

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

ENERGY DIVISION

RESOLUTION E-4477

March 8, 2012

**R E S O L U T I O N**

Resolution E-4477. This Resolution approves two uncontested advice letters each proposing a standardized “Interconnection Agreement for Existing Small Generating Facilities” (jointly, Proposed IA) for certain eligible existing Qualifying Facilities (QFs) already interconnected to the distribution system of Southern California Edison (SCE) or Pacific Gas & Electric (PG&E), respectively, under Electric Tariff Rule 21 (Rule 21). Pursuant to General Order (GO) 96-B, this Resolution requires California Public Utilities Commission (Commission) approval.

PROPOSED OUTCOME: The Proposed IA will be available for execution by certain eligible existing QFs already interconnected to the distribution system of SCE or PG&E, as described herein.

ESTIMATED COST: None

By PG&E Advice Letter 3955-E filed 11/21/2011, and SCE Advice Letter 2656-E filed 11/21/2011.

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**SUMMARY**

This Resolution approves two uncontested advice letters, filed individually by PG&E and SCE, that propose a replacement interconnection agreement for certain eligible QFs that are already interconnected to each of PG&E’s and SCE’s distribution systems under Rule 21. The Proposed IA comprises an update of a now outdated interconnection agreement, and unbundles the interconnection agreement from the power purchase agreement (PPA) for the affected QFs. As such, the Proposed IA conforms to Commission rules, the QF Settlement, and today’s market structure. No protests were filed.

## **BACKGROUND**

Marketplace changes have triggered a need for a standardized interconnection agreement under Rule 21 for a limited group of exporting generators that meet certain criteria. The eligible generator must: (i) have QF status, (ii) have a net capacity of less than 20 MW, (iii) be already interconnected to the host utility's distribution system, (iv) continue to sell all of its output to the host utility, and (v) be a party to an existing bundled PPA and interconnection agreement that will be terminated under the terms of the QF Settlement. The Proposed IA replaces the interconnection portion of the now outdated bundled PPA and interconnection agreement. As discussed below, Commission decisions addressing Rule 21 and QFs have identified the need for a new standardized interconnection agreement for this limited group of QFs. The Proposed IA approved by this Resolution will meet this need.

## **NOTICE**

Notice of PG&E AL 3955-E and SCE AL 2656-E was made by publication in the Commission's Daily Calendar. PG&E and SCE each state that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of GO 96-B. The Commission further required PG&E and SCE to provide notice to their QF customers that will be eligible for the Proposed IA.

## **PROTESTS**

No protests were filed to either PG&E AL 3955-E or SCE AL 2656-E.

## **DISCUSSION**

### *Standardized interconnection agreements pursuant to Decision (D.) 00-12-037*

Rule 21 is the electric tariff filed by investor-owned utilities (IOUs) under the Commission's jurisdiction that governs generating facility interconnections on the IOUs' distribution systems. Rule 21 may be applied to interconnections by exporting or non-exporting generating facilities. In D.00-12-037, we ordered the IOUs to maintain consistency among their Rule 21 tariffs and associated standardized agreements. Further in D.00-12-037, we identified the need to "develop a family of standardized agreements that would accommodate export and non-export arrangements."

PG&E and SCE have since developed and implemented a series of standardized interconnection agreements associated with Rule 21, all of which are applicable to generating facilities that do not export for sale under a PPA or other contractual arrangement. The Proposed IA addresses the need for an interconnection agreement for a defined, limited set of exporting facilities under Rule 21.

*Interconnection agreements for QFs following Commission action in D.10-12-035*

QFs are exporting generating facilities whose commercial arrangements involve a sale of their output to the host utility (also referred to as the distribution provider), as set out in the federal Public Utility Regulatory Policies Act of 1978 (PURPA). In D.10-12-035, we approved the QF Settlement.

Also in D.10-12-035, we approved several contracting options for existing (meaning already interconnected, and alternatively termed “legacy”) QFs. Each of the new contracting options for existing QFs contains defined eligibility criteria. As envisioned within the QF Settlement, the execution of any of the contracting options will be separate from the execution of an interconnection agreement, which is an agreement for interconnection service that establishes technical and other standards for the QF’s parallel operation with the utility’s electric system. This unbundling of the contract for the sale of power from the interconnection agreement is a departure from the earlier standard practice for QFs of including the interconnection terms in the same document as the PPA.

The QF Settlement Term Sheet, also approved in D.10-12-035, set out certain rights and obligations for QFs, such as terms addressing curtailment and metering. However, the scope of the QF Settlement did not include interconnection requirements in detail, nor did it set out a pro forma interconnection agreement. For example, several provisions in the QF Settlement Term Sheet contemplate that existing QFs will be required to execute an interconnection agreement with the utility in control of the distribution system at the QF’s point of interconnection. See, e.g., QF Settlement Term Sheet Sec. 3.4.5 (Curtailment); Sec. 4.2.10 (Curtailment: Reliability).

Among existing QFs, approximately 17 in PG&E’s service territory and approximately 17 in SCE’s service territory have the following characteristics:

- (i) The QF’s net capacity is less than 20 MW;

- (ii) The QF is already interconnected to the host utility's distribution system; and
- (iii) The QF will continue to sell all of its output to the host utility, pursuant to PURPA.

QFs that meet the above criteria will be eligible to remain interconnected under Rule 21, will be eligible to execute the Proposed IA. QFs meeting these criteria will be referred to hereinafter as "Eligible Distribution Level QFs."

QF Settlement Effectiveness Date

The QF Settlement Effectiveness Date is 11/23/2011. Pursuant to the terms of the QF Settlement, the presently effective bundled power purchase agreement and interconnection agreement will terminate 120 days after the QF Settlement Effectiveness Date. Therefore, Eligible Distribution Level QFs must execute a new contract and an interconnection agreement within 120 days of the QF Settlement Effectiveness Date.

Potential Eligible Distribution Level QFs executing the Proposed IA

In AL 3955-E, PG&E reports that depending on the choices made by Eligible Distribution Level QFs, it may have as many as 17 that choose to execute the Proposed IA. In AL 2656-E, SCE reports that it may have as many as 17, but likely fewer than ten, Eligible Distribution Level QFs choosing to execute the Proposed IA.

Proposed IA modeled on Small Generator Interconnection Agreement (SGIA) under FERC-approved interconnection tariff

PG&E states that the Proposed IA is modeled on its currently effective SGIA, Appendix F to PG&E's Wholesale Distribution Tariff (PG&E WDT), a FERC-approved tariff for load and generator interconnections to PG&E's distribution system. Similarly, SCE states that the Proposed IA is modeled on its currently effective SGIA, which is attached to SCE's FERC-approved Wholesale Distribution Access Tariff (SCE WDAT).

Terms of the Proposed IA

SCE's Proposed IA and PG&E's Proposed IA are not identical in their use of language, but they are materially the same, including using the same numbering system for each article. Considered together, the Proposed IA thus meets the Commission's intent set out in D.00-12-037 of requiring the IOUs to maintain consistency among their Rule 21 tariffs and Commission-approved interconnection forms, thereby offering interconnection services to generating facilities on consistent terms statewide.

*Article 1: Scope and Limitations*

The Proposed IA appropriately identifies an eligible customer as a QF with a net capacity of 20 MW or less, that is already interconnected to the host utility's distribution system, and that will sell all of its output to the host utility pursuant to PURPA. (Article 1.1.)

The Proposed IA appropriately references Rule 21 as the governing interconnection tariff. (Article 1.2.)

The Proposed IA appropriately requires that commercial arrangements to purchase or deliver the customer's power must be executed through separate agreements. (Article 1.3.)

The Proposed IA appropriately assigns each executing party the responsibility for "safe installation, maintenance, repair, and condition of their respective lines and appurtenances on their respective side of the point of change of ownership." (Article 1.5.5.) Article 1.5.5 is consistent with PG&E Rule 21, Sec. B.4, B.8, and E.3.b; and SCE Rule 21 Sec. B.4, B.8, and E.3.b.

The Proposed IA appropriately requires the interconnection customer to install and operate any metering or data acquisition equipment specified between the executing parties. (Article 1.7.) This is consistent with PG&E Rule 21, Sec. F; and SCE Rule 21, Sec. F. It is also consistent with the QF Settlement Term Sheet, requiring metering pursuant to the CAISO Tariff for QFs making deliveries that are subject to the CAISO Tariff. (QF Settlement Term Sheet, Sec. 12.1.)

The Proposed IA appropriately requires the interconnection customer to be capable of operating within a power factor range of 0.9 leading to 0.9 lagging, which is consistent with PG&E Rule 21 Sec. D.2.i and SCE Rule 21 Sec. D.2.i. (Article 1.8.1.)

*Article 2: Inspection, Testing, Authorization, and Right of Access*

The Proposed IA appropriately requires testing and inspection of the interconnection customer's generating facility and interconnection facilities, which is consistent with PG&E Rule 21 Sec. B.5, C.2.c, and J.6; and SCE Rule 21 Sec. B.5, C.2.c, and J.6. (Article 2.1.1.)

The Proposed IA appropriately requires written authorization from the utility prior to parallel operation, consistent with PG&E Rule 21 Sec. B.1 and C.2.d; and SCE Rule 21 Sec. B.1 and C.2.d. (Article 2.2.2.)

The Proposed IA appropriately sets the terms of the utility's right of access to the interconnection customer's generating facility consistent with PG&E Rule 21 Sec. B.6; and SCE Sec. B.6. (Articles 2.3.1, 2.3.2.)

The Proposed IA appropriately requires that the interconnection customer remain eligible by retaining its QF status for the term of the executed interconnection agreement, and that it notify the utility should its QF status change. (Article 3.3.2.1.) This is consistent with the terms of the QF Settlement, which established the eligibility terms for QFs executing any of the contracting options approved in D.10-12-035.

*Article 3: Effective Date, Term, Termination, and Disconnection*

The Proposed IA appropriately identifies circumstances in which the interconnection customer may be temporarily disconnected or curtailed, including emergency conditions, routine maintenance, forced outages, and adverse operating effects. (Article 3.4.) This notice of the grounds for temporary disconnection or curtailment to the interconnection customer is consistent with PG&E Rule 21 Sec. B.9; and SCE Rule 21 Sec. B.9.

*Article 4: Cost Responsibility for Interconnection Facilities and Distribution Upgrades*

The Proposed IA appropriately assigns cost responsibility to the interconnection customer for all interconnection facilities, which are comprised of facilities and equipment between the generating facility and the point of connection with the host utility distribution system. (Articles 4.1.1 and 4.1.2, and Attachment 1,

Defined Terms.) This assignment of cost responsibility is consistent with PG&E Rule 21, Sec. E.3.b; and SCE Rule 21, Sec. E.3.b.

The Proposed IA also appropriately assigns to the interconnection customer the cost of distribution upgrades, which are modifications to the host utility's distribution system at or beyond the point of interconnection. (Article 4.2 and Attachment 1, Defined Terms.) This is consistent with PG&E Rule 21, Sec. E.3.b, and SCE Rule 21, Sec. E.3.b. Although the Eligible Distribution Level QFs that will execute the Proposed IA are already interconnected and will not require distribution upgrades to accommodate their output, the inclusion of this provision in the Proposed IA allows for the possibility that a piece of technical equipment, such as telemetering and the associated T1 fiber optic cable line, could become a resource shared among several generating facilities attaching to the same telecommunications infrastructure. In such a scenario, Article 4.2 would permit the host utility to define the shared resource as a distribution upgrade, and share its cost among the group of interconnection customers that benefit from it. This consistent with Rule 21, which permits the use of lower-cost, less-intrusive equipment that performs the same function in certain instances, such as net generation output metering, point of common coupling metering, and telemetering. See PG&E Rule 21, Sec. F.3, F.4, F.5; and SCE Rule 21, Sec. F.3, F.4, F.5.

#### *Article 10: Disputes*

The Proposed IA appropriately refers to Rule 21's dispute resolution procedures for resolution of any dispute regarding either party's performance under the Proposed IA. See PG&E Rule 21, Sec. G; and SCE Rule 21, Sec. G.

#### *Article 12: Miscellaneous*

The Proposed IA appropriately makes the executed interconnection agreement subject to future modifications by the Commission. (Article 12.12.)

#### *Significance of the Proposed IA*

The Proposed IA replaces interconnection agreements that became substantially outdated as the California marketplace advanced. The Proposed IA requires the Eligible Distribution Level QFs to meet updated interconnection standards, as was anticipated in the QF Settlement. The Proposed IA is available only to

Eligible Distribution Level QFs, which is a limited group, but will be a model for expected future filings of proposed interconnection agreements for new QFs seeking interconnection under Rule 21.

## **COMMENTS**

This is an uncontested matter in which the Resolution grants the relief requested. Accordingly, pursuant to Calif. Pub. Util. Code section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

## **FINDINGS**

1. D.00-12-037 directed PG&E and SCE to file an Advice Letter to develop a standardized interconnection agreement for exporting facilities interconnecting to the utility's distribution system under Rule 21.
2. D.10-12-035 adopted the QF Settlement, the scope of which did not include comprehensive interconnection requirements or a standardized interconnection agreement.
3. PG&E AL 3955-E has proposed a standardized interconnection agreement under Rule 21 for existing QFs meeting certain criteria: (i) the QF has a net capacity below 20 MW, (ii) the QF is already interconnected to PG&E's distribution system, and (iii) the QF will sell its output to PG&E.
4. PG&E has 17 or fewer QFs that meet the eligibility criteria for the proposed standardized interconnection agreement under Rule 21.
5. The terms of PG&E's proposed standardized interconnection agreement are consistent with Rule 21, the QF Settlement, and today's market structure.
6. The terms of PG&E's proposed standardized interconnection agreement meet the Commission's intent of maintaining consistency among the IOUs' Rule 21 tariffs and associated filed forms, and thereby making standardized terms of interconnection services available to generating facilities statewide.
7. SCE AL 2656-E has proposed a standardized interconnection agreement under Rule 21 for existing QFs meeting certain criteria: (i) the QF has a net capacity below 20 MW, (ii) the QF is already interconnected to SCE's distribution system, and (iii) the QF will sell its output to SCE.
8. SCE has 17 or fewer QFs that meet the eligibility criteria for the proposed standardized interconnection agreement under Rule 21.
9. The terms of SCE's proposed standardized interconnection agreement are consistent with Rule 21, the QF Settlement, and today's market structure.

10. The terms of SCE's proposed standardized interconnection agreement meet the Commission's intent of maintaining consistency among the IOUs' Rule 21 tariffs and associated filed forms, and thereby making standardized terms of interconnection services available to generating facilities statewide.

**THEREFORE IT IS ORDERED THAT:**

1. The request of PG&E to approve the Interconnection Agreement For an Existing Small Generating Facility to PG&E's Distribution System Under Rule 21 as requested in Advice Letter AL 3955-E is approved.
2. The request of SCE to approve the Interconnection Agreement For an Existing Small Generating Facility to SCE's Distribution System Under Rule 21 as requested in Advice Letter AL 2656-E is approved.

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 March 8, 2012; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON  
PAUL CLANON  
Executive Director

MICHAEL R. PEEVEY  
President

TIMOTHY ALAN SIMON  
MICHAEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
MARK J. FERRON

Commissioners