairly transferring these costs to other parties or interconnection customers. Ratepayer neutrality is protected, although ratepayers may benefit from reduced costs of DER deployment where these are in the public benefit, and from incidental value of the increased capacity and longevity of equipment upgrades paid for in full by interconnection customers.

Issue 27: Operating Requirements of Smart Inverters

PAO opposes Proposal 27-b addressing interconnection rules the Commission may adopt to account for the ability of DERMS and aggregators' commands to address "operational flexibility" need. The Public Advocates Office recommends any discussion of organizing and managing DERs should be held after such policies and methods for valuing DER contributions to operational flexibility are decided in the IDER (Integrated Distributed Energy Resources) proceeding (R. 14-10-003), because the "IDER proceeding addresses current grid operational needs and the value that the Commission assigns to the DERs that provide grid services to meet those needs."

Does PAO misunderstand? 27-b is not about valuation but about the ability of DER to avoid operational flexibility impacts that would otherwise prevent DER installation or require costly mitigation. This Rule 21 proceeding addresses interconnection standards under which grid operational flexibility needs are assessed in


⁸ PAO at 13

relation to any specific interconnection request, and the ability of DER inverters to mitigate potential impacts on identified operational flexibility needs. IDER does not evaluate these needs, this is done individually under Rule 21 and in the Distribution Resources Plan and Grid Planning processes. IDER's only potential role on this topic is the possibility of offering a tariff or compensation to induce DER to support increased operational flexibility where needed.

IV. CONCLUSION

We appreciate the Commission's attention and parties' history of diligent work in addressing the issues associated with interconnection and offer these comments to further those ends. We urge the Commission's consideration of both the consensus and non-consensus proposals in order to resolve the issues identified for this proceeding, look forward to offering additional information or comment on questions by Commission or proposals by Parties.

Respectfully submitted,



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