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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Item 42 ID#5587

ENERGY DIVISION **RESOLUTION E-3996**

5/25/06

R E S O L U T I O N

Resolution E-3996. Pacific Gas & Electric (PG&E), Southern California Edison (SCE), San Diego Gas & Electric (SDG&E) request revisions to Rule 21 with regards to a new fee for repeated Commissioning Test visits, Net Generation Output Metering requirements and the Dispute Resolution process .

By Advice Letters PG&E 2792-E, SCE 1971-E & SDG&E 1776-E filed on February 24, 27 & 27, 2006, respectively.

SUMMARY

This Resolution approves revisions to Rule 21 proposed by the ALs filed subject to clarifying who is the beneficiary of "cost effectiveness", and applying the Net Generator Output Metering (NGOM) requirements to all generators, subsidized and non-subsidized, pursuant to Decision (D.) 05-08-013 (Decision).

BACKGROUND

The Decision ordered PG&E, SCE and SDG&E to file Advice Letters (AL) to revise the following Sections of Electric Rule 21, in order to incorporate issues discussed in the Rule 21 Working Group and recommended in a California Energy Commission Report, CEC-100-2005-003-CTF (CEC Report):

> Section C.1: A cost based charge for additional commissioning test verifications by the utility to defray the cost for customer-caused repeats, not included in the initial interconnection review fee, is added to the "Summary of Fees and Exemptions" Table.

Section E.2: The "Cost Responsibility for Interconnecting a Generating Facility "(GF) is amended per Section C.1 above.

Section F: The requirements for "Metering, Monitoring and Telemetering" are clarified to spell out under what circumstances Net Generation Output Metering (NGOM) is required, and the sunset provision for filing permanent metering requirements is removed.

Section G: The "Dispute Resolution Process" is modified to include a procedure for 1) parties to request a mediator from the Commission or a third party mediator by mutual agreement; 2) the utility to provide the aggrieved party all relevant regulatory and/or technical details regarding the interconnection requirements in dispute; 3) the CEC to maintain a website to publicly disclose resolutions of the dispute.

Sections F.3 and H: In the "Definitions" section the term "Net Generation Metering" is changed to "Net Generation Output Metering".

NOTICE

Notice of AL 2792 –E, AL 1971 and AL 1776-E was made by publication in the Commission's Daily Calendar. PG&E, SCE and SDG&E state that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letters AL 2792-E, AL 1971-E and 1776-E were not protested, however the Energy Division disputes that they are in complete compliance with the Decision.

DISCUSSION

These ALs incorporate Rule 21 revisions recommended by the CEC Report, as adopted by the Decision. The CEC Report is based on discussions and partial consensus reached in the Rule 21 Working group, comprising representatives from the utilities, manufacturers, mostly industrial customers, and regulators.

This group was formed under Rulemaking R.99-010-025 to work out details on technical and procedural aspects of Interconnections of Generating Facilities to the utility distribution system.

No protests were filed and the ALs incorporate most issues within the latitude of the Decision. However there are inconsistencies in the proposed Rule 21 revisions with the Decision, in terminology and with General Order (G.O.) 96, as follows.

Section C.1, Table C.1: The Decision, Ordering Paragraph (OP) 2, sixth bullet states that Rule 21 shall be modified to specify *"A cost-based charge for DG (Distributed Generation) project interconnection inspections for those inspections that are extraordinary and/or follow the first inspection"*. This order is in response to the utilities' complaints that unprepared customers require repeated Commissioning Test verification visits for their GFs. The cost for the first visit is included in the initial interconnection review fee.

While the range of $100 to $150/Person-hour seems reasonable, the table should not term this *"(illustrative range of 2005 Rates)"*. This is a cost-based charge range for different personnel grades and therefore firm, subject to a General Rate Case (GRC), as stated in the Decision and required per G.O. 96. The table footnote *"A range of rates is provided here because the actual rate may vary by utility and will adjust periodically"* is inappropriate, because each Rule 21 is utility specific. Furthermore, the table should also say "plus additional costs", to reflect wording in proposed Section E. 2.

SDG&E's table incorrectly says "Meeting" instead of "Metering" or "Metered" and "$100 to $150/hour" instead of "$ 100 to $150/Person-hour".

Section F.3: The ALs propose to distinguish between *"customers receiving regulated subsidies (e.g. publicly funded incentive payments or specific tariff exemptions)"* and *"customers that do not receive regulated subsidies"* with regards to the requirements for NGOM *"to determine applicable standby and non-bypassable charges as defined in the utility's tariffs, to satisfy applicable California Independent System Operator (CAISO) reliability requirements, and for Distribution System planning and operations"* and *"where less intrusive and/or more cost effective options are available for generator data"*, respectively. The utilities refer to Decision OP 2, first bullet, which states that *"DG facilities that do not receive regulated subsidies do not need to install NGOM*

where less intrusive and/or more cost effective options for providing output data are available, consistent with existing Rule 21."

The utilities interpret the negative requirement of NGOM for "non-subsidized" generators as a positive requirement of NGOM for "subsidized" generators. However they disregard that most "subsidized" generators do not pay standby, cost-responsibility surcharge (CRS) and non-bypassable charges anyway and therefore would not need NGOM.

The Summary of the Decision states: *"We retain existing rules and tariffs which address the circumstances under which DGs receiving publicly-funded incentives or tariff exemptions must install NGOM equipment"*.
These rules are in the existing Rule 21, Section F.3, which does not distinguish between "subsidized" and "non-subsidized" generators for allowing alternate means of determining applicable tariff charges to installation of NGOM.
The Decision only mentioned "non-subsidized" generators because their requirements for NGOM were ordered therein, while the "subsidized" generators' NGOM requirements remain as in existing Rule 21, Section F.3.

Rule 21 only specifies NGOM for tariff administration, CAISO and operational requirements. The incentive-specific NGOM requirements for "subsidized" generators are spelled out in program handbooks for verification of eligibility and monitoring and need not be included in Rule 21.

Decision OP 2 repeats the existing Rule 21, Section F.3 term *"cost-effective"* without reference to the beneficiary. However Section F. 8, Cost of Metering, clearly assigns the cost of all Metering required in Rule 21 to the Producer (Customer).
It is therefore reasonable to clarify Section F.3 by replacing "more cost-effective" with "less costly for the Producer".

COMMENTS

Public Utilities Code section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments.

Comments to the draft resolution were received from SCE, SDG&E and PG&E on May 8.

There were no replies to the comments received.

Following are the summaries of the comments and their discussions.

General

Some utilities comment that the issues at hand were discussed in the Rule 21 working group and agreed upon by the stakeholders. They question the continued role and effectiveness of the Rule 21 Working Group (R21 Group) in light of differing opinions presented in this resolution.
This resolution is not about the R21 Group's consensus, rather the implementation of D.05-08-013. The value of the R21 Group is not diminished by this, because it examines unclear rule language, among other tasks. Other utilities question the authority of the Energy Division (ED) to introduce issues in a resolution; in this case clarification of language about the cost responsibility for metering. Metering and dispute resolutions are the main subjects of the ALs. The Commission may of course differ with the majority of the R21 Group opinion or offer clarifying language related to an issue in an AL.

Section C.1 (Table and footnote)

PG&E comments that the range of person-hour charges shown in Table C.1 for repeat inspections encompasses the three named utilities results in uniform Rules 21 and would avoid having to file for Rule 21 changes every time the costs change.

While uniform Rules 21 among the utilities is a desired goal, charges still have to reflect individual utilities' costs. There already exist minor differences in Rule 21 between utilities because of very specific reasons. Person-hour charge ranges reflecting different grades of personnel within a specific utility is within the cost–based definition, a range reflecting other utilities is not. D.05-08-013 states in the

Summary of Decision section "We do not adopt any cost allocations or revenue requirement changes here, although we direct the utilities to address certain cost and allocation issues in appropriate ratemaking proceedings" , "The utilities shall track interconnection costs … to inform future decisions allocating costs associated with interconnection processing", and "We do, however, state our intent to change the fees so that they recover some portion of cost following review in each utility's next general rate case." Conclusion of Law #7 states: "The utilities should be ordered to propose changes to fees for initial and supplemental application review and other interconnection processing activities in their respective electric ratemaking proceedings".
This indicates that the charges for repeat inspections are not to be open-ended ("illustrative" and "adjusted periodically") without CPUC approval.

<u>We corrected the reference to Section E.1 to E.2 in the Discussion Section C.1, per SDG&E's comment.</u>

<u>Section F.3 (NGOM)</u>

SDG&E repeats its argument that the Decision's OP 2, first bullet order: "DG facilities that ***do not*** receive regulated subsidies (non-subsidized) ***do not*** need to install net generation output metering (NGOM) where less intrusive and/or more cost effective options for providing output data are available, consistent with existing Rule 21" means that DG facilities that ***do*** receive regulated subsidies ***do*** need to install NGOM.

Such a categorical requirement flies in the face of the *Summary of Decision* and is irrational, because most subsidized DGs are exempt from standby, CRS and other non-bypassable charges anyway and therefore do not need NGOM. The decision had to qualify "non-subsidized" because metering for those DGs was at issue. The Decision lists the current purposes of NGOM for DGs under various tariffs. For subsidized DGs it lists "for project evaluation". This purpose is not for tariff administration, CAISO requirements or operation of the distribution system.
We agree that subsidy programs ***may*** require NGOM for project evaluation. Rule 21 does not specify requirements for subsidies and any DG is still subject to the applicable tariff schedules which specify the rates and charges and their determination, by metering if necessary. The CEC report recommends NGOM because it administers subsidy programs. The CEC has no jurisdiction over tariff requirements.

The Decision ordered changes to Rule 21 to clarify the NGOM requirements, among them allowing Rule 22 compatible metering as option in lieu of utility meters.

SCE adds to SDG&E's arguments, that the resolution deletes the distinction between metering requirements for DG that receive regulated subsidies and DG that do not receive such.
There never was such a distinction in Rule 21, which deals with interconnections, not subsidies for DG.

SCE then mentions the California Solar Initiative, which may require metering for progress assessment.

While NGOM may be critical for that purpose in the future, Rule 21 is neither currently the place nor is it rational to require such metering for subsidized DG only.

PG&E comments that the resolution adds uncertainty about the metering required by the utility in situations where the DG customer receives a regulated subsidy.

Subsidized DG may require metering for program evaluation and verification per applicable program requirements. All DG require metering per applicable tariffs. Rule 21 does not overrule those OATs.

Section F.3 (Cost effectiveness)

SDG&E claims that spelling out the beneficiary of cost-effectiveness for NGOM is not simply a point of clarification, but a major change to current policy that has not been heard by the Commission or parties to the proceeding.

We are not aware of any policy other than Section F.8 of Rule 21: "The Producer will bear all costs of the Metering required by this Rule, including the incremental costs of operating and maintaining the Metering Equipment." Therefore the beneficiary of any cost-effectiveness for NGOM is logically the Producer. The utilities did not propose any other meaning in their comments or in discussions in the R21 Group.

The Decision ordered changes to the metering requirements, interconnection costs and resolution of disputes between DG developers and utilities. The clarification of the meaning of "cost effective" in the context of NGOM is therefore very appropriate and necessary, as many disputes arise about metering.

SCE comments that it will always be cheaper for the producer to forego metering under a "least cost" test and cost-effectiveness should be examined from the perspective of all ratepayers, not just the Producer.

We agree with the first part of SCE's comment, but point out that the utilities charge for NGOM per "Special Facilities" agreements, which do not affect ratepayers. Tariff schedules do include charges for metering and limit the metering options. Note that metering includes hardware and services.

PG&E has the same comment as SCE regarding costs to ratepayers and fears options may be "uneconomical overall". The change could lead to a protracted negotiation process between PG&E and the Producer as to which NGOM substitute is most cost effective to the Producer.

It is ironic, that the clarification consistent with Section F.8 would lead to negotiations and the current wording "cost-effective" without a beneficiary, would not.

FINDINGS

1. The Decision ordered the utilities to propose cost based charges for repeat Commissioning Test Verification visits, not covered in the Initial Review Fee.
2. The utilities propose a person-hour charge range for Commissioning Test verification visits, as illustration only, and subject to adjustment.
3. Fees and charges are subject to an Application (GRC) per Decision and G.O. 96.
4. Current Rule 21, Section F applies to all Generating Facilities, subsidized and non-subsidized.

5. The Decision reaffirmed that Section F provisions are retained with regards to circumstances when subsidized GFs require NGOM.
6. NGOM for monitoring and verification of program eligibility is specified in the handbooks of the specific subsidy program.
7. Rule 21 only specifies NGOM requirements for tariff administration, CAISO and distribution system operation.
8. "Cost effective" without beneficiary is meaningless.
9. Rule 21, Section F.8 requires the Producer of energy to pay for any NGOM.

THEREFORE IT IS ORDERED THAT:

1. The person-hour charge range for extraordinary visits shall be shown in Table C.1as applicable to the specific utility, not as "illustrative range of 2005 rates." The footnote shall be revised to delete "because the actual rate may vary by utility and will adjust periodically ", and extra expenses mentioned.
   Adjustments are to be proposed in ratemaking proceedings per Decision.
2. The distinction between subsidized and non-subsidized GFs with regards to NGOM and its allowed alternates to obtaining generator data for tariff administration, CAISO reliability requirements and distribution system operation shall be deleted in Section F.3.
3. The criteria of "cost effectiveness" when NGOM may be substituted by other means of obtaining generator output data shall be clarified by specifying the beneficiary, "Producer", in Section F.3.
4. SDG&E shall correct "Meeting" to "Metering" or "Metered" in Table C.3.
5. SDG&E, SCE and PG&E shall incorporate above orders in Rule 21 and resubmit within 30 days.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 25, 2006; the following Commissioners voting favorably thereon:

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STEVE LARSON
Executive Director