

From: Brown, Carol A.  
Sent: 7/1/2013 1:29:31 PM  
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7)  
Cc:  
Bcc:  
Subject: FW: RAM/CREST PPAs

Welcome back! I am sending you a problem that is a little less intense than San Bruno - When I brought it to President Peevey's attention, he suggested just letting you know about it! If there is any way we can address this little issue before the Governor's Office gets involved - that would probably be a good thing!!!

Enjoy the holiday  
Carol

-----Original Message-----

From: Chaset, Nicolas L.  
Sent: Tuesday, June 18, 2013 3:05 PM  
To: Kamins, Sara M.; Murtishaw, Scott; Brown, Carol A.; Randolph, Edward F.; Douglas, Paul; Schultz, Adam  
Subject: RAM/CREST PPAs

All

Here is an overview of the RAM/CREST interconnection/PPA issues that have been popping up recently, including some suggestions for paths forward. Let me know what you think over the next couple of days, and I will plan to set up a meeting or meetings both internally and with the IOUs to discuss.

The impacted RAM and RFO projects seem to generally face the same problem. Developers signed PPAs that included firm COD, with limited opportunity for extension. When these PPAs were signed, the developers typically had either system impact studies or Phase 2 interconnection studies. In either case, the interconnection studies provided some preliminary guidance regarding expected interconnection schedules. Upon executing their PPAs, the developers pursued interconnection agreements, which seem to have been predicated on the information that was provided to the developers either in the system impact studies or the Phase 2 interconnection studies. As part of the interconnection agreements, schedules were included that provided for the build out of the distribution and transmission upgrades needed. These schedules seem to have been largely based on the upgrades that we outlined in the Phase 2 studies.

Here is where the problem begins. After the IOUs execute their interconnection agreements, they conduct much more in-depth studies of the interconnection applications, often times with different groups within the IOU conducting the Phase 2 study and the post interconnection agreement study. After these more in-depth studies are completed, the IOUs are finding materially different upgrades are needed to accommodate the interconnection. These new upgrades are leading to amendments to the interconnection upgrade schedules that are included in the interconnection agreements. These new, often much lengthier, schedules are putting projects with set CODs at risk of missing the required on-line dates in their PPAs. This is exacerbated by the fact that the PPAs themselves do not have terms to allow for additional extensions to the CODs based on circumstances outside of the control of the developer.

In terms of potential solutions, I would say that there are two categories: 1) expediting interconnections; 2) amending PPAs.

1) Expediting Interconnections: these projects are largely interconnecting on the transmission system and are thus using FERC jurisdictional interconnection agreements. As a result, the CPUC has limited to enforce specific timelines within the interconnection agreements. As a result, for projects that are in the grips of trying to interconnect, the primary role for state agencies is to facilitate on-going negotiations between the IOUs and the developers regarding the interconnection schedules. There seems to be an opportunity to raise the profile of the subset of projects that are at risk of missing their CODs as a result of interconnection agreement amendments, thus having more IOU resources devoted to coming up with creative solutions. In my experience, the IOUs typically have considerable leeway to try different things that may expedite interconnection, but they have to be strongly encouraged to try these things.

A. My recommendation is that we a) identify all the projects that find themselves in the particular situation (I am having Energy Division data request the IOUs to set a baseline), then b) reach out to the effected developers to level set, and c) set regular meetings with the IOUs and the developers to check-in on progress towards expediting project interconnections.

There is also a broader fix that needs to be considered related to improving the IOU's processes going forward, but I see that as more of a CPUC project.

2) Amending PPAs: for projects that have PPAs that were created by the CPUC (RAM, CREST, Re-MAT), the consensus at the CPUC seems to be that the IOUs can be forced to offer an contract amendment to their developer counterparties. We likely need to get one more round of confirmation from Frank Lindh and Ferron's office, but this otherwise seems like a path forward for this subset of projects. For RFO projects that find themselves in this situation (of which SUnEdison's Regulus is one), the CPUC's levers of control are much more tenuous. The CPUC could facilitate RFO contract amendments by changing the type of filing the IOU must make to amend the contract, but likely can't force the IOU to make the amendment in the first place. That said, the IOUs can choose to offer their counterparty an amendment that extends the COD. To date, only SDG&E has shown itself willing to unilaterally amend PPA CODs with requiring other amendments, like lowered pricing, due to extenuating circumstances. Of the three IOUs, SCE has been the most aggressive in their efforts to force their counter parties to accept much lower pricing (typically based on the results of the most recent RFO or RAM) whenever they have a chance to renegotiate their PPAs. In the context of this subset of projects, SCE seems likely to maintain the same hard line that would require a significant price reduction to accompany any COD extension.

A. My recommendation is that we encourage the CPUC to a) pursue granting itself authority to amend RAM, CREST and RE-MAT PPAs as long as the circumstances dictate it (and those circumstances can be defined in the Decision that authorizes the PPA amendments), b) encourage the CPUC to do anything it can to ease the process for the IOUs to seek contract amendments for RFO projects (the circumstances under which projects would be allowed to expedite PPA amendments would also be defined in a Decision), and c) hold meetings between GO, CPUC Commissioners and senior IOU execs (likely needs to be Fong at PG&E and Stu at Edison, and perhaps even above them) to encourage them to offer limited PPA amendments to RFO projects that meet a predetermined criteria (i.e. projects where the interconnection schedule was amended by more than 6 months).

Nick Chaset

Governor's Special Advisor for DG, CHP and Energy Storage