

VIA ELECTRONIC MAIL ONLY

February 14, 2019

Messrs. Mike Cizenski and Neil Joshipura
Division of Public Utility Regulation
State Corporation Commission
P.O. Box 1197
Richmond, VA 23218

**Re: Your Letter Dated November 16, 2018
PUR-2018-00107
Proposed Draft Revisions to Rules Governing the Interconnection of Small
Electrical Generators**

Dear Messrs. Cizenski and Joshipura:

The Virginia, Maryland and Delaware Association of Electric Cooperatives (the “Association”) appreciates the Commission and Staff giving us an opportunity to comment on the newly-proposed draft revisions to the Rules Governing Small Generator Interconnections (“SGI Rules” or the “Rules”).

. As you know, Virginia’s thirteen electric distribution cooperatives (together, the “Virginia Cooperatives” or “Cooperatives”)¹ serve over two-thirds of Virginia’s land mass and over six-hundred thousand Virginia electric meters, serving homes and businesses—approximately one in eight Virginians—who are the Cooperatives’ members and owners. These comments are focused on the interests of the electric distribution cooperatives and their member-consumers.

As member-owned electric utilities, Virginia’s Electric Cooperatives are acutely sensitive to anything that might impose increased burdens on their limited resources—whether the imposition is increased staff time or increased costs. It is primarily through that lens which the Cooperatives view Staff’s proposed document to revise the Rules.

¹ Specifically, the Virginia Cooperatives are: A&N Electric Cooperative, BARC Electric Cooperative, Central Virginia Electric Cooperative, Community Electric Cooperative, Craig-Botetourt Electric Cooperative, Mecklenburg Electric Cooperative, Northern Neck Electric Cooperative, Northern Virginia Electric Cooperative (“NOVEC”), Powell Valley Electric Cooperative (“PVEC”), Prince George Electric Cooperative, Rappahannock Electric Cooperative, Shenandoah Valley Electric Cooperative, and Southside Electric Cooperative. PVEC is organized pursuant to the laws of this Commonwealth and serves approximately 8,100 member-owners in Virginia in addition to its members in Tennessee.

Accompanying this submittal, but under separate cover, are the comments of Old Dominion Electric Cooperative.

The Cooperatives wish to take this opportunity to review several concerns they have with the Rules. While some of their concerns are with the specific revisions proposed by Staff, the Cooperatives would also like to take an opportunity to articulate some additional, broader policy concerns that the SGI Rules implicate. As always, we are grateful to the Staff for the opportunity to enter into a constructive, two-way dialogue on this and other issues.

In a broad sense, the Cooperatives urge the Staff to take this opportunity to make some larger-scale changes to the Rules. The principle of “cost causer pays” should apply at all points within the Rules, and there is an opportunity to make a broad improvement in the Rules, namely, that the purpose and operational intent of a generator needs to be its defining characteristic—even over and above size as a characteristic. A generator exporting onto the grid for wholesale sale will be interconnected and evaluated differently than a generator paralleling for peak shaving, which in turn would be different from an emergency backup generator, which would also be different from a net metering interconnection (still interconnected, though under different rules). It may be in the best interests of the Commonwealth that we take a longer, more thoughtful, and from-the-ground-up look at the Rules as a whole.

The Cooperatives’ specific comments are as follows. Capitalized, abbreviated, or other defined terms used herein are used as defined in the Rules:

- In Section 20 VAC 5-314-10, the insertion referring to the IC potentially being desirous of transmission-level, versus distribution-level interconnection should be removed. The IC should be interconnected at the most appropriate point of interconnection. This can be decided between the IC and the utility, if a transmission-level interconnection, regardless of jurisdiction, is the appropriate one, the IC’s “desire” should be irrelevant.
- In that same section, there should remain an opportunity to work with the utility on an informal basis. The formalization of the “Pre-Application” period is unnecessary, and the document should reinstate “formal or informal” as a modification. Removing flexibility and making rigid the collaboration between the IC and the utility is a net negative development for the Rules. The requirement of a formal process by the utility for every potential IC location places the entire burden—and cost—of due diligence on the utility. Instead of the IC having to carefully evaluate each parcel, under the proposed formal requirement, the IC could simply submit a list of locations to the utility who would then have to evaluate each without opportunity for cost recovery under the pre-application process.
- In new subsection “C” in Section -10, the grandfather clause, a materiality standard should be added, and a change in ownership should not automatically trigger the imposition of the new, 2018-edition Rules. The date of interconnection should be determinative, not ownership. For example, many solar installations undergo changes in ownership “on paper” that do not affect their interconnections in any way, and such changes should not trigger a rule change. The new Rules should apply on a going-forward basis and to those ICs not yet interconnected as of a date certain.

- In Section -20, the addition of the shorthand “interconnection facilities” to the definition of “customer’s interconnection facilities” does not appear to be helpful. If a shorthand is desired, perhaps “customer’s facilities” may be more appropriate. The term “interconnection facilities” could be confusing in that it could refer to the customer’s facilities or the utility’s facilities. The Rules should be clear.
- The definition of “distribution upgrades” may need to be broadened or clarified to include those elements of the transmission system not subject to wholesale or FERC jurisdiction. For the Cooperatives in particular, the distribution Cooperatives own facilities that are not part of the wholesale or FERC-jurisdictional grid which are considered “transmission” for some purposes under state law. The Rules should be clear that they not only (i) exclude FERC jurisdictional facilities (and they are clear on this point), but also (ii) that they include all state-jurisdictional facilities, including both distribution upgrades and transmission upgrades.
 - Along those lines, it should be clear that if a generator or multiple generators turns a distribution-level or state-jurisdictional transmission line (owned by a distribution cooperative) into a line subject to NERC reporting and reliability requirements, then the IC should bear all costs, including ongoing costs, associated with that event.
- In the definition of “interconnection studies,” a reference should be added to include any affected system operator.
- As discussed earlier, the addition of new Section -35, the “Pre-Application Procedure” is highly problematic for the Cooperatives.² The formalization of this informal process portends to impose large costs on the Cooperatives with little chance of recovery. The Cooperatives prefer that the informal meetings and estimates that the Cooperatives undertake now continue to be allowed outside of a formal process. Moreover, the formal pre-application process will require the Cooperatives to run many of the same tests, studies, and estimates that the formal application process will require. \$300 for these tests, studies, and estimates is far from sufficient. The Cooperatives estimate that to complete the pre-application process would take between \$3,000 and \$15,000 or more depending on the interconnection. The Cooperatives would request that if the pre-application process is to be formalized, that the Cooperatives be allowed to bill it to the IC at cost. Furthermore, there needs to be some form of agreement between the prospective IC and the utility—potentially a non-disclosure agreement, at minimum, because much of what would be disclosed to the IC during the pre-application would be regularly disclosed during the formal process. This information includes sensitive infrastructure and cost data. We will need to protect this information from becoming open to everyone. The Cooperatives recommend that Staff scraps the pre-application process altogether, and returns to a simpler

² There should not be a perverse incentive in the Rules for a developer to get most of what they would need to do a substantive evaluation for the bargain price of \$300. In the worst-case scenario, we are concerned that this might turn a Cooperative’s engineering department into an extension of a developer’s research and property development group. The Cooperative would incur labor costs similar to what would be spent on the engineering phase of a feasibility study, and would be doing so without recovering even a small percentage of those costs. A developer’s process would be made significantly easier and less expensive because they will not expend time or money vetting properties as thoroughly, and the Cooperative’s member-consumers will bear the costs.

requirement for an informal pre-application meeting between a prospective IC and the utility.³

- In Section -40, referencing site control procedures; these should apply to all levels of interconnection and should include the IC providing a valid 911 address for the site.
- In that same Section, in new subsection “E,” the testing of a static inverter can be done only by the inverter’s manufacturer. The utility would have to bring in a third-party to do such tests. For both the static and non-static inverter, the utility should be able to recover its costs for any third-parties needed for such testing. A Cooperative and its member-consumers should always be able to recover all costs for work done for third-parties the benefit of which does not inure to the Cooperative or its member-consumers.⁴
- In Section -50, subsection “D,” we recommend that a sunset be added for “open” interconnection agreements that are for projects that are never finished. Once the SGIA has been signed, an IC should have a certain period—say, six months to a year—to complete construction and achieve commercial operation. There are several such “open” agreements in Cooperative territories today that have never started construction. This would also avoid the possibility of an SGIA becoming permanently “open” and a new solar facility being built over the old one when the first facility reached the end of its useful life. The duration of the SGIA should be tied to the initially-installed solar equipment, but without delaying the overall schedule or signing of the SGIA.
- We would also like to raise the issue of payment for existing facilities. This is a very important issue. When a generator needs to transport energy over a utility’s distribution system to get to a wholesale delivery point where that energy is delivered to the PJM grid, there is nothing in the current rules that dictate how the use of those existing facilities are to be compensated for, in addition to the on-going distribution operations and maintenance costs of providing service to the generator. It is well recognized that no one has the privilege of free access to and use of a utility system and this tenet applies as well to generators as it does to member-consumers. One of the Cooperative Principles is that all members contribute capital toward the cost of the utility; the fact that a generator may not be a member-*consumer* does not change that responsibility. The Rules should reflect a commonsense approach to recovering these costs. Cost recovery based on value of the

³ The exposure of information, such as total capacity being served as load at a given point of interconnection, is usually held confidential, and that information being exposed at any one point in time belies the dynamic nature of operating an electric system, be it transmission or distribution. Reserves in capacity may be required by RUS, and that capacity may or may not be available for a generator to interconnect. This confidential information being in the hands of non-utility parties may set up a situation where a developer, without a full understanding of the system or its operational requirements, would be recommending system modifications to make its project seem feasible.

Further, the overall time that it would take to know many of the things being asked in the pre-application process would be many hours of time and study. It would be at least eight hours per request just to gather the data that a Cooperative would have ready access to. Other data would have to be the results of studies by third-party consultants. Many times “existing data” will be insufficient to produce the answers required by the pre-application process.

⁴ Today, per the regulations, a Cooperative can only charge \$50 for this test *if* the system is a static inverter rated above 10kW or is a non-static inverter. We spend no less time testing a 2 kW system than we do a 20 kW system, so we should be able to recover at least some of the costs of testing *every* connection regardless of rating.

facilities being used or energy being transmitted are both acceptable means, and adequately accounting for the operational characteristics of the generator (*e.g.*, using a solar capacity factor) also seems to be a sensible measure. In the end, the generators interconnecting onto Cooperative systems must pay the costs that they impose on the grid as a whole. Using the FERC Large Generator Interconnection Agreement as a guide (an excerpt accompanies this transmittal), there are several cost categories which should be considered, without limitation. In the final analysis, the IC will be making a profit on its interconnection of the generator; the Cooperative and its member-consumers will not. In no case, then, should the Cooperative be at a loss due to the interconnection of an IC.

- References to “financial security” in the new language in subsection “D(2)” should be clear as to whom that financial security is being provided: is that being provided to the utility, the IC, the utility’s member-consumers, or a locality?
- In Section -60, new subsection “H,” regarding supplemental review, there should be a procedure in the Rules to tie these SGI reviews to the relevant PJM processes. Perhaps a reference to the Wholesale Market Participant Agreement being signed could be useful here?
- Further in that same subsection, it is unclear what happens when an IC fails one of the screens. Do they fall out of the queue at any point? Or do they get to maintain their queue position and pay or remediate the issue presented by the failure? It should also be clear at what point a Level 2 IC becomes a Level 3 IC.
- In Section -70, the Level 3 scoping meeting should include not only the local utility but also other affected systems.
- Further, for purposes of differentiating between Level 2 and Level 3, some more clarity could be useful in the definitions that state how large projects would be treated, even if split up. For example, could a 20 MW project split into two 10 MW projects and use Level 2? At what point would those system impacts necessitate Level 3 treatment, regardless of individual project size? Some additional clarity would be helpful here, perhaps in the definitions. It should also be clear how the MW sizes are being calculated; for example, using AC nameplate or some other metric.⁵
- In subsection “D” of Section -70, the system impact study should include transfer trip or other anti-islanding or protective measures required by any utility or affected system.
- In subsection “E(2),” it should be clear that a specific IC application is also specific to a site, and that should the site change, those changes should trigger a new application process and a new queue position.
- In new Section -75, we believe that some additional clarity around queue positioning may be helpful; however, we would ask that the language be amplified and clarified. We need to know specifically when Project B could be notified about Project A, for purposes of sharing information between two potential competitors. Also, because there would be no specific timeframe for Project A to complete construction (see comments above regarding

⁵ We would also note that 20 MW on a Cooperative’s system will be fundamentally different than 20 MW interconnected on a large investor-owned utility’s system. 20 MW, in some cases, will be twice the standard loading for distribution lines in Cooperative territories. A more accurate size for a “small” generator in Cooperative territories might be 2 MW.

an SGIA “sunset”), Project B may never be able to know when it was its turn to move forward. It should be clear when Project A has to begin work or abandon its position, and it should be clear when, how, and through whom competitively-sensitive information is being shared among the various projects. Most importantly, the Rules must insulate the utility from the risk and liability associated with administering the queue.

- In Section -130, the Cooperatives would please ask that no annual reporting requirements be imposed. The Cooperatives do not have additional staff time to devote to this type of reporting, and would suggest instead that completed interconnections be reported by the IC to the Staff once the SGIA is executed, and that Staff be able to compile reports and datasets from there. It is important to recognize that any additional reporting requirements imposed on the utility result in costs. For Cooperatives, those costs are paid for by member-consumers. As noted in the Cooperatives’ opening statements, cost causation should be honored and the costs of any additional reporting requirements should be recovered from those who necessitate the report. If not for ICs, there would be nothing to report, therefore their presence is the cause of the cost and they should bear the reporting requirement, or pay for the Cooperatives to do it.
- In Section -150, we recommend adding “storage or” before “energy production devices.”

The Association appreciates the opportunity to provide comments on revisions to the Rules. We will look forward to participating in the work group meetings set up for March. Please do not hesitate to be in touch with me should you or any other member of the Staff have additional questions or concerns.

Very truly yours,

A handwritten signature in black ink, appearing to read "S. Brumberg", written in a cursive style.

Samuel R. Brumberg