



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

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Order Instituting Rulemaking to Continue )  
Implementation and Administration, and ) Rulemaking 15-02-020  
Consider Further Development of, California ) (Filed February 26, 2015)  
Renewables Portfolio Standard Program. )  
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**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) SUPPLEMENTAL COMMENTS**  
**ON INTERCONNECTION ISSUES RELATED TO THE BIOENERGY FEED-IN TARIFF**

ROBERT F. LeMOINE

Attorney for  
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue  
Post Office Box 800  
Rosemead, California 91770  
Telephone: (626) 302-4476  
Facsimile: (626) 302-6693  
E-mail: robert.f.lemoine@sce.com

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Pursuant to the Administrative Law Judge’s Ruling Requesting Supplemental Comment on Interconnection Issues Related to the Bioenergy Feed-In Tariff under the California Renewables Portfolio Standard served May 6, 2016 (the “ALJ Ruling”), Southern California Edison (“SCE”) respectfully submits these Supplemental Comments on Interconnection Issues Related to the Bioenergy Feed-In Tariff.

**I.**

**INTRODUCTION**

The bioenergy feed-in tariff (“BioMAT”)<sup>1</sup> requires the large investor-owned utilities (“IOUs”) to procure certain biofuel generation resources eligible under the California renewables portfolio standard (“RPS”) program. The first BioMAT program period began February 1, 2016.<sup>2</sup>

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<sup>1</sup> See Senate Bill 1122, Stats. 2012, ch. 612; Pub. Util. Code §§ 399.20(c)-(f); Decision (“D.”)14-12-081 and D.15-09-004.

<sup>2</sup> ALJ Ruling at p. 1.

On October 30, 2015, Governor Brown issued the Emergency Proclamation on Tree Mortality (“Emergency Proclamation”), which requires that California fire and regulatory agencies “immediately identify areas of the State that represent high hazard zones for wildfire and falling trees using best available science and geospatial data.”<sup>3</sup> The Emergency Proclamation also directs the California Public Utilities Commission (“CPUC” or “Commission”) to facilitate the use of dead trees from high hazard zones as fuel for RPS-eligible generation facilities by, among other things, adjusting the BioMAT program and facilitating interconnections agreements for forest bioenergy facilities.<sup>4</sup> In response to a Staff Proposal to implement the Emergency Declaration, the Bioenergy Association of California (“BAC”) proposed changes to the current interconnection process for forest BioMAT projects. The ALJ Ruling seeks supplemental comments on BAC’s proposal.

## II.

### SUMMARY

SCE’s responses to the questions posed in the ALJ Ruling are based upon a set of first principles, which include the following: (1) the interconnection process is governed by two tariffs, Rule 21 under CPUC jurisdiction and the Wholesale Distribution Access Tariff (“WDAT”) under FERC jurisdiction, which can only be changed via regulatory action at the CPUC or FERC; (2) interconnections are offered first-come, first-served on a non-discriminatory basis; and (3) non-viable projects should not be permitted to remain in the interconnection queue taking capacity from and delaying construction of potentially viable projects.

In light of these principles, SCE opposes changes to the interconnection rules that would favor a subset of developers at the expense of important projects that are not in the favored category. However, if the Commission determines that changes are needed to facilitate the interconnection of projects

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<sup>3</sup> See [www.gov.ca.gov/docs/10.30.15\\_Tree\\_Mortality\\_State\\_of\\_Emergency.pdf](http://www.gov.ca.gov/docs/10.30.15_Tree_Mortality_State_of_Emergency.pdf).

<sup>4</sup> Emergency Declaration, Ordering Paragraphs 9 and 10.

impacted by the Emergency Declaration, then such changes should be narrowly tailored to avoid prejudice to other projects awaiting interconnection.<sup>5</sup>

### III.

#### **SUPPLEMENTAL COMMENTS**

A BioMAT project must have a nameplate capacity no greater than 3 MW and must be in the service territory of an investor-owned utility (“IOU”).<sup>6</sup> As such, BioMAT projects are eligible to be considered in the utility’s “Fast Track” interconnection screening process, which is available under either the CPUC-jurisdictional Rule 21 process or the FERC-jurisdictional WDAT process. Both parties (utility and project developer) are required to follow these rules set forth in the tariffs, with no exceptions. Alteration of either interconnection tariff is governed by a regulatory process that may result in adoption of new tariffs by the regulatory body. A similar process is required for alteration of the BioMAT tariff, which governs the procurement process, and the BioMAT power purchase agreement (“PPA”), which is the contractual agreement that governs the sale of the project’s output to the utility and payments to the seller.

Once accepted into the interconnection queue, a Fast Track-eligible project is screened against 10 technical criteria relating to the ability of the project to interconnect and operate without deleterious effects on the electric grid.<sup>7</sup> If the project passes all 10 screens, the utility may offer the developer the opportunity to proceed directly to a generator interconnection agreement (“GIA”) without further study. If the project does not pass Fast Track Initial or Supplemental Review, it proceeds to a detailed study interconnection process along with other (non-Fast Track) projects.<sup>8</sup>

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<sup>5</sup> In recognition of PG&E’s much larger allocation of capacity under category 3 (forest biomass) of the BioMAT program (D.14-12-081, p. 38), SCE defers to PG&E’s proposed alternative to the BAC proposal, which SCE expects PG&E to make in its concurrently-filed supplemental comments.

<sup>6</sup> See D.14-12-081, p. 42 (MW limit), p. 44 (location).

<sup>7</sup> If a project is unable to successfully pass the “Initial Review” phase of the Fast Track screening process, a “Supplemental Review” may be performed in accordance with Section F.1.b of Rule 21 (subject to payment of any applicable fees) to determine if this additional system review allows for successful passage of the Fast Track process.

<sup>8</sup> Assuming no electrical interdependence to other projects or impacts to the transmission system.

SCE generally agrees with certain aspects of the Bioenergy Association of California (“BAC”) proposal. SCE agrees that an applicant is free to withdraw from the interconnection process after receipt of a study and before the posting of interconnection financial security (“IFS”). SCE also agrees that the applicant can re-enter (i.e., re-start) the interconnection process at a later date, with a new queue position, which will require the proposed facility to be re-studied under current system conditions. Each of these points is supported within the current interconnection procedures. However, the BAC proposal is inconsistent in its understanding of some of the key principles and processes within the interconnection process. SCE comments on these inconsistencies in the following responses.

**1. Response to Question 1**

*What, if any, effect would adopting the BAC interconnection proposal have on interconnection procedures under Rule 21 and the Wholesale Distribution Access Tariff (WDAT)? Provide a detailed explanation of your position.*

The BioMAT PPA requires a project to have an interconnection queue number.<sup>2</sup> The BioMAT tariff contains eligibility requirements including: “An Applicant must have passed the Fast Track screens, passed Supplemental Review, completed an SCE System Impact Study in the Independent Study Process, completed an SCE Distribution Group Study Phase 1 Interconnection Study in the Distribution Group Study Process, or completed an SCE Phase 1 Study in the Cluster Study Process for its Project (“Interconnection Study”), or make use of an existing interconnection Agreement to the extent permitted by SCE’s tariffs.”<sup>10</sup> The requirement for an applicant to have an active interconnection request along with having the results of an interconnection study is consistent with all other SCE renewable procurement programs (although most of SCE’s renewable procurements now require a Phase II or Facilities Study).

The BAC proposal appears to misunderstand the purpose of IFS, characterizing IFS as a barrier to interconnection. On the contrary, IFS is one of the key items in the revised Rule 21 and WDAT

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<sup>2</sup> Bioenergy Market Adjusting Tariff Power Purchase Agreement, Form 14-970 (BioMAT PPA), Cover Sheet, paragraph B(xiii).

<sup>10</sup> Schedule BioMAT, Bioenergy Market Adjusting Tariff, Section D.5.

interconnection procedures that ensure an efficient interconnection process. The IFS requirements, which increase as the applicant moves through the various stages of the interconnection process, is more commonly referred to as “skin in the game,” the purpose of which is to require that interconnection customers make financial commitments in advance of construction of their generating facilities. The IFS requirements are structured with off-ramps that allow less-than-committed customers to withdraw from the interconnection process before expending large amounts of their own resources on non-viable generating facilities. In turn, these financial commitments provide a positive impact on the efficient administration of the interconnection process, because they reduce the number of speculative interconnection requests and holding of system capacity to the potential detriment of other more viable projects.

The BAC proposal also misstates the requirement for IFS, stating that it is 30% of the interconnection cost. Section F.4 of Rule 21 outlines the requirements for the posting of IFS, and similar requirements are found in Section 4.8 of SCE’s WDAT Generator Interconnection Procedures (“GIP”).<sup>11</sup> The initial posting of IFS is due 60 calendar days after publication of the final Interconnection System Impact Study (“SIS”) and is based on a formula that depends on the size of the proposed generating facility and the type of upgrade or required interconnection facility that are required for interconnection based on the result of the study. In general, the first IFS posting tends to be no larger than 15% of the total cost responsibility for network upgrades (with a maximum of \$7.5 million), if any, and 20% of the total cost responsibility for distribution upgrades and interconnection facilities, if any, as outlined in the SIS. The second posting, which is required 120 calendar days after the publication of the final Interconnection Facilities Study (“FAS”), tends to be the timeframe when the IFS amount is raised to 30% of the cost responsibility for network upgrades (with a maximum of \$15 million), distribution upgrades, and interconnection facilities, if any, outlined in the FAS. Since the BioMAT tariff requirement is for a “Phase I or equivalent” study, which is equivalent to saying the “SIS or equivalent”

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<sup>11</sup> Attachment I to WDAT, effective November 1, 2014.

in Rule 21 terminology, the required posting amount is 15% to 20%, not the 30% that is noted in the BAC proposal. The 30% level is the requirement for the second posting that follows the FAS results.

The BAC proposal suggests that its members cannot afford to post IFS without having secured a PPA first. In SCE's experience, hundreds of interconnection customers have posted the required IFS, some for projects which have PPAs, but many of which have not yet secured PPAs at the time of posting. Experienced developers know the IFS provisions well in advance, and those who are willing to take on the financial risks of developing such generating facilities view the IFS postings as just another financial risk of development. Forest BioMAT projects should be no exception, and BAC has provided no compelling reason to provide the exception other than its members may not be able to afford the IFS.

## **2. Response to Question 2**

*The BAC interconnection proposal would allow projects to bid into BioMAT after investing only the cost of a Phase 1 interconnection study, without any additional fees for maintaining a position in the Rule 21/WDAT interconnection queue. What, if any, additional screens on project viability should the Commission require for projects that have received a Phase 1 study but have left the interconnection queue prior to receiving a BioMAT power purchase agreement (PPA)? Please provide a detailed rationale and provide examples, if relevant.*

As previously mentioned, there is no provision currently in Rule 21 or SCE's WDAT that allows an interconnection request to remain active in the process without making the required IFS postings. To allow a small group of interconnection customers an exception to this rule violates open/equal access and anti-discrimination principles, and would be unfair to other interconnection requests already in the interconnection process. As such, there are no additional "viability screens" that would be required, as IFS has proven to be an effective viability screen. As discussed above, upon reentering the queue, new studies would be required to evaluate the state of the system at the new, later date.

### **3. Response to Question 3**

*What, if any, are the potential effects of the BAC interconnection proposal on the ability of BioMAT projects to meet their contractual commercial online date, i.e., 24 months after executing the PPA, with a possible six-month extension for interconnection delay? Please be specific and provide examples if relevant.*

Under the BAC proposal, where an interconnection request enters the queue, receives its Fast Track, Phase I or SIS study results, withdraws from the process prior to posting IFS, waits until it receives a PPA, and then re-starts the interconnection process, the interconnection request could be exposed to financial risk as compared to the relative certainty of remaining in the process. The interconnection study process, as well as the queue and the impacts of interconnection requests on the grid, are all dynamic and time-dependent processes. There is no guarantee that the interconnection studies will have the same results the second time around. The succeeding study results could either see lower costs or higher costs, depending on any number of factors.

The question asks about the potential effects the BAC proposal would have on the proposed commercial operation date (i.e., 24 months after executing the PPA). For interconnection requests that are eligible for the Fast Track interconnection screening process, which are 3 MW or smaller in SCE's territory, the required interconnection facilities are typically also small and can be constructed in a matter of months, not years. However, if a forest BioMAT interconnection request withdraws after the SIS or Phase I results, only to re-enter later, not only does the study timeline reset, but the post-study construction timeline also resets because the resources that might have been committed to the withdrawn project are released to work on other projects.<sup>12</sup> Thus, withdrawing from the interconnection process and then re-entering when a PPA is executed may put at risk the ability of the developer to meet the required commercial operation date.

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<sup>12</sup> The large volume of interconnection agreements that have been executed in SCE's territory over the past 12-18 months that are currently in construction phase means that resources (crews and long-lead time equipment) are allocated based upon the developer's ability to have their designs completed in a manner that allows the projects to be scheduled in line with other projects in the same phase.

The BAC proposal states the following: “IOUs can facilitate the just the [sic] interconnection piece within 24 months as interconnection is only a small portion of the entire project.”<sup>13</sup> Until the applicant receives its interconnection study results, there is no ability for SCE to facilitate or expedite any portion of an interconnection plan of service for one of these proposed facilities. This is particularly true if the proposed facility requires distribution or network upgrades that require time-consuming permitting/licensing prior to construction.

To summarize, SCE believes that the BAC proposal underestimates the timing impact that withdrawal and re-entering the queue may pose to an applicant. The BAC proposal does nothing to increase the speed of interconnection for these projects, and could have the opposite effect of delaying their construction and jeopardizing PPAs or other procurement programs they are seeking.

#### **4. Response to Question 4**

*Compare the potential impact on the administration of the BioMAT program of the BAC interconnection proposal to the Staff Proposal on interconnection, addressing at least the following issues:*

*a. Management of the interconnection queue*

*b. Interconnection costs for BioMAT participants*

*c. Costs to ratepayers of BioMAT projects that receive PPAs.*

a) The efficient management of the interconnection process requires established rules well in advance that apply to all participants equally. Any attempt to grant exceptions, or allow certain projects to advance to the “front of the line,” would have a detrimental impact on all other participants in the interconnection process.

b) Interconnection costs are dependent on many factors, particularly the location of the point of interconnection and the state of the grid near the point of interconnection, making it difficult to estimate

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<sup>13</sup> Bioenergy Association of California’s Comments on Administrative Law Judge’s Ruling on the Staff Proposal to Implement the Governor’s Emergency Proclamation on Tree Mortality and Seeking Comment on the Staff Proposal, February 26, 2016, p. 15.

whether the BAC proposal would reduce interconnection costs for participants. For the reasons stated previously, SCE believes that contrary to BAC's goal of reducing uncertainty, its proposal will add to developer uncertainty due to the risk of re-starting the interconnection process and the associated delays in moving towards an interconnection agreement and construction of required facilities. The use of a pre-application report (PAR) is not an efficient means of lowering this risk. The PAR can give some level of assurance that the grid has not changed at the proposed point of interconnection, but provides no guarantee that something else may not have changed elsewhere on the distribution system in the interim that might lead to a change in the project's plan of service and financial responsibilities. The Fast Track screens in particular are very sensitive to localized changes to the grid. For example, one of the Fast Track screens that applicants often fail is the 15% of peak load penetration screen. Generally speaking, to remain under the 15% peak load screen, a generating facility can be no larger than 1.5 MW interconnecting to a typical 12 kV SCE distribution circuit that has a peak load of 10 MVA. Higher voltage circuits can support higher penetration rates, but it does not take many new entrants on a given circuit to foreclose Fast Track eligibility for later queued generating facilities. The PAR will be able to identify whether there are new entrants proposing to interconnect on a given circuit, but not much beyond that. The PAR is a simplified analysis that does not examine system impacts or provide any cost information.

c) BAC seems to indicate that some of their members intend to enter the BioMAT queue and "wait it out" along with at least four other unaffiliated applicants<sup>14</sup> in hopes that the PPA price will rise to a level much higher than the starting price of \$127.72/MWh. To reach BAC's proposed PPA price of \$187.72/MWh would require a minimum of six consecutive price increases, or one full year. This assumes that no applicant accepts the BioMAT PPA price during that period. If the number fell below five unaffiliated applicants, or if an applicant elected the price during that period, the price increase string would be reset, and the time required to reach \$187.72/MWh would be longer than one year.

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<sup>14</sup> Three unaffiliated applicants (statewide) are required for an initial price adjustment, which would occur after the first BioMAT PPA was executed. After that, any further price adjustments require at least five unaffiliated applicants in the BioMAT queue.

Under the original scenario, the resulting BioMAT PPAs would be priced about 50% higher than would be the case if applicants accepted a price at or near the starting price. Costs to SCE's customers would be proportionately higher. In addition, as discussed earlier, there is risk of a facility's interconnection costs and network upgrade costs being significantly different from the original cost estimates. In the event those costs rise substantially, that would require a BioMAT applicant to wait to accept an even higher PPA price in order to achieve a reasonable rate of return. Again, in such a scenario, costs to SCE's customers would be higher.

**5. Response to Question 5**

*If the Commission were to adopt the BAC interconnection proposal, should it apply to the entire BioMAT program? Why or why not?*

The BAC interconnection proposal should not apply to the entire BioMAT program because the assumptions and conditions described in the BAC interconnection proposal do not apply to other BioMAT customers. BioMAT is a feed-in tariff that establishes a price for the program that adjusts in accordance with market offers. Parties that participate in BioMAT programs typically participate in the BioMAT program when the price paid for energy and capacity for a project closely match the revenue required to develop the project. In this unique case, project developers are seeking to obtain a place in the queue with the expectation that eventually the project economics will become more favorable for the developers. Due to the unique nature and limited scope of BAC's interconnection request, even if the Commission were to adopt the BAC interconnection proposal, it should not adopt the proposal for the entire BioMAT program.<sup>15</sup>

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<sup>15</sup> The Emergency Declaration itself limits the CPUC's actions related to interconnection agreements to "forest bioenergy facilities in high hazard zones." Emergency Declaration, Ordering Paragraph 10.

**6. Response to Question 6**

*If the BAC interconnection proposal should not apply to the entire BioMAT program, should it apply only to generators in Category 3? Should only those generators using fuel from high hazard zones be included? Please provide a detailed rationale for your position.*

As stated above, SCE does not believe that the BAC interconnection proposal should be adopted because it violates a basic tenet of open access interconnection that applies rules in a nondiscriminatory manner to all parties. BAC's interconnection proposal would apply a different set of rules to a subset of parties. As such, if the Commission adopts all or part of BAC's interconnection proposal in order to support the Emergency Proclamation, the changes should only apply to BioMAT projects that use material from High Hazard Zones.

**7. Response to Question 7**

*If the BAC interconnection proposal is adopted, should the Commission set a condition that the terms of the BAC interconnection proposal will expire once the tree mortality emergency declared by the Emergency Proclamation has been declared to be over? Should the Commission set a different expiration date? Please provide a detailed rationale for your position.*

SCE opposes adoption of the BAC interconnection proposal. However, should the Commission decide to adopt the proposal, or a variation of it, the special treatment should be terminated prior to the end of the Emergency Proclamation to avoid plants using the BAC interconnection proposal to get a PPA for a project that does not come on-line until after the Emergency Proclamation has ended. SCE recommends that if the Commission were to accept all or part of the BAC interconnection proposal, once the Emergency Proclamation has been declared to be over, BioMAT procurement activities for projects using high hazard zone fuels, as well as the associated requirements adopted as a result of the BAC interconnection proposal, should immediately be terminated.

**8. Response to Question 8**

*What changes would be required to the BioMAT tariff and the BioMAT PPA in order to implement the BAC interconnection proposal? Please specify and justify the changes proposed. A redline version of the current tariff and/or PPA reflecting the proposed changes should be attached to the comments.*

Section 10 of the Emergency Proclamation does require the Commission to “prioritize facilitation of interconnection agreements for forest bioenergy facilities in high hazard zones.” SCE does not believe that BAC’s proposal accomplishes this objective. SCE understands that PG&E will propose an alternative method to facilitate BioMAT interconnections for these projects, as PG&E has the bulk of the capacity for this BioMAT category.

**IV.**

**CONCLUSION**

SCE respectfully requests the Commission consider and adopt the recommendations made in these Supplemental Comments.

Respectfully submitted,

ROBERT F. LeMOINE

*/s/ Robert F. LeMoine*

By: Robert F. LeMoine

Attorney for  
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue  
Post Office Box 800  
Rosemead, California 91770  
Telephone: (626) 302-4476  
Facsimile: (626) 302-6693  
E-mail: robert.f.lemoine@sce.com

May 25, 2016

**VERIFICATION**

I am a Manager in the Procurement Policy Organization of Southern California Edison Company and am authorized to make this verification on its behalf. I have read the foregoing SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) SUPPLEMENTAL COMMENTS ON INTERCONNECTION ISSUES RELATED TO THE BIOENERGY FEED-IN TARIFF. 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 **25th day of May, 2016**, at Rosemead, California.

*/s/ Janos Kakuk*

By: Janos Kakuk

SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue  
Post Office Box 800  
Rosemead, California 91770