

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

Order Instituting Rulemaking to Promote Policy
and Program Coordination and Integration in
Electric Utility Resource Planning.

Rulemaking 04-04-003
(Filed April 1, 2004)
(QF Issues)

Order Instituting Rulemaking to Promote
Consistency in Methodology and Input
Assumptions in Commission Applications of
Short-Run And Long-Run Avoided Costs,
Including Pricing for Qualifying Facilities.

Rulemaking 04-04-025
(Filed April 22, 2004)
(QF Issues)

**COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION
ON THE PROPOSED DECISION ON FUTURE POLICY AND PRICING FOR
QUALIFYING FACILITIES**

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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 California Wind Energy Association (“CalWEA”)¹ submits these brief comments on the April 24, 2007 Proposed Decision of Administrative Law Judge Halligan in the above-captioned proceeding (“Proposed Decision”).

¹ CalWEA is a party in the above-captioned proceeding and has previously participated in the proceeding as a member of the Renewables Coalition. CalWEA is comprised of wind energy generators, project developers and various wind generator service providers. Many CalWEA members own and operate QF projects that sell electricity to the utilities under existing standard offer contracts. In the aggregate, CalWEA member projects in California sell approximately 600 MW to the utilities.

II. COMMENTS

The Commission should clarify the Proposed Decision to allow QFs with existing interconnection rights to maintain such rights when their existing power purchase agreements expire, regardless of whether the QFs enter into new power purchase agreements with the investor owned utility.

The Proposed Decision properly concludes that existing qualifying facilities (“QFs”) may be exempt from conducting interconnection studies required under the CAISO tariff upon the expiration of their original standard offer contracts. The Proposed Decision states:

“We find that QFs should generally be required to comply with CAISO tariff requirements, however, as recommended by the CAISO and SDG&E, we do not expect existing QFs to be required to complete new interconnection studies. As observed by several parties, neither the CAISO nor the utilities have described what type of disruption would be caused by retaining QFs’ existing arrangements, and in fact, CCC points out that the Kern River Cogeneration Company (KRCC) contract would extend KRCC’s existing interconnection agreements for the term of that contract, five years.”²

Given the language at pages 116-117 of the Proposed Decision (“QFs with expiring contracts seeking to sign new, one- to five- year as-available contract shall not be required to provide new credit support provisions nor new interconnection studies”), however, it is not entirely clear whether this exemption would apply to QFs that do not enter into the new standard contracts to be offered by the utilities under the Proposed Decision. CalWEA recommends that the Proposed Decision be clarified to explicitly allow existing QFs to retain their existing interconnection arrangements, regardless of whether the QFs sell their output to the utilities. This clarification is warranted to avoid unnecessary litigation in the future.

As explained in the opening testimony of Edward W. Tomeo, two Federal Energy Regulatory Commission (“FERC”) orders, Order Nos. 2003 and 2006 (establishing

² Proposed Decision, at 130.

standardized interconnection agreements and procedures for large and small generators, respectively), determined that new interconnection studies and arrangements are unnecessary unless the interconnected QF's output has changed substantially after termination of the contract.³ In particular, FERC Order No. 2006 states that the "Transmission Provider should, of course, use existing studies instead of performing additional analyses to reduce costs for the Interconnection Customer, whenever possible."⁴ Mr. Tomeo reasons that although FERC Order 2006 "may not be directly applicable to many renewable QFs' interconnections, since they do not involve FERC-jurisdictional facilities, the logic of Order No. 2006 still holds."⁵ In fact, FERC states in Order No. 2006 that "our hope is that states may find this rule helpful in formulating their own interconnection rules."⁶ Further, the FERC has pointed out that it "will exercise jurisdiction over interconnections to a 'distribution' facility when the facility is included in a public utility's Commission-filed OATT and the interconnection is for the purpose of facilitating a jurisdictional wholesale sale of electric energy."⁷ Thus, aside from the practical reasons, in the interests of consistency and coordination with the FERC policies, a new interconnection study and arrangement should not be required for a QF with an existing interconnection arrangement so long as the interconnected QF's output will not change substantially after termination of the QF contract.

³ The Renewables Coalition/Tomeo, Exhibit ("Exh.") 90 at 20:8 through 21:14; Federal Energy Regulatory Commission, Standardization of Generator Interconnection Agreements and Procedures, Order No. 2003, 104 FERC ¶ 61,103, at para. 812, Docket No. RM02-1-000 (July 24, 2003) (stating "as long as the Generating Facility's output will be substantially the same after conversion, no Interconnection Studies are necessary"), Order on Rehearing Order No. 2003-A, 106 FERC ¶ 61,220, Docket No. RM02-1-001 (March 5, 2004) [hereinafter "FERC Order 2003-A"]; Federal Energy Regulatory Commission, Standardization of Small Generator Interconnection Agreements and Procedures, Order No. 2006, 111 FERC ¶ 61,220, at para. 187, Docket No. RM02-12-000 (May 12, 2005) [hereinafter "FERC Order 2006"].

⁴ FERC Order 2006 at para. 187.

⁵ The Renewables Coalition/Tomeo, Exh. 90 at 21:3-5.

⁶ FERC Order 2006 at para. 8.

⁷ FERC Order 2003-A at para. 730.

In line with Mr. Tomeo's testimony, the FERC orders and the Proposed Decision's own conclusion, there is no practical reason to require new interconnection studies for existing QFs unless such QFs are to significantly change their output after termination of the QF contracts. In the Proposed Decision, the Commission properly follows this rationale and refers to the KRCC contract with Southern California Edison (which simply extends KRCC's existing QF interconnection agreements for the term of that contract)⁸ in allowing QFs to extend their existing interconnection arrangements to future power purchase agreements with utilities. In the same vein, the Commission should clarify that QFs may retain their existing interconnection arrangements under new contracts with both the utilities and any other third party buyers upon the expiration or earlier termination of their existing contracts.

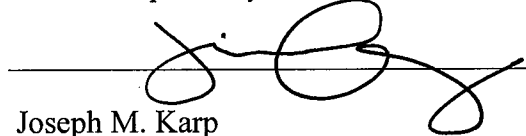
Attached hereto as an appendix are CalWEA's proposed findings of fact and conclusions of law.

⁸ Proposed Decision, at 130 *citing* KRCC Contract, Exh. 101, at 2.

III. CONCLUSION

CalWEA respectfully requests that the Commission revise the Proposed Decision as set forth above.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Joseph M. Karp', is written over a horizontal line.

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May 25, 2007

APPENDIX

Setting Forth CalWEA's Proposed Findings of Fact and Conclusions of Law

Proposed Findings of Fact

It is reasonable to allow existing QFs to retain their existing interconnection arrangements under new power purchase agreements with both the utilities and any other third party buyers upon the expiration or earlier termination of their existing power purchase agreements.

Proposed Conclusion of Law

Existing QFs may retain their existing interconnection arrangements under new power purchase agreements with both the utilities and any other third party buyers upon the expiration or earlier termination of their existing power purchase agreements, and no interconnection studies shall be necessary as long as the generating facility's output will be substantially the same after termination of the QF contract.

Certificate of Service

I hereby certify that I have this day served a copy of the

***Comments of the California Wind Energy Association
On the Proposed Decision On Future Policy and Pricing
For Qualifying Facilities***

on all known parties to R.04-04-003 and R.04-04-025 by sending a copy via electronic mail and by mailing a properly addressed copy by first-class mail with postage prepaid to each party named in the official service list without an electronic mail address.

Executed on May 25, 2007 at San Francisco, California.


Rosalie Marschall