

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



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Order Instituting Rulemaking to Continue
Implementation and Administration, and
Consider Further Development of, California
Renewables Portfolio Standard Program

Rulemaking 15-02-020
(Filed February 26, 2015)

**COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U902-E)
ON INTERCONNECTION ISSUES RELATED TO THE BIOENERGY FEED-IN
TARIFF**

Paul A. Szymanski
Senior Regulatory Counsel
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court, CP32D
San Diego, CA 92123
Telephone: (858) 654-1732
Facsimile: (619) 699-5027
E-mail: pszymanski@semprautilities.com

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedures of the California Public Utilities Commission (“Commission”), and Administrative Law Judge Anne E. Simon’s May 6, 2016, Ruling Requesting Supplemental Comment on Interconnection Issues Related to the Bioenergy Feed-in Tariff Under the California Renewables Portfolio Standard (“Ruling”), San Diego Gas & Electric Company (“SDG&E”) hereby comments on the interconnection proposal of Bioenergy Association of California (“BAC”).¹

In part, the Emergency Proclamation² directs the Commission to act to facilitate the use of dead trees from high hazard zones (“HHZ”) as fuel for renewables portfolio standard (“RPS”) eligible generation facilities, including the possible adjustment to the bioenergy feed-in tariff (“BioMAT”) program.³ The Emergency Proclamation orders the Commission to take expedited action to ensure that contracts for new forest bioenergy facilities that receive feedstock from HHZ can be executed within six months.⁴ SDG&E fully supports this goal and believes that it is

¹ All statutory references herein are to the California Public Utilities Code unless otherwise specified.

² On October 30, 2015, Governor Brown issued the Emergency Proclamation on Tree Mortality (“Emergency Proclamation”).

³ Ruling at 2.

⁴ Emergency Proclamation at Ordering Paragraph 9.

important to execute power purchase agreements (“PPAs”) with projects that can demonstrate a reasonable likelihood of meeting its commercial online date within the contractually allotted time. If projects cannot demonstrate viability then they should not be allowed to tie up program capacity.

In February BAC filed comments⁵ in this proceeding including a new proposal on the process of interconnection for BioMAT projects using fuel consisting of byproducts of sustainable forest management (referred to as “Category 3” for BioMAT purposes).⁶ BAC proposes that the Commission allow projects to participate in the BioMAT queue even if the projects do not maintain an active position in the interconnection queue. BAC’s Proposal to remove the interconnection requirement for HHZ projects participating in the BioMAT program hinges on its belief that, “it is unreasonable to ask that a project demonstrate viability before it is offered an acceptable PPA.”⁷ In SDG&E’s opinion, it is unreasonable to sign a contract with a counterparty that is unsure of whether or not it can meet the terms of the contract. It is also discriminatory to allow projects that cannot demonstrate viability to occupy limited program capacity, possibly to the detriment of other, more viable projects. Project viability is applied consistently across multiple procurement programs (e.g. Re-MAT, RAM, etc.) and promotes fairness in the BioMAT process by ensuring that projects that receive contracts can actually be developed in the required time.

⁵ BAC opening comments in response to the Administrative Law Judge’s Ruling (1) Accepting into the Record the Energy Division Staff Proposal to Implement Governor’s Emergency Proclamation on Tree Mortality by Making Targeted Changes to the Bioenergy Market Adjusting Tariff Program to Facilitate Contracts with Facilities Using Fuel from High Hazard Zones and (2) Seeking Comment on Staff Proposal filed February 26, 2016, (“BAC Comments”).

⁶ Ruling at 2-3.

⁷ BAC Comments at 13.

II. DISCUSSION

With respect to BAC's Proposal, SDG&E responds as follows:

Ruling 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.

SDG&E's Response to Question 1.

SDG&E believes BAC's Proposal would have no effect on either Rule 21 or Wholesale Distribution Access Tariff ("WDAT") interconnection procedures. BAC's proposal is to remove the interconnection requirements as an eligibility screen for participation in the BioMAT program for projects using HHZ fuel. Any changes to the Rule 21 interconnection process would need to be litigated in the Commission's Rule 21 proceeding.

Ruling 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.

SDG&E's Response to Question 2.

In order for a Phase 1 interconnection study to be valid for a particular project, the project must have an active position in the interconnection queue. Once a project is removed from the queue the studies performed on that project may no longer be accurate at the time the project re-enters the interconnection queue. Accordingly, should interconnection costs increase, the

economic viability of a project becomes an issue. SDG&E is unaware of any viability screens that can replace an active interconnection queue and valid up-to-date interconnection studies.

Ruling 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.

SDG&E's Response to Question 3.

SDG&E is concerned that projects will not be able to come online by their contractual commercial online date if they do not hold an active position in the interconnection queue. Historically, project development for renewable distributed generation 3 MW and below has been challenging in SDG&E's territory. Allowing projects to execute a PPA without an active interconnection queue position will add uncertainty regarding the projects ability to meet its contractual online date of 30 months (24 months plus the 6 month extension). Removing this key viability screen may increase the likelihood of "zombie" PPAs taking up program capacity with little chance of ever coming online. Granting PPAs to projects that are unlikely to meet their contractual obligation to come online within 30 months will likely only hinder progress towards meeting the goals of the Emergency Proclamation by delaying the online dates of the projects and increasing the chances that the seller will miss its contractual commercial online date.

Ruling 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.

SDG&E's Response to Question 4.

The biggest impact adoption of BAC's Proposal would have on the BioMAT program is the increase in the likelihood of "zombie" PPAs taking up capacity despite the fact that they may not be viable. If a non-viable project secures a PPA that capacity allocation is unavailable to other potentially viable projects for up to 30 months before the contract can be terminated. This could result in non-viable projects taking up program capacity that would otherwise be given to a project with a higher chance of success. The Commission adopted the current interconnection viability criteria to "promote the participation of viable projects capable of achieving commercial operation in a timely manner, and to efficiently manage the project queue if projects fail to comply with these criteria."⁸ It would be detrimental to the program and possibly discriminatory to other developers to allow projects that cannot demonstrate viability to participate.

In addition to increasing the chances of non-viable projects occupying program capacity, SDG&E is concerned that if BAC's interconnection proposal is adopted it will encourage an increased number of speculative projects to sit in the BioMAT program participation queue to take advantage of the rising strike price. In their comments, BAC confirms that their interconnection proposal is simply a workaround to increasing the contract price stating, "[i]f the Commission adopts a starting price that allows developers to accept without further delay...then this [interconnection requirement] will not be a barrier."⁹ It is inappropriate to eliminate the interconnection viability screen as a means to increase the offer price for PPAs under this program. The Commission should maintain the established interconnection viability screen and allow the market adjustment mechanism to function as it was designed to find a fair market price

⁸ Black and Veatch Implementation Assessment Ruling Accepting Energy Division Staff proposal on the Record.

⁹ BAC Comments at 12

for these projects. Doing so will protect ratepayers from inflated contract costs and maintain the integrity of the procurement process.

Ruling Question 5. If the Commission were to adopt the BAC interconnection proposal, should it apply to the entire BioMAT program? Why or why not?

SDG&E Response to Question 5.

If the Commission does decide to adopt the BAC Proposal, it should not apply the proposal to the entire BioMAT program. For the reasons stated above, SDG&E does not believe relaxing the viability screens for program participation will increase the success of the BioMAT program in achieving the desired results of the Emergency Proclamation. The BioMAT program really only began at the beginning of 2016, it seems illogical to make such a sweeping change when the current BioMAT program has only been in existence for a short period of time.

Ruling 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.

SDG&E Response to Question 6.

If the Commission does decide to adopt the BAC Proposal, it should not apply it to all generators in Category 3. For the reasons stated above, SDG&E does not believe relaxing the viability screens for program participation will increase the success of the BioMAT program in achieving the desired results of the Emergency Proclamation.

Ruling 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.

SDG&E Response to Question 7.

If the Commission does decide to adopt the BAC Proposal, it should limit the exception to the duration of the tree mortality emergency as declared by the Emergency Proclamation.

Ruling 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.

SDG&E Response to Question 8.

SDG&E has no comments at this time.

III. CONCLUSION

SDG&E respectfully requests that the Commission reject BAC's Proposal or implement BAC's Proposal consistently with SDG&E's comments.

Respectfully submitted this 25th day of May, 2016.

By: /s/ Paul A. Szymanski
Paul A. Szymanski
Senior Regulatory Counsel
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court, CP32D
San Diego, CA 92123
Telephone: (858) 654-1732
Facsimile: (619) 699-5027
E-mail: pszymanski@semprautilities.com

AFFIDAVIT

I am an employee of the respondent corporation herein, and am authorized to make this verification on its behalf. The matters stated in the foregoing **COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U902-E) ON INTERCONNECTION ISSUES RELATED TO THE BIOENERGY FEED-IN TARIFF** are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 25th day of May, 2016, at San Diego, California,

/s/ Fernando Valero

Fernando Valero
Partnerships and Programs Manager
Origination and Portfolio Design Department