PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 18-07-003:

This is the proposed decision of Administrative Law Judge Atamturk. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's November 8, 2018, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.3(c)(4)(B).

/s/ ANNE E. SIMON
Anne E. Simon
Chief Administrative Law Judge

AES:jt2

Attachment

Decision **PROPOSED DECISION OF ALJ ATAMTURK (Mailed 10/5/2018)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking To Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program.	Rulemaking 18-07-003

DECISION IMPLEMENTING ASSEMBLY BILL 1923 PROVISIONS RELATED TO INTERCONNECTION RULES FOR THE BIOENERGY FEED-IN TARIFF UNDER THE CALIFORNIA RENEWABLES PORTFOLIO STANDARD

Table of Contents

Title **Page**

DECISION IMPLEMENTING ASSEMBLY BILL 1923 PROVISIONS RELATED TO INTERCONNECTION RULES FOR THE BIOENERGY FEED-IN TARIFF UNDER THE CALIFORNIA RENEWABLES PORTFOLIO STANDARD

Summary

This decision implements changes to interconnection rules for California's Bioenergy Market Adjusting Tariff (BioMAT) program in accordance with Assembly Bill 1923 (Wood), Stats. 2016, ch. 663, which amends Pub. Util. Code § 399.20(b).[1] For the purposes of the BioMAT program, this decision:

- Determines that a facility may participate in the BioMAT program if it interconnects to an existing transmission line owned by the utility, controlled by the California Independent System Operator (CAISO), with a voltage level determined by the utility and that is built and operational as part of the transmission system, instead of the distribution system, as of the submittal date of the BioMAT applicant's Program Participation Request (PPR) application for the facility.
- Revises the definition of "strategically located" facilities.
- Confirms that the $300,000 cap on interconnection upgrades applies to a facility interconnecting to an existing transmission line.
- Confirms that Category 3 generation facilities may maintain their BioMAT program queue position if they drop out of the California Independent System Operator queue, so long as they resubmit an interconnection application within 30 days of executing a BioMAT contract and all other BioMAT requirements and timelines have been met.
- Adopts the BioMAT program deposit amount for facilities that drop out of the CAISO interconnection queue.

[1] Unless otherwise noted, all further references to code sections are to the Public Utilities Code.

- Directs Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company, within 30 days of the date of this decision, to file and serve Tier 2 advice letters incorporating changes made by this decision into their BioMAT tariffs, standard contracts, and ancillary documents.

This proceeding remains open.

1. Procedural History

Senate Bill (SB) 1122 (Rubio), Stats. 2012, ch. 612, created a new bioenergy feed-in tariff within the procurement programs of the Renewables Portfolio Standard (RPS) program[2] and required the investor-owned utilities (IOUs) to procure an additional 250 megawatts (MW) of renewable feed-in-tariff (FiT) resources from small-scale bioenergy projects that commence operation on or after June 1, 2013.[3] In Decision (D.) 14-12-081 and D.15-09-004, the Commission established a bioenergy FiT program, known as the Bioenergy Market Adjusting Tariff (BioMAT). The BioMAT program began offering contracts in February 2016.

The Commission modified the BioMAT program in response to legislative mandates. In D.16-10-025, the Commission implemented several changes to the BioMAT program for generation facilities using forest biomass as fuel (Category 3)[4] in response to the tree mortality emergency identified in the Governor's October 30, 2015 Proclamation of a State of Emergency and SB 840, Stats. 2016, ch. 341.

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[2] The RPS program is codified at Pub. Util. Code § 399.11-399.32.

[3] The provisions of SB 1122 are codified at Section 399.20(f).

[4] Category 3 generation facilities use sustainably harvested forest biomass fuel (D.14-12-081 at 83-85) and/or high hazard zone fuel (as modified by D.16-10-025 at 10).

More recently, in D.17-08-021, the Commission implemented changes to the capacity limits for generation facilities in the BioMAT program in accordance with amendments made to Section 399.20(f) by Assembly Bill (AB) 1923. Specifically, in order to allow for greater participation in the BioMAT program, the nameplate capacity for bioenergy generation facilities to be eligible for the BioMAT program was increased to 5 MW.

To implement the AB 1923 provisions related to interconnection rules for the BioMAT program, on October 4, 2017, the *Administrative Law Judge's Ruling Requesting Comment on Staff Proposal for Implementing Assembly Bill 1923 Provisions Related to InterConnection Rules for the BioEnergy Feed-in Tariff Under the California Renewables Portfolio Standard* (BioMAT Interconnection Ruling) was issued in Rulemaking 15-02-020. Comments were filed on October 24, 2017 by California Biomass Energy Alliance (CBEA); Coalition for the Efficient Use of Transmission Infrastructure (CETI); Pacific Gas and Electric Company (PG&E); Southern California Edison Company (SCE); and San Diego Gas & Electric Company (SDG&E). Reply comments were filed on October 31, 2017 by CBEA; the Office of Ratepayer Advocates (ORA);[5] and PG&E, SCE, and SDG&E (jointly; collectively, investor-owned utilities (IOUs)).

2. Staff Proposal to Implement New Section 399.20(b)

In this decision, we review the staff proposal included in the BioMAT Interconnection Ruling and determine what modifications, if any, are warranted

[5] The Office of Ratepayer Advocates was renamed the Public Advocates Office of the Public Utilities Commission pursuant to Senate Bill 854, which the Governor approved on June 27, 2018.

to implement relevant provisions of AB 1923 (Wood), Stats. 2016, ch. 663, which amended Pub. Util. Code Section 399.20(b).

Before it was amended by AB 1923, Section 399.20(b) required all eligible electric generation facilities to meet four criteria. The third criterion as listed in Section 399.20(b)(3) was:

> Is strategically located and interconnected to the electrical transmission and distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers.

AB 1923 amended Section 399.20(b)(3) to read as follows:

> (A) Except as provided in subparagraph (B), is strategically located and interconnected to the electrical transmission and distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers.
>
> (B) For purposes of paragraph (2) of subdivision (f), is strategically located and interconnected to the electrical transmission and distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers or is interconnected to an existing transmission line.

In order to implement the amended Section 399.20(b)(3) and harmonize the amendments required by AB 1923 with D.16-10-25,[6] the staff proposed the following changes to the interconnection requirements for participating in the BioMAT program:[7]

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[6] D.16-10-025 implemented SB 840, Stat. 2016, ch. 341, which, among others, amended Section 399.20(f) to revise the eligibility requirements for participation in the BioMAT program.

[7] October 4, 2017, the Administrative Law Judge's Ruling Requesting Comment on Staff Proposal for Implementing Assembly Bill 1923 Provisions Related to InterConnection Rules for the BioEnergy Feed-in Tariff Under the California Renewables Portfolio Standard at 3 and 4.

- A facility that interconnects to an existing transmission line that is in existence and part of the transmission system, instead of the distribution system, as of the date of the participant's Program Participation Request application for the facility may participate in BioMAT.
- For facilities connecting to an existing transmission line, the participant/developer is allowed the option to pursue the California Independent System Operator (CAISO) interconnection process for interconnecting the facility.
- Category 3 facilities may maintain their BioMAT queue position if they drop out of the CAISO queue and resubmit an interconnection application within 30 days of executing a BioMAT contract, similar to the current process for Category 3 facilities and the Rule 21 queue adopted in D.16-10-025.
- The BioMAT program deposit amount for facilities that drop out of the CAISO interconnection process but remain in the BioMAT queue should be the cost of the CAISO Cluster Process System Impact Study (SIS), *i.e.*Deposit = $50,000 + ($1,000 * MW of facility capacity).

We discuss the staff proposal in Section 2.1 through Section 2.4.

2.1. Existing Transmission Line Definition

AB 1923 modified 399.20(b)(3) by, among other things, adding the option for generation facilities participating in the BioMAT program to interconnect to an existing transmission line. The staff proposal defines an existing transmission line as a transmission line that is "in existence and part of the transmission system, instead of the distribution system, as of the date of the participant's Program Participation Request application for the facility."

No party objects to the definition of an existing transmission line provided in the staff proposal. PG&E and SCE mostly agree with the existing transmission line definition in the staff proposal, but they suggest modifications (1) to ensure that the transmission line is built and operational and (2) to avoid

interconnection challenges associated with lengthy transmission siting, permitting, and construction.[8] Stating that the voltage level and CAISO control are key differentiators between distribution and transmission lines, PG&E recommends that existing transmission lines be defined as being CAISO-controlled and having a voltage level of 60 kilovolts (kV) – 500 kV, and utility-owned.[9] PG&E also adds that the IOUs may have different definitions for delineating their distribution and transmission systems. SDG&E requests that the type of utility infrastructure included in the definition be clarified to mean points of existing transmission interconnection located at transmission substations or switchyards, or "looping-in" to a new switchyard.[10]

We find that SDG&E's request can potentially be overly limiting where an interconnection could be and increase project costs, thereby disregarding the intent of AB 1923 for providing greater access to the grid at a reasonable cost. Because the modifications suggested by PG&E and SCE provide more clarity to the staff proposal, we find these modifications reasonable and adopt the following "existing transmission line" definition:

> "Existing transmission line" should be defined as a transmission line (1) owned by the utility, (2) controlled by CAISO, (3) with a voltage level determined by the utility and that (4) is built and operational as part of the transmission system, instead of the distribution system, as of the submittal date of the BioMAT applicant's Program Participation Request (PPR) application.

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[8] PG&E Comments at 2 and SCE Comments at 2.

[9] PG&E Comments at 1.

[10] SDG&E Comments at 5.

Based on the new "existing transmission line" definition, the staff proposal is modified and adopted herein:

> A facility may participate in the BioMAT program if it interconnects to an existing transmission line owned by the utility, controlled by CAISO, with a voltage level determined by the utility and that is built and operational as part of the transmission system, instead of the distribution system, as of the submittal date of the BioMAT applicant's Program Participation Request (PPR) application for the facility.

The adopted definition and staff proposal assume that radial transmission facilities and subtransmission lines, owned by the utility, but not controlled by CAISO, are considered to be distribution facilities, and hence these transmission facilities have already been available for interconnection under the BioMAT program.[11]

2.2. "Strategically Located" Requirement

Before it was amended, Section 399.20(b)(3) required that an eligible generation facility must be "strategically located and interconnected… in a manner that optimizes the deliverability of electricity generated at the facility to load centers." In D.12-05-035, as modified by D.13-01-041, the Commission determined that Section 399.20(b)(3) should be implemented by requiring that:

> ... a generator must be interconnected to the distribution system, as opposed to the transmission system, and sited near load, meaning in an area where interconnection of the proposed generation to the distribution system requires $300,000 or less of upgrades to the transmission system. (D.12-05-035, Conclusion of Law 36.)

[11] See PG&E Wholesale Distribution Tariff, Section 2.13 and Southern California Edison Wholesale Distribution Tariff, Section 2.9.

In this section, we determine whether any changes to the "strategically located" requirement are warranted to implement AB 1923.

2.2.1. Applicability of "Strategically Located" Requirement'

The BioMAT Interconnection Ruling asked the parties whether the current "strategically located" requirement applies to generation facilities that interconnect to an existing transmission line pursuant to AB 1923 and whether the "strategically located" requirement should be modified to implement AB 1923.

Most parties agree that the requirement of being "strategically located" applies to generation facilities interconnected at the distribution level as well as to those generation facilities interconnected at the transmission level.

CBEA asserts that according to the plain language of new Section 399.20(b)(3), the current "strategically located" requirement does not apply to generation facilities connected at the transmission level. According to CBEA, the new clause added by AB 1923 is an "or" clause and is not conditioned on being "strategically located."[12] CBEA believes that the new clause added by AB 1923 only requires generation facilities being interconnected to an existing transmission line and existing transmission lines that are currently in service delivering power to load centers are, by definition, strategically located.

CETI argues that it is ambiguous as to whether the legislature intended to preserve the "strategically located" requirement for projects that interconnect to existing transmission lines. CETI further argues that given the Commission's current interpretation that being strategically located means being

[12] CBEA Comments at 2.

interconnected at the distribution level,[13] and the legislative mandate that allows BioMAT program projects to interconnect to "existing transmission," AB 1923 must be read as either not requiring projects interconnecting to "existing transmission" to be "strategically located," or the Commission must revise its definition of the term "strategically located." CETI prefers the latter solution and contends that there is no reason why projects interconnecting to existing transmission should not be required to be strategically located, while the projects at the distribution level are still required to meet that requirement.[14]

PG&E and SCE agree that the requirement of being "strategically located" applies to generation facilities connected at the transmission level. PG&E opines that the original intent of SB 1122 is to ensure that projects are strategically located and close to load regardless of where a facility interconnects on the grid. PG&E adds that the objective of AB 1923 is not to change the original intent but allow generation facilities to be interconnected to a broader portion of the grid.[15]

Similarly, SCE states that the "strategically located" requirement in Section 399.20(b)(3) applies to projects interconnected to the distribution system as well as to projects interconnected to an existing transmission line. SCE argues that although SB 1122 and D.14-12-081 did not contemplate BioMAT facilities interconnecting to an existing transmission line, the intent is to encourage developers to site load in support of the grid and to protect bundled customers from excessive costs related to transmission upgrades.[16]

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[13] D.12-05-035 at COL 36.

[14] CETI Comments at 6.

[15] PG&E Comments at 2.

[16] SCE Comments at 3.

We agree with PG&E and SCE: The intent of the legislation is to have generation facilities interconnected to a broader grid without eliminating the "strategically located" requirement. We also agree with CETI that it is reasonable that projects interconnecting to an existing transmission line should be required to be strategically located since projects interconnecting to a distribution line are required to meet that requirement.

The new clause added by AB 1923 allows generation facilities to interconnect to an existing transmission line. The current definition of "strategically located" does not cover generation facilities interconnected at the transmission level. Therefore, it is only logical that we revise the definition of "strategically located" to align AB 1923 with Section 399.20, so that the definition of "strategically located" means that the generator be interconnected to the distribution system or the existing transmission system.

2.2.2. The $300,000 Cap to Interconnection Upgrades

When D.14-12-081 adopted the BioMAT program,[17] the Commission determined that a generation project should be "strategically located" as required by Section 399.20 if the cost of network transmission upgrades when the project interconnects to the distribution system does not exceed $300,000 or if the project developer pays any difference between the actual network transmission upgrade costs and $300,000:

> In order to take account of the realities of the technology types identified in SB 1122, for purposes of the bioenergy FiT only, a

[17] D.14-12-081 implemented SB 1122, which amended Section 399.20 to require the IOUs to procure mandated quantities of RPS-eligible generation from facilities using specified bioenergy.

> generation project should be considered to be "strategically located" as required by Section 399.20 if the cost of network transmission upgrades when the project interconnects to the distribution system does not exceed $300,000, or if the project developer pays any difference between the actual network transmission upgrade costs and $300,000. (D.14-12-081, Conclusion of Law 41.)

SB 1122 and D.14-12-081 did not contemplate BioMAT facilities interconnecting to an existing transmission line. Because the new Section 399.20 allows the option for generation facilities participating in the BioMAT program to interconnect to an existing transmission line, the question before us is whether the $300,000 cap on transmission system upgrades should also apply to generation facilities connecting to existing transmission lines.

CETI, PG&E and SCE agree that the $300,000 cap applies to the required transmission upgrades. PG&E argues that the original intent of SB 1122 is to ensure that projects are strategically located and close to load regardless of where a facility interconnects on the grid. According to PG&E, the $300,000 cap enforces this intent. PG&E explains that to the extent transmission-interconnection projects are triggering network upgrades, there is no reason to waive this requirement as the cap is intended to incentivize developers to select project locations and interconnections that minimize impacts to the grid.

ORA agrees with PG&E that "enforcing the $300,000 cap is essential to maintain some semblance of the original intent of the statute to ensure projects are 'strategically' located." ORA also agrees with SCE that the "300,000 cap offers an important protection to customers by ensuring that Feed-in Tariff

projects are not sited in locations where excess generation already exists."[18] In ORA's view, the cap serves as a reasonable ratepayer protection and facilitates interconnection of resources at more optimal locations.[19]

As PG&E pointed out, there are similarities between distribution and transmission-level projects: In both types of projects, (1) interconnection costs are driven by generator size relative to the existing capacity of the distribution line or transmission line being used and (2) both type of interconnections may require upgrades. The cap serves as a reasonable ratepayer protection and facilitates interconnection of resources at more optimal locations. Therefore, we clarify that the requirement for projects to be strategically located applies to projects interconnecting to an existing transmission line and that the current $300,000 limit for required transmission system upgrades in the BioMAT Power Purchase Agreement (PPA), standard contract, and tariff applies to projects connecting to an existing transmission line as well as those facilities that interconnect with the distribution system. Maintaining this requirement and applying it to the projects interconnecting at the distribution level or transmission level will continue provide ratepayer protection. In addition, we note that interconnection costs for a generation facility that is already interconnected to the distribution system or transmission system at the time a BioMAT PPR is submitted are zero. Accordingly, we revise the definition of "strategically located" to accommodate generation facilities interconnecting to existing transmission lines.

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[18] SCE Comments at 4 and ORA Reply Comments at 1 and 2.

[19] ORA Reply Comments at 2.

- The definition of "Strategically Located" means that the generator be (1) interconnected to the distribution system or the transmission system, and (2) sited near load, meaning sited in an area where the cost of upgrades for interconnection of the proposed generation to the distribution or to an existing transmission system does not exceed $300,000, or if the project developer pays all transmission upgrade costs in excess of $300,000.

2.3. CAISO Interconnection Process and Category 3 Generation Facilities

D.16-10-025 implementing SB 840, Stats. 2016, ch.341, which enacted Section 399.20(f)(4), established interconnection requirements for certain bioenergy projects.[20] To harmonize AB 1923 and current Section 399.20(f)(4), the

[20] Section 399.20(f)(4) provides:

(4) (A) A project identified in clause (iii) of subparagraph (A) of paragraph (2) is eligible, in regards to interconnection, for the tariff established to implement paragraph (2) or to participate in any program or auction established to implement paragraph (2), if it meets at least one of the following requirements:

(i) The project is already interconnected.

(ii) The project has been found to be eligible for interconnection pursuant to the fast track process under the relevant tariff.

(iii) A system impact study or other interconnection study has been completed for the project under the relevant tariff, and there was no determination in the study that, with the identified interconnection upgrades, if any, a condition specified in paragraph (2), (3), or (4) of subdivision (n) would exist. Such a project is not required to have a pending, active interconnection application to be eligible.

(B) For a project meeting the eligibility requirements pursuant to clause (iii) of subparagraph (A) of this paragraph, both of the following apply:

(i) The project is hereby deemed to be able to interconnect within the required time limits for the purpose of determining eligibility for the tariff.

(ii) The project shall submit a new application for interconnection within 30 days of execution of a standard contract pursuant to the tariff if it does not have a pending, active interconnection application or a completed interconnection. For those projects, the time to achieve commercial operation shall begin to run from the date when the new system impact

Footnote continued on next page

staff proposes that Category 3 facilities should be allowed to drop out of the CAISO queue, and then resubmit an interconnection application within 30 days of executing a BioMAT contract, similar to the current BioMAT Category 3 generation facilities that interconnect to the distribution system.

CBEA agrees that allowing Category 3 facilities interconnecting to existing transmission lines, at their discretion, to drop out of the CAISO queue and to remain in the BioMAT program queue, will provide flexibility to developers in responding to the changes that will result from the adoption of the staff proposal.[21]

PG&E points out that a Category 3 generation facility already has the option to drop out of the utility interconnection queue and maintain a BioMAT queue number. PG&E does not see a problem in extending this option to Category 3 facilities in the CAISO queue, but notes that facilities are required to have had a completed study at some point prior to applying to BioMAT program, whether through a CAISO, Rule 21, or Wholesale Distribution Access Tariff process, as a key eligibility requirement of the program.[22]

Similar to PG&E, SCE does not object to Category 3 generation facilities dropping out of the CAISO queue but remaining in the BioMAT program queue, but notes that the generator will still need to meet the required timelines under the BioMAT PPA.

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study or other interconnection study is completed rather than from the date of execution of the standard contract.

[21] CBEA Comments at 2.

[22] PG&E Comments at 3.

In contrast, SDG&E argues that generation facilities interconnecting to existing transmission lines should not be allowed to drop out of the CAISO queue and remain in the BioMAT program queue, because this is only allowed for distribution level facilities. SDG&E states that all interconnections to SDG&E-owned transmission facilities are subject to applicable requirements of the CAISO tariff. SDG&E states that a prospective generator which drops out of the CAISO Interconnection queue is not permitted to interconnect to the transmission system, therefore a generator that drops out of the CAISO queue should also be removed from the BioMAT program queue.[23]

In order to harmonize AB 1923 and current Section 399.20(f)(4), we adopt the staff proposal with additional clarification proposed by PG&E and SCE, as shown below:

- For generation facilities connecting to an existing transmission line, the participant is allowed the option to use the California Independent System Operator (CAISO) interconnection process for interconnecting the facility.

Category 3 facilities may maintain their BioMAT queue position if they drop out of the CAISO queue, so long as they resubmit an interconnection application within 30 days of executing a BioMAT contract and all other BioMAT requirements and timelines have been met.

2.4. Deposit Amount

D.16-10-025 implemented SB 840, Stats.2016, ch.341, which enacted Section 399.20(f)(4). In D.16-10-025, the Commission determined that a deposit for Category 3 projects that drop out of an interconnection queue needs to

[23] SDG&E Comments at 6.

1) demonstrate at least some financial commitment to continuing in the BioMAT bidding process; 2) show that if the project reenters the interconnection queue, it will have funds for a new initial study.[24]

In order to harmonize AB 1923 provisions related to interconnection requirements and D.16-10-025, the staff proposed that for those facilities interconnecting through the CAISO process, the BioMAT program deposit amount for facilities that drop out of the CAISO interconnection process should be the cost of the CAISO Cluster Process SIS, as shown below:

Deposit = $50,000 + ($1,000 * MW of facility capacity)

The Interconnection Ruling asked the parties whether the deposit amount calculated as proposed was a reasonable approach. SDG&E considers the question of a deposit amount as moot because SDG&E does not believe that such facilities should be allowed to drop out of the queue.

CBEA agrees that a deposit should be required and agrees with the proposed deposit amount in the staff proposal.[25] PG&E agrees that a deposit for Category 3 projects interconnecting to an existing transmission lines should be required and supports the proposal to utilize a CAISO interconnection process cost to determine the deposit amount. Noting that the amount can vary dependent on whether the project qualifies under Fast Track or the Independent Study Process (ISP), PG&E proposes allowing projects to pay a deposit dependent on the CASIO interconnection process they intend to pursue. PG&E

[24] D.16-10-025 at 22.

[25] CBEA Comments at 2.

and SCE agree that the deposit to drop out of the CAISO queue should be as listed below to allow for a significant commitment from the facility.[26]

a. Fast Track - the same as Category 3 generation facilities connected at the distribution level, i.e. 3 times the cost of the IOUs system impact study (3*$10,000).

b. ISP or Cluster Study Process (CSP) - $150,000

c. An administration fee of $1,000/MW to be withheld from the refund for transmission-interconnected Category 3 projects.

No party opposed PG&E and SCE's proposal. Because the recommended deposit allows for a significant commitment from the facility and the administrative fee compensates the IOU for processing time, we adopt the proposal offered by PG&E and SCE with modification. This method also applies to the distribution-connected Category 3 generation facilities.

- The BioMAT program deposit amount for facilities that drop out of the CAISO interconnection queue will be:
  - For facilities connecting via Fast Track: $30,000 (3*$10,000) (based on the IOU system impact study fee)
  - For facilities connecting via the CAISO Independent Study Process or Cluster Study Process: $150,000 (based on the CAISO ISP or CSP fee).

The BioMAT program deposit will be returned less a fee of $1,000 per megawatt.

[26] PG&E Comments at 3-3 and SCE Comments at 6.

3. Conclusion

To summarize, we adopt the staff proposal as modified and implement the following changes to interconnection rules for the BioMAT program in accordance with AB 1923:

- A facility may participate in the BioMAT program if it interconnects to an existing transmission line owned by the utility, controlled by CAISO, with a voltage level determined by the utility and that is built and operational as part of the transmission system, instead of the distribution system, as of the submittal date of the BioMAT applicant's Program Participation Request (PPR) application for the facility.
- For facilities connecting to an existing transmission line the participant is allowed the option to pursue the California Independent System Operator (CAISO) interconnection process for interconnecting the facility.
- Radial transmission facilities and subtransmission lines, owned by the utility, but not controlled by CAISO, are considered to be distribution facilities, and hence these transmission facilities have already been available for interconnection under the BioMAT program.
- Category 3 facilities may maintain their BioMAT queue position if they drop out of the CAISO queue, so long as they resubmit an interconnection application within 30 days of executing a BioMAT contract and all other BioMAT requirements and timelines have been met.
- The BioMAT program deposit amount for facilities that drop out of the CAISO interconnection queue will be:
    - For facilities connecting via Fast Track: $30,000 (3*$10,000) (based on the IOU system impact study fee)
    - For facilities connecting via the CAISO Independent Study Process or Cluster Study Process: $150,000 (based on the CAISO ISP or CSP fee).

- The BioMAT program deposit will be returned less a fee of $1,000 per megawatt.
- The definition of "Strategically Located" means that the generator be (1) interconnected to the distribution system or the transmission system, and (2) sited near load, meaning sited in an area where the cost of upgrades for interconnection of the proposed generation to the distribution or to an existing transmission system does not exceed $300,000, or if the project developer pays all transmission upgrade costs in excess of $300,000.

Interconnection costs for a generation facility that is already interconnected to the distribution system or transmission system at the time a BioMAT PPR is submitted are zero.

4. Compliance

In its response to the BioMAT Interconnection Ruling, SDG&E contends that the staff proposal is silent on the larger issue of whether a utility must provide the transmission interconnection option to BioMAT program participants. SDG&E argues that by using the term "or" the legislation created an option for a bioenergy facility to interconnect to an existing transmission line. In SDG&E's opinion, the term "or" means that the utility only needs to offer one of the listed options in order to comply with the statute. Therefore, SDG&E argues that the Commission must provide the option for a utility to determine whether it will allow a bioenergy facility to interconnect at the transmission level. SDG&E adds that it has a longstanding policy of not allowing generation interconnections via "tapping" existing transmission lines due to safety and reliability concerns.

CBEA disagrees with SDG&E and argues that the option to exercise the "or" clause, that is to interconnect at the transmission level, is given to the

BioMAT program participant, not to the utility company, provided that all of the utility's existing interconnection requirements must be met.[27]

The intent of the legislation is clearly to provide greater access to generation facilities under the BioMAT program. It does not provide the IOUs an option to accept or deny projects on a policy-basis as the utility desires. Similarly, it does not provide developers the option to interconnect at any desired distribution or transmission point. The legislation simply confers a new interconnection option to the BioMAT program participants within the context of all other statutory and regulatory requirements. Therefore, we decline to provide the option for a utility to determine whether it will allow a bioenergy facility to interconnect at the transmission level. To the extent that all of the utility's existing statutory and regulatory *requirements*, including CAISO-approved tariffs, are met and to the extent that it is safe and reliable, generation facilities may interconnect at the distribution level or the transmission level, as mandated by AB 1923.

5. Next Steps

PG&E, SCE, and SDG&E are the IOUs that offer the BioMAT tariff and standard contract (or PPA). The IOUs must modify the BioMAT tariff and standard contract to implement the changes adopted in this decision.

Within 30 days of the effective date of this decision, PG&E, SCE, and SDG&E, must each file with Energy Division and serve on the service list of this proceeding a Tier 2 advice letter with all the revisions to their BioMAT, standard contracts, and all ancillary documents, necessary to implement the adjustments

[27] CBEA Reply Comments at 2.

to the interconnection requirements of the BioMAT program made by this decision. The advice letter must include both a clean, fully revised final copy of each document, as well as a copy of each document, redlined to show the changes made to conform to the requirements of this decision.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Atamturk in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

7. Assignment of Proceeding

Clifford Rechtschaffen is the assigned Commissioner, and Robert M. Mason III and Nilgun Atamturk are the co-assigned ALJs in this proceeding.

Findings of Fact

1. The current BioMAT program interconnection rules allow generation facilities to interconnect to the distribution system, only.

2. The amended BioMAT interconnection rules, as mandated by AB 1923, will allow generation facilities participating in the BioMAT program to interconnect to an existing transmission line.

3. The staff proposal defines an existing transmission line as a transmission line that is "in existence and part of the transmission system, instead of the distribution system, as of the date of the participant's Program Participation Request application for the facility."

4. No party objects to the definition of existing transmission line proposed by the staff.

5. Modifications suggested by PG&E and SCE clarify the definition of an existing transmission line proposed by the staff.

6. Radial transmission facilities and subtransmission lines, owned by the utility, but not controlled by CAISO, are considered to be distribution facilities, and hence these transmission facilities have already been available for interconnection under the BioMAT program.

7. Most parties agree that "strategically located" requirement applies to generation facilities interconnecting at the transmission level.

8. The current definition of "strategically located" does not cover generation facilities interconnecting at the transmission level.

9. It is reasonable that projects interconnecting at the transmission level should be required to be strategically located since the projects at the distribution level are required to be strategically located.

10. The $300,000 cap on transmission upgrade costs aims to incentivize developers to select project locations and interconnections that minimize impact to the grid and protect ratepayers.

11. Interconnection costs for a generation facility that is already interconnected to the distribution system or transmission system at the time a BioMAT PPR is submitted are zero.

12. Provided that all other BioMAT eligibility requirements and timelines have been met, most parties do not object to the staff proposal for Category 3 generation facilities to maintain their BioMAT queue position if they drop out of the CAISO queue, so long they resubmit an interconnection application within 30 days of executing a BioMAT contract.

13. No party opposed PG&E and SCE's proposal for calculating the deposit amount for generation facilities that drop out of the CAISO interconnection queue.

Conclusions of Law

1. Because AB 1923 added the option for generation facilities participating in the BioMAT program to interconnect to an existing transmission line, a facility should be allowed to participate in the BioMAT program if it interconnects to an existing transmission line owned by the utility, controlled by CAISO, with a voltage level determined by the utility and that is built and operational as part of the transmission system, instead of the distribution system, as of the submittal date of the BioMAT applicant's PPR application for the facility.

2. Because the amended Section 399.20 allows the option for generation facilities participating in the BioMAT program to interconect to an existing transmission line, it is reasonable to revise the definition of "strategically located" to align AB 1923 with Section 399.20 so that "strategically located" means that a generator be interconnected to the distribution system or transmission system.

3. Because the amended Section 399.20 allows the option for generation facilities participating in the BioMAT program to interconnect to an existing transmission line, and the $300,000 cap serves as a reasonable ratepayer protection, the $300,000 cap on transmission system upgrades should apply to generation facilities interconnecting to existing transmission lines as well.

4. Because we need to harmonize AB 1923 provisions and current Section 399.20(f)(4), the definition of "Strategically Located" should be revised to read that the generator be (1) interconnected to the distribution system or the transmission system, and (2) sited near load, meaning in an area where the cost

of upgrades for interconnection of the proposed generation to the distribution or to an existing transmission system does not exceed $300,000, or if the developer pays all transmission upgrade costs in excess of $300,000.

5. In order to harmonize AB 1923 provisions and current Section 399.20(f)(4), Category 3 generation facilities should maintain their BioMAT queue position if they drop out of the CAISO queue, so long as they resubmit an interconnection application within 30 days of executing a BioMAT contract and all other BioMAT requirements and timelines have been met.

6. Because we need to harmonize AB 1923 provisions related to interconnection requirements with D.16-10-025, the BioMAT program deposit amount for facilities that drop out of the CAISO interconnection queue should vary based on the IOU system impact study fee or based on the CAISO ISP or CSP fee.

7. In order to implement the changes adopted in this decision, PG&E, SCE, SDG&E should modify the BioMAT and standard contracts.

8. In order to integrate these statutory changes into the BioMAT program, this order should be effective immediately.

O R D E R

IT IS ORDERED that:

1. Not later than 30 days after the effective date of this decision, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company must each file with Energy Division and serve on the service list of this proceeding a Tier 2 advice letter with all the revisions to their Bioenergy Market Adjusting (BioMAT) tariffs, standard contracts, and all

ancillary documents, necessary to implement the adjustments to the interconnection requirements of the BioMAT program as listed in Section 3 of this decision. The advice letter must include both a clean, fully revised final copy of each document, as well as a copy of each document, redlined to show the changes made to conform to the requirements of this decision.

2. Rulemaking 18-07-003 remains open.

This order is effective today.

Dated _____, at Fresno, California.