

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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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)

**THE OFFICE OF RATEPAYER ADVOCATES' COMMENTS ON
ALTERNATE PROPOSED DECISION GRANTING JOINT MOTIONS
TO APPROVE PROPOSED REVISIONS TO ELECTRIC TARIFF RULE
21, AND PROVIDING SMART INVERTER DEVELOPMENT A
PATHWAY FORWARD FOR PACIFIC GAS AND ELECTRIC
COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, AND
SAN DIEGO GAS & ELECTRIC COMPANY.**

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Office of Ratepayer Advocates (ORA) submits the following comments on the Alternate Proposed Decision (APD) of Commissioner Sandoval, dated May 6, 2016. The APD grants the joint motions of Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE), (collectively IOUs) to modify Electric Tariff Rule 21 to: (1) provide earlier and more reliable interconnection cost information to electric generation developers, and (2) set forth the process for analyzing requests for interconnection of electricity storage devices. The APD establishes a Cost Envelope framework and allows for the creation of a memorandum account for interconnection cost for a pilot period of five years.

As previously noted in comments, ORA supports the Proposed Decision (PD), dated February 16, 2016, with the modifications included in ORA's Comment on the PD¹. ORA objects to the ratemaking treatment proposed in the APD for underestimates and overestimates of interconnection costs. However, if the Commission adopts the APD, ORA recommends the Commission revise the APD by:

- 1) Requiring utilities to file an application requesting Commission approval for cost recovery of overruns recorded in the memorandum account.
- 2) Shortening the term of the pilot period for the Cost Envelope framework from five years to three years.

II. DISCUSSION

The APD proposes each utility create a memorandum account for interconnection cost overruns. A memorandum account is a ratemaking mechanism used to track costs, which the Commission then subjects to a reasonableness review. In order to conduct a

¹ The ORA's Comments on PD, dated March 7, 2016, Attachment 1.

reasonableness review, a party, such as ORA, would need to review each project and determine whether the costs are reasonable on a project-by-project basis. In dicta, the APD discusses a “traditional line item accounting format”² to be used in a memorandum account, but does not define with sufficient specificity what that entails. More importantly, the Ordering Paragraphs are silent on specific accounting practices and thus it is possible the cost overruns may be aggregated in a memorandum account and information necessary to review the reasonableness of a specific project may not be included. 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 Commission’s alternative to the APD is to adopt the PD. Per the PD, costs are shared between the Applicant and the IOU. The IOU is incentivized to be as accurate as possible in its costs estimates so that its shareholders do not bear the burden of cost overruns if its estimates are inaccurate. An Applicant would likely incorporate any cost overrun into the price of energy in its Purchase Power Agreement (PPA) thereby passing the cost of the interconnection to ratepayers via the energy price. The APD provides less of an incentive for the IOUs to provide accurate cost estimates by allowing them to track cost overruns in a memorandum account for possible recover from ratepayers.

The APD’s proposed five-year term for the interconnection pilot projects should be shortened to three years. Three years will provide sufficient time for the pilot to inform the Commission if utility forecasts are inaccurate, if ratepayers and Applicants are paying too much in interconnection costs for utility inaccuracies in forecasting, and if the pilot program is increasing the rate of interconnections.

² APD at pp. 33-34.

III. CONCLUSION

ORA recommends the Commission adopt the PD with the revisions recommended in ORA's March 7, 2016 Comments. In the alternative, if the Commission adopts the APD, ORA recommends the Commission revise the APD as summarized in above. ORA's recommended changes to the APD are also in Attachment A.

Respectfully submitted,

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ATTACHMENT A

Proposed Finding of Facts, Conclusions of Law, and Ordering Paragraph
ORA recommends the following Proposed Finding of Fact, Proposed
Conclusion of Law, and Proposed Ordering Paragraph. The proposed language is
in red font.

Proposed Finding of Fact

13. ~~It is reasonable to create a memorandum account for the cost envelope
framework accounting.~~

13. Review of interconnection cost over/under collections is best evaluated
by an application for a reasonableness review.

14. Interconnection projects are best evaluated on an individual rather than
aggregated basis.

15. Accounting practices adopted to track interconnection cost overruns or
underruns must include sufficiently granular information to allow a reasonableness
analysis to be conducted.

16. In applications to evaluate the disposition of amounts in a memorandum
account the burden is on the utility to demonstrate the reasonableness of costs.

17. Cost overruns not captured in a memorandum account will likely
become a component of the costs of delivered power.

18. A 5 year interconnection pilot program is too long.

19. Three years is an adequate time to evaluate an interconnection pilot
program.

20. It is reasonable to utilize the cost envelope framework on a ~~5~~ 3 year
pilot basis.

Proposed Conclusion of Law

4. Decision 12-09-018 establishes interconnection rules for developers and
utilities in adopting Electric Tariff Rule 21 (Rule 21). Rule 21 should be updated

to apply a cost envelope of 25% for interconnection processes. This cost envelope should apply for a provisional ~~five~~ **three** year term.

8. The utilities should **submit an application for Commission approval, subject to a reasonableness review, for** ~~create a memorandum account to track~~ interconnection costs that are either above or below the 25% cost envelope for reasonableness review ~~for recovery in either a general rate case or in a subsequent application.~~

The application ~~memorandum account~~ should include a description of the main driver(s) of the inaccurate estimate, and an explanation of **why the cost overrun could not be avoided by the utility and** how the utility attempted to mitigate or take steps to prevent estimates outside of the 25% range. **It is unreasonable for the utility to not attempt to mitigate the costs overrun.**

10. It is reasonable for utilities to seek to recover from ratepayers the interconnection costs that exceed the cost envelope framework.

The **burden of proof should be on the utilities to demonstrate that by a preponderance of the evidence that cost overruns are reasonably and prudently incurred.** ~~a showing of reasonableness.~~

Reasonableness reviews should occur either as part of a utility's general rate case or as a standalong application.

Proposed Ordering Paragraph

3. Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company shall file Tier 2 advice letters within 30 days of the effective date of today's decision proposing revisions to Electric Tariff Rule 21 establishing a cost envelope of 25% for interconnection-related expenses. This cost envelope shall apply for ~~five~~ **three** year term.

6. Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company shall **submit an application for each** ~~create a memorandum account to track~~ interconnection costs that are either above or below the 25% cost envelope for reasonableness review ~~for recovery in either a general rate case or in a subsequent application.~~ The **application memorandum account** shall include a description of the main driver(s) of the inaccurate estimate, and an explanation of **why the cost overrun could not be avoided by the utility and** how the utility attempted to mitigate or take steps to prevent estimates outside of the 25% range. **It is unreasonable for the utility to not attempt to mitigate the costs**

overrun. The application shall account for interconnection costs on a project level basis that provides the technical specification of the interconnection and the cost of component parts and labor for each interconnection.