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February 22, 2010

Via Electronic Mail

Ms. Susan M. Hudson, Clerk
Vermont Public Service Board
Chittenden Bank Building, Fourth Floor
112 State Street, Drawer 20
Montpelier, VT 05620-2701

RE: PSB Rule 5.500 – Interconnection Requirements

Dear Ms. Hudson:

Pursuant to the February 9, 2010 Memorandum, the Interstate Renewable Energy Council (IREC) hereby submits for these comments on the revised draft Rule 5.500 Application and Instruction Form submitted by Central Vermont Public Service Corporation (CVPS) on January 29, 2010, the model interconnection procedures submitted by IREC on January 20, 2010 and model documents submitted by CVPS on January 29, 2010. IREC appreciates the opportunity to offer these comments on the above documents and looks forward to working with stakeholders in their efforts to update Vermont's Interconnection Standards.

I. BACKGROUND

For over two decades, IREC has worked as a non-profit organization to accelerate the sustainable utilization of renewable energy resources. With funding from the United States Department of Energy, IREC's mission includes assisting state policymakers in identifying "best practices"[1] in the areas of interconnection, net metering and financing of distributed renewable energy technologies. To that end, IREC has participated in workshops, proceedings and rulemakings before over twenty-nine state public utility commissions during the past two years, including the development of interconnection rules in Colorado, Florida, Kansas, Illinois, New Mexico, New York, North Carolina, Utah, Virginia, Maine and to a lesser extent, Maryland,

[1] The federal Energy Policy Act of 2005 ("EPAct 2005"), Pub. L. No. 109-58, 119 Stat. 594, § 1254 required state utility commissions and certain utilities not subject to utility commission jurisdiction to consider adopting interconnection procedures that "promote current best practices of interconnection for distributed generation." IREC includes among "best practices" policies that have been implemented by state utility commissions and unregulated utilities that reduce barriers to interconnecting small generators while also maintaining worker safety and grid reliability.

South Dakota and the District of Columbia. IREC has also developed model interconnection procedures that reflect "best practices" in this area.[2]

As part of these efforts, IREC participated in the January 20, 2010 workshop. At the workshop, stakeholders discussed the need for clarifying changes to the Rule 5.500 Application Form and the need to update and standardize Vermont's interconnection rules and associated documents and forms. IREC believes there was a general consensus among stakeholders that updating Vermont's interconnection rules and documents was an important goal that would be helpful in promoting greater penetration of renewables in Vermont. As discussed at that workshop, it appears there are efforts that can be taken in the short-term to update Rule 5.500 and efforts that might require a bit more time in implementing. To build on the conversation at the workshop, IREC submitted model rules IREC has developed for review by stakeholders as IREC's model rules contain a holistic package of interconnection standards and associated documents for states to use in implementing or updating their interconnection standards in support of their renewables programs and policies. IREC's model rules were recently updated in 2009 to incorporate ongoing evolution of best practices in the area of interconnection.

II. DISCUSSION OF DRAFT RULE 5.500 APPLICATION AND INSTRUCTION FORM

IREC has reviewed the draft Rule 5.500 Application and Instruction Form submitted by CVPS on January 29, 2010. Based on this review, it appears all of the points raised at the workshop have been integrated into the updated form including the need for instructions. IREC appreciates CVPS's efforts on behalf of workshop participants in updating the form and development of the instructions. Accordingly, IREC supports the use of the document within Rule 5.500 at this time.

IREC's only current concern with the updated model form is the use of a flat $300 application fee. While that amount is set within Rule 5.500, going forward, as one area to update, IREC suggests the fee for applications be tiered depending on the size of the generator requesting interconnection. In IREC's model interconnection rules, these levels are currently set at $20 for Level 1 systems (25kW and below), $50 plus $1 per kW of generating capacity for Level 2 systems (up to 2 MW and nonexporting systems), and $100 plus $1 kW of generating capacity for Level 4 systems (all other systems).

Over the longer term, as discussed more fully below, IREC believes IREC's model interconnection procedures, including the application forms contained in the model, offer a better framework for applications and looks forward to discussing that topic within the context of updating Vermont's interconnection standards generally.

III. DISCUSSION OF MODEL FEASIBIILITY, SYSTEM IMPACT AND FACLITIES STUDIES SUBMITTED BY CVPS AND IREC

IREC notes that Rule 5.500 identifies making available to applicants model agreements for feasibility, system impact and facilities studies but, to date, it is IREC's understanding that

[2] IREC developed its model procedures prior to the passage of EPAct 2005, and updated them in 2006, with the recognition that they could facilitate the adoption of "best practices" in net metering and interconnection procedures at state and local levels.

none has been adopted by the Public Service Board (PSB). Standardized forms across Vermont's utilities will facilitate the development of the renewables within Vermont by increasing developer familiarity with standard agreements seen repeatedly across Vermont. This familiarity will lead to decreasing transaction costs because in the absence of such documents, documents will need to be reviewed (and possibly developed) for each utility a developer works with. Decreasing these transaction costs will benefit all renewable energy stakeholders: utilities, ratepayers, and renewable developers. For these reasons, IREC recommends that the PSB adopt IREC's model agreements after making minor modifications to conform the agreements to the requirements of Rule 5.500 as discussed below.[3]

Interconnection Feasibility Study Agreement (IFSA): IREC would suggest the following changes to the IFSA in order to conform the document to the requirements of Rule 5.500 (redline):

2. ~~Applicant~~ Interconnection Requester elects and the Utility shall cause to be performed a Feasibility Study consistent with ~~Section H(3) of the Interconnection Procedures~~ PSB Rule 5.507(E) of This Rule.

7. The Utility ~~may~~ shall require a study deposit of the lesser of 50 percent of estimated non-binding good faith study costs or $1,000.

8. Barring unusual circumstances outside of the Interconnecting Utility's control, ~~T~~the Feasibility Study shall be completed and the results shall be transmitted to ~~Applicant~~ Interconnection Requester within twenty business days after this Agreement is signed by the Parties, unless the proposed Generating Facility will impact other proposed Generating Facilities.

10. Consistent with PSB Rule 5.507(E)(6)(d), ~~Applicant~~ Interconnection Requester shall pay any actual study costs that exceed the deposit without interest within ~~thirty~~ twenty-five (25) calendar days on receipt of the invoice or resolution of any dispute. Utility shall refund any excess amount without interest within ~~thirty~~ fifteen (15) calendar days of submittal of the Feasibility Study Report ~~of the invoice~~.

IREC notes that Rule 5.500 does not specify a timeframe for completion of the IFSA. IREC's model agreement provides for 20 business days to complete the study. IREC believes this timerame is reasonable for most Feasibility Studies given the contents of the studies. However, consistent with Rule 5.500(4)(a), IREC has added the phrase "Barring unusual circumstances outside of the Interconnecting Utility's control," to the section 8.

Interconnection System Impact Study Agreement: IREC would suggest the following changes to the Interconnection System Impact Agreement contained in IREC's model interconnection standard in order to conform the document to the requirements of Rule 5.500 (redline):

2. ~~Applicant~~ Interconnection Requester elects and the Utility shall cause to be performed an System I~~i~~mpact S~~s~~tudy consistent with ~~Sections H(5) (8) of the Interconnection Procedures~~ PSB Rule 5.507(F) of This Rule.

[3] IREC notes that certain capitalized terms will need to be changed in each of IREC's model agreements to conform to the definitions contained in Rule 5.500. The discussion in these comments is intended to indentify the more important areas of necessary changes.

6. The Utility ~~may~~ shall require a study deposit equivalent to the estimated cost of the study ~~of the lesser of 50 percent of estimated non-binding good faith study costs or $3,000.~~

7. Barring unusual circumstances outside of the Interconnecting Utility's control, ~~T~~the System I~~i~~mpact S~~s~~tudy shall be completed and the results transmitted to ~~Applicant~~ Interconnection Requester within forty-five (4~~0~~5) business days after this Agreement and deposit is ~~signed by the Parties~~received by the Utility if a Feasability Study was performed, and 60 days from receipt of the System Impact Study agreement and deposit if a Feasibility Study was not performed. ~~unless the proposed Generating Facility will impact other proposed generating facilities.~~

9. ~~Applicant~~ Interconnection Requester shall pay any actual study costs that exceed the deposit without interest within twenty-five (25) ~~thirty (30)~~ calendar days on receipt of the invoice or resolution of any dispute. The Utility shall refund any excess amount without interest within fifteen (15) ~~thirty~~ calendar days of the invoice.

Interconnection Facilities Study Agreement: IREC would suggest the following changes to the Interconnection Facilities Study Agreement contained in IREC's model interconnection standard in order to conform the document to the requirements of Rule 5.500 (redline):

2. ~~Applicant~~ Interconnection Requester elects and the Utility shall cause to be performed a F~~f~~acilities S~~s~~tudy consistent with ~~Sections H(9)-(11) of the Interconnection Procedures.~~ PSB Rule 5.507(G) of This Rule.

6. The Utility may require a study deposit equivalent to the estimated cost of the study ~~of the lesser of 50 percent of estimated non-binding good faith study costs or $10,000.~~ The Interconnection Requester may also request an extension of time within the 30 business days.

7. In cases where System Upgrades are required, the Facilities Study shall be completed and a Facilities Study Report transmitted to the Interconnection Requester within forty-five (45) days of the receipt of the Facilities Study Agreement. In cases where no System Upgrades are required, and the required facilities are limited to Interconnection Facilities, the Facilities Study shall be completed and a Facilities Study Report transmitted to the Interconnection Requester within thirty (30) business days. ~~The Facilities Study shall be completed and the results shall be transmitted to Applicant within sixty (60) business days after this agreement is signed by the Parties, unless the proposed Generating Facility will impact other proposed generating facilities.~~

9. ~~Applicant~~ Interconnection Requester shall pay any actual study costs that exceed the deposit without interest within ~~thirty (30)~~ twenty-five (25) calendar days on receipt of the invoice. The Utility shall refund any excess amount without interest within fifteen (15) ~~thirty (30)~~ calendar days of the invoice.

IV. DISCUSSION OF MODEL INTERCONNECTION STANDARDS, INTERCONNECTION TECHNICAL REQUIREMENTS, GENERATION INTERCONNECTION AGREEMENT, GENERATION OPERATION PROTOCOL, AND NONDISCLOSURE AGREEMENT

At the onset, IREC believes it is important to reiterate that IREC's model interconnection procedures are intended to offer an integrated and holistic package of procedures for interconnection including interconnection technical standards, application forms, and model agreements. IREC's model procedures are offered as a package to ensure stakeholders have the benefit of best practices concerning technical standards, application forms, and model agreements developed from IREC's experiences and the experiences of developers and utilities through dozens of state rulemakings on interconnection. Working from an integrated package of procedures and related documents has the additional benefit of preserving all parties' resources by leveraging these prior efforts. Because of these facts, IREC believes, as a general matter, IREC's model procedures should form the basis of discussion of future efforts to update Vermont's interconnection standards. IREC's model procedures can be adapted to fit the specific needs of a state, but generally those changes should be modest given the core of IREC's model procedures are based on standards seen in the Small Generation Interconnection Procedures (SGIP) adopted by the Federal Energy Regulatory Commission (FERC). On January 4, 2010, Maine adopted IREC's model interconnection procedures with relatively minor changes related to application fees and timelines. IREC encourages Vermont to proceed similarly and consider using IREC's model interconnection procedures as the basis for future efforts to update Rule 5.500 and attendant documents.

IREC's model procedures contain four levels of review in order to provide a granular framework for reviewing proposed interconnections that focus stakeholder resources on proposed interconnections that truly require review (those that do not pass technical screens contained in the procedures). IREC's model procedures also contain interconnection agreements for Level 1 and Level 2, 3, 4 systems that reflect the different needs for complexity between these larger and smaller systems. For Level 1 systems, the application and interconnection agreement has been combined to further simplify the interconnection process and unnecessary paperwork and delay for Level 1 systems that do not require further study after initial utility review.

After reviewing the Generation Interconnection Agreement (GIA), Interconnection Technical Requirements (ITR), and Generation Operation Protocol (GOP), and Model Nondisclosure Agreement (NDA) submitted by CVPS, IREC believes that the GIA, ITR, and GOP to not represent documents that should be adopted by the PSB for use in Vermont or form the basis for future discussions on updating Rule 5.500 for the following reasons, among others:

- As a general matter, the ITR and GOP appear to be duplicative of requirements, such as the need for a disconnect switch, contained in Rule 5.500. As such, adoption of the ITR and GOP will only lead to confusion for developers on what rule they are subject to if they choose to develop business in Vermont.
- Generally, the GOP contains potential terms of operation that should be contained in the Interconnection Agreement and/or Rule 5.500. These terms would include any required testing of generating equipment, rights of access by the utility, disconnection, etc. Restatement of these requirements in a separate document will only create confusion and, to the extent these terms have not been addressed, they should be addressed in a public

venue to ensure they are developed in a fashion that is mutually beneficial to all stakeholders.

- Lastly, the GIA also contains terms and conditions that appear to be one-sided or will introduce unnecessary risk into the interconnection process. For example, the GIA proposes a term of years for the interconnection agreement in Section 4. This requirement is unnecessary and will only introduce risk for a developer regarding the security of their ability to interconnect to the grid. Section 5 is largely duplicative of the requirements of Rule 5.500 and is, therefore, unnecessary. Section 5 also appears to require terms that go beyond the requirements of Rule 5.500 in Section 5(g) and 5(h). The requirement for a telephone line in Section 5(g) is an expensive requirement that is generally unnecessary for many systems. Section 5(h)'s requirement for future enhancements introduces risk for developers that should not be imposed without careful consideration. The electric power characteristics contained in Section 6 appear to be higher than the requirements for power quality required of the utility (usually 0.95 leading and lagging). Accordingly, this requirement is discriminatory and unnecessary.

For these reasons and others, IREC requests that the GIA, ITR and GOP not be used as the basis for efforts to develop a model interconnection documents for use in Vermont.

IREC does not oppose using the NDA submitted by CVPS as the basis for a model NDA for adoption by the PSB. The NDA appears to offer mutual requirements for the protection of information asserted to be confidential by the signatories.

V. CONCLUSION

IREC appreciates the opportunity to submit these comments in response to the February 9, 2010 Memorandum. As discussed above, IREC supports the use of the draft Rule 5.500 Application and Instruction Form submitted on January 29, 2010 at this time. IREC also supports Vermont moving forward to consider updating Rule 5.500 and recommends the use of IREC's model interconnection procedures as the groundwork for those efforts. IREC's model interconnection procedures represent countless hours of review by all stakeholders – commission staff, utilities, and renewables advocates. As such, they encapsulate a solid foundation for any particular state to use in developing interconnection procedures.

Respectfully,

/s/ Joseph F. Wiedman

For the Interstate Renewable Energy Council

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