

Joint Proposals of
Pacific Gas and Electric Company (U 39-E)
Southern California Edison Company (U 338-E)
San Diego Gas & Electric Company (U 902-E)

For the Workshops Regarding the Staff Reports on Cost
Certainty

Rulemaking 11-09-011

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Cost Certainty

Cost Certainty – IOU Guiding Principles

- Rule 21 provides for a trade-off between timing, cost, and certainty
 - To increase certainty, study times and cost will increase
- Projects that wish to interconnect should pay the costs required to interconnect
- There are factors outside the control of the IOU which impact certainty
 - i.e.: developers modifying their projects, projects withdrawing, environmental mitigations and other challenges which are not known until a site visit is conducted
- All parties will benefit from a step-by-step approach as proposed by the IOUs
 - Greater certainty, for a subset of projects, will advance the overall goal of certainty without disrupting a process which has been carefully crafted over the last two years
- Currently, there are limited data points
 - Exact cost estimates are difficult because each project has its own characteristics
- The IOUs' goal is to provide an accurate estimate
 - The IOUs have no incentive or motivation to provide inaccurate estimates

Cost Certainty - Background

- The 2012 and 2014 revisions to Rule 21 included provisions intended to enhance predictability of the costs and process of interconnection:
 - Integrated online Rule 21 and WDAT queues required pursuant to Rule 21, Section E.5.d
 - Pre-Application Report set out in Rule 21, Section E.1
 - Distribution Group Study Process (DGSP) set out in Rule 21, Section F.3.c
- Reforms in 2012 enabled more projects to pass Fast Track (FT)
 - Pre-Application Report provides an early indication whether a project will pass FT
- The IOUs' review of Interconnection Requests demonstrates that there is significant variation in cost for projects triggering Significant Distribution Upgrades (SDUs) required to mitigate reliability concerns
 - The review also indicates that costs for projects that do not require SDUs can be estimated with reasonable accuracy based upon past experience

Cost Certainty – Joint Proposal

- IOUs submitted a Joint Proposal regarding Cost Certainty in January 2013.
- The Joint Proposal was designed for projects approved in Fast Track (FT) process.
 - Intended to meet the needs of the majority of the DG community
 - Covered projects with lower interconnection cost
 - Did not inequitably transfer costs
- The expanded Joint Proposal (September 2014) includes certain Independent Study Process (ISP) projects.
 - This fixed price option for projects meeting certain criteria will apply to a larger number of projects.
 - For example, in SCE's service territory, the IOUs expanded proposal would apply to nearly all projects that pass FT and over 35 percent of ISP projects
- Projects that do not qualify for this fixed price option will be required to pay actual construction costs.

Cost Certainty - Expanded Joint Proposal

- **Offers a fixed price for projects that pass FT**
 - Located in “low impact areas”
 - “Low impact area” refers to projects that: (1) pass Fast Track and (2) do not require distribution substation upgrades and (3) whose total interconnection facility cost is less than \$500,000.
 - Fixed Cost does not include environmental studies or mitigation
- **Offers a fixed price to certain ISP projects**
 - Less than 5 MW, with total cost less than \$500K and Distribution Upgrades cost no more than \$100K
 - Projects cannot be dependent on facilities triggered by earlier-queued projects

Fixed Price Option Projects

- 1. Applicant must request a fixed price at time of application or within 5 BD of Initial Review being completed**
- 2. Applicant must provide additional site and project info**
 - This info permits the IOU to perform additional review to obtain a more detailed and accurate estimate.
 - Applicant will be required to confirm specific information, including a final location for the point of interconnection (POI), point of change of ownership (POCO), required service voltage, size and type of generating facility (Technical Scope Package).
 - Based on that information, the IOU and the Applicant will agree on the method to connect the POCO with the POI at the distribution circuit.
 - The IOU's fixed price will be based on the agreed upon routing for the interconnection facilities from the point of interconnection to the point of change of ownership and based on the interconnection requirements.

Fixed Price Option Projects, cont'd

- 3. Applicant must pay a nonrefundable fee for preparation of the fixed price option.**
 - The Fixed Price Option shifts certain tasks—such as field verification and detailed engineering—forward in the interconnection process.
 - This fee pays for the additional time and resources required to perform those tasks

- 4. IOUs will provide fixed price 30-70 BD after Applicant's submission of all necessary information and payment of fee**

- 5. The Fixed Price Option does not include costs triggered by environmental studies and/or mitigation.**
 - Where environmental studies and/or mitigation are required, the project developer shall be responsible for the actual costs thereof.

Cost Certainty – Other Issues

- Certain causes for cost uncertainty remain outside of the IOUs' control
 - Project modifications by developers
 - Decisions by prior-queued developers
 - Unforeseen issues during construction phase
- It is premature to adopt a cost certainty option for all ISP projects when few have been tried up
 - Substantially more will be tried up over next 2 years
 - New data regarding estimated and actual costs will assist all parties