

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

AR 521

In the Matter of a Rulemaking to Adopt)
Rules Related to Small Generator)
Interconnection.)

COMMENTS OF
OREGON PUC STAFF
November 9, 2007

**AR 521 OREGON SMALL GENERATOR INTERCONNECTION
RULES
OPUC STAFF'S THIRD SET OF COMMENTS**

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AR 521 Small Generator Facility Interconnection Rule

Staff's Third Set of Comments

1. General Background & Staff Perspective

The Small Generator Facility Interconnection Rule (Rule) has entered its second Draft. Changes proposed in each Draft have come from Stakeholder comments and suggestions from informal rulemaking workshops. Although parties began this rulemaking with what Staff would argue was a near consensus agreement on the Rule, parties have endeavored, through two informal workshops and numerous written comments, to fully develop every issue. What has been submitted as Draft 2 represents the culmination of that effort.

2 Overview of the Rules

Staff's opening comments explain the historical background regarding development of the proposed Rule. Staff indicated that the proposed rules were developed with input from a diverse group of stakeholders that not only included the public utilities but also distributed generation developers, small generator owners and operators, representatives from the Commission Safety and Reliability division and technical and process experts in the field of small generator interconnection. The Rule is based, in large part, on a framework developed by the Mid-Atlantic Demand Response Initiative (MADRI) in their "MADRI Small Generator Interconnection Procedure." MADRI, in turn, had its genesis in the FERC "Small Generator Interconnection Procedure" issued under FERC Order No. 2006 (which currently governs the interconnection of qualifying PURPA small wholesale power generators in Oregon). Throughout the rulemaking process Staff and the stakeholders have strived to minimize the differences between the proposed Rule and the FERC rule. Any difference between what is

being proposed in this Rule and the requirements of the FERC rule are meant to address the requirements of the OPUC statutory authority for regulation of public utilities in Oregon.

3. Scope and Applicability an Definitions **(OAR 860-082-0005 to 0010)**

Scope and Applicability

Staff explains that the proposed Rule applies to the interconnection only of small generators with capacity of 10 MW or less which are not producing electricity for resale and are interconnecting to a public utility, which by definition would include Portland General Electric (PGE), PacifiCorp and Idaho Power Company. Net Metering Facilities, regulated under OAR 860, Division 039 are not subject to this rule. Clarifying language was added to the waiver provision in this section to acknowledge that a public utility may seek a waiver because of a large backlog of pending applications.

Definitions

A focus was made with this draft to define terms consistently in this Rule with those used in the Net Metering Rule. Substantive changes include:

1. The definition used to describe the entity subject to the Commission's jurisdiction, and to which the interconnection is being made, was changed to reference the "Public Utility" as defined in ORS 757.005.
2. A definition was added for "Good Utility Practice", clarifying further language used in the section about dispute resolution.
3. The term "Party or Parties" was eliminated in favor of more clearly defining the individual participants, namely the public utility, the applicant and the interconnection customer.
4. The definition of the "Interconnection Customer" and its use throughout the rule raised a related issue about whether the Rule should apply to interconnection customers with existing interconnection agreements. Staff's legal counsel advises that the Commission does have legal authority to apply all, or part of the Rule, to these existing contracts. Nonetheless, staff concludes that, as a policy matter, the abiding interest the Commission should have in interconnection in general is to facilitate the proliferation of

distributed generation by implementing reasonable standards and requirements that do not unduly impede a small generator from gaining interconnection to the public utility's distribution system without compromising the safety and reliability characteristics of the public utility, its employees, the interconnected small generator or the public at large and that this be done in a cost neutral fashion for customers and the company. The exiting interconnections have been entered into between willing participants. Staff previously asked the stakeholders to provide information about the nature of these existing agreements, but to date, no party has done so. Staff assumes that the standards and procedures used may differ, but not in a material way, from the proposed Rule. Without evidence that the previously agreed to terms of facilities, equipment and procedures do not meet safety and reliability standards similar to the Rule's, staff recommends that this Rule not apply to existing contracts until such time as they may be up for renewal. But, staff may change its recommendation should staff learn it is wrong in this assumption, and it requests a party to immediately notify it if this is so.

5. The definition for Parallel Operation was further clarified in this draft based on input from the PGE representatives. The definition now clarifies that the small generator's output is co-mingled with the public utilities' electrical supply.
6. A definition was added to explain the different ways notice may be made if required by the Rule.

4. General Provisions and Requirements

(OAR 860-082-0015 to 0020)

General Interconnection Provisions

The general interconnection provisions remained largely unchanged from previous drafts. This section addresses applications, fees responsibilities of the various participants in the process and provides a general overview of the various application review tiers (Tier). A notable addition to the current draft is a statement concerning the treatment of interconnections and contracts or agreements entered into prior to

implementation of this Rule and a statement about expedited review for renewal of an agreement when conditions have not changed from the initial application. As stated earlier, staff recommends existing agreements remain in effect independent of the Rule's requirements until their individual expiration date, and that renewal of interconnection agreements where the initial circumstances still exist be expedited as much as possible.

General Requirements

General requirements are a catch-all that defines or describes such items as isolation devices, what are minor modifications, and site control and right of access. One significant change with this draft is a clarification that, should an applicant make a request to increase design capacity at the application phase once it has entered the queue, the change will result in the loss of the assigned queue position and require submittal of a new application. Although not specifically stated in this instance, it is assumed that the initial application fee would be applied to the new application, leaving the applicant to only make up the difference should a new application have a higher fee. Another area of the general requirements that has been controversial throughout the process is the section on isolation devices. The Commission's Safety and Reliability Division suggested the language proposed in the Rule as a compromise between a small generator's desire to for minimal isolation equipment and the utilities desire for a more secure lock out device. Staff points out that the draft procedure requires a lockout device to be installed and accessible by the utility in all but a very narrowly defined case where the installation is small and an alternative, being removal of the meter base, is available to insure a facility is not capable of feeding power into the system.

5. Technical Standards, Cost Responsibility, Insurance and Damage Limitations

(OAR 860-082-0025 to 0037)

Technical Standards

The technical standards are IEEE 1547 and have not changed. At the recent workshop a party suggested that IEEE 1547 should be the "minimum" standard. After consideration, staff rejects this modification as being overly broad and potentially unduly burdensome. In a worst case scenario, such a change would allow the utilities complete

discretion to add numerous other, potentially burdensome and perhaps unnecessary, technical standards. Instead, staff has inserted a statement granting the utility or another participant in the process the option to seek a waiver to use a different standard but only in addition to the aforementioned IEEE 1547.

Cost Responsibility

The language that was in the previous draft regarding financial compensation for system upgrades was deleted. Staff points out that, although the question of compensation for upgrades and modifications that could benefit other customers is valid, it is outside the focus of Rule and was not fully explored by the Stakeholders. One other addition to the cost responsibility section from the October workshop was a statement allowing a larger deposit to be required before the utilities procure and install interconnection facilities. These facilities can be costly and, at the suggestion of Idaho Power's representatives, the size of the deposit for interconnection facilities was increased. The deposit for interconnection studies was left unchanged.

Insurance

The language of the insurance provisions was modified to read the same as the Commission decision on insurance from UM 1129 Order No. 05-584. Although the public utilities tend to disagree that the circumstances in the QF docket are applicable to small generation interconnection, a fact PacifiCorp's representative has stated more than once, none have presented any evidence that existing interconnected small generators are somehow under-insured or that the public utilities have been left with liability claims that resulted from the small generators not being able to pay for damages.

Damage Limitation

Staff continues to support a limitation on damages from the counterparty that is no greater than direct damages.

6. Tier 1 Interconnection

(OAR 860-082-0040)

Tier 1 interconnection

Staff suggests no significant changes to this detailed interconnection procedure.

7. Tier 2 Interconnection

(OAR 860-082-0045)

Tier 2 Interconnection

This detailed interconnection procedure received some alterations in this draft. Most significantly, PGE representatives recommended language, which was added, prohibiting consideration of an application as a Tier 2 interconnection if high speed reclosing is utilized on the distribution line and the generator is a synchronous machine. This combination could be unsafe and should be evaluated under a more detailed Tier 4 review. Another change proposed in the draft is the addition of language intended to facilitate an applicant's Tier 2 field certified application by allowing the utility to provide non-confidential information about other interconnections to an applicant for a nominal fee.

8. Tier 3 Interconnection

(OAR 860-082-0050)

Tier 3 interconnection

This detailed interconnection procedure was modified in two significant ways based on PGE's input. The first change was to indicate that low forward relays rather than reverse power relays were the appropriate device in the small generator's interconnection facilities to respond quickly enough to prevent any power flow into an area network. The second proposed change was to prohibit Tier 3 consideration of an interconnection on a circuit utilizing a high speed reclosing where the small generator proposed is a synchronous machine. If these conditions are present, the greater studies and evaluation of a Tier 4 interconnection application are needed to engineer the

appropriate safe solution to insure safe operation of the small generator should the high speed reclosers operate with the generator on line.

9. Tier 4 Interconnection

(OAR 860-082-0055)

Tier 4 Interconnection

No significant changes were made to the Tier 4 interconnection detailed procedure with this draft.

10. Recordkeeping and Reporting and Metering and Monitoring

(OAR 860-082-0060 to 0065)

Recordkeeping and Reporting

No changes have been proposed for the extensive recordkeeping and reporting requirements proposed for this rule.

Metering and Monitoring

No changes are proposed for this section with this draft.

11. Temporary Disconnection and Termination and Default

(OAR 860-082-0070 to 0075)

Temporary disconnection

Staff proposed no substantive changes to the Temporary Disconnection section.

Termination and Default

Staff proposed no substantive change to the Termination and Default section. Staff notes that it struck the word “agreement” from the termination and default section because this Rule applies to interconnections and an interconnection agreement, although entered into according to these Rules, is an entirely different matter subject to termination and default according to the individual agreement terms and conditions

12. Dispute Resolution

(OAR 860-082-0080)

Dispute Resolution

The dispute resolution section was unchanged in this current Draft. Staff and the stakeholders have struggled to reach consensus on this subject and its application to small generator interconnections. By law, any party subject to this Rule has the right to have its dispute ultimately be heard by the Commission. Staff, under advice from Counsel, has been reluctant to suggest an alternate dispute resolution process (ADR) or adopt ADR language recommended by the small generator operators and developers that contains significant roadblocks to a party exercising its right to have a dispute heard and decided by the Commission.

13. Model Forms

Model forms were changed consistent with the definition changes that were made in the latest draft of the rule. There is still some cleanup that will need to be made which will occur prior to the closing of the record to comments. The only model form that had any substantive changes was Form 8, the Interconnection Agreement form. Language for insurance coverage and billing for interconnection facilities was altered to be consistent with language in the Rule.

This concludes Staff's third set of comments. Staff is appreciative of the effort that the stakeholder group put in to working together to make this current draft the (hopefully) consensus document that it is. It does meet the objective of providing certainty and consistency in interconnection requirements from one public utility to the next while assuring that safety and reliability are not compromised.

Respectfully submitted,

/s/ Ed Durrenberger
Resource and Market Analysis
Oregon Public Utility Commission

CERTIFICATE OF SERVICE

AR 521

I certify that I have, this day, served Staff's Second Set of Comments with attachments upon all participants of record in this proceeding who have not waived paper service by mailing a copy properly addressed with first class postage prepaid and electronically to those who waived paper service to the email address provided on the attached service list.

Dated at Salem, Oregon, this 9th day of November, 2007.



Diane Davis

On Behalf of the Staff of the
Public Utility Commission

ALAN COWAN
ENERGY TRUST

EEmail alan.cowan@energytrust.org

JOHN LOWE
SORENSEN ENGINEERING

EEmail jravene@comcast.net

RICK GILLIAM
SUNEDISON
590 REDSTONE DR
BROOMFIELD CO 80020

EEmail rgilliam@sunedison.com

PETER J RICHARDSON
RICHARDSON & O'LEARY
PO BOX 7218
BOISE ID 83707

EEmail peter@richardsonandoleary.com

MICHAEL YOUNGBLOOD
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707

EEmail myoungblood@idahopower.com

RANDY ALLPHIN
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070

EEmail rallphin@idahopower.com

DAVE ANGELL
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070

EEmail daveangell@idahopower.com

SANDRA D HOLMES
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070

EEmail sholmes@idahopower.com

LISA D NORDSTROM
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070

EEmail lnordstrom@idahopower.com

JOE HENRI
SUNEDISON
5013 ROBERTS AVE STE B
MCCLELLAN CA 95652

EEmail jhenri@sunedison.com

CRAIG DEHART
MIDDLEFORK IRRIGATION DISTRICT
PO BOX 291
PARKDALE OR 97041

EEmail mfidcraig@embarqmail.com

GAIL SHAW
MCMINNVILLE WATER AND LIGHT
PO BOX 638
MCMINNVILLE OR 97128

EEmail gails@mc-power.com

ROBERT MIGLIORI
VOLTAIR WIND ELECTRIC
24745 NE MOUNTAIN TOP RD
NEWBERG OR 97132

EEmail windy@freewirebroadband.com

J RICHARD GEORGE
PORTLAND GENERAL ELECTRIC COMPANY
121 SW SALMON ST 1WTC1301
PORTLAND OR 97204

EEmail richard.george@pgn.com

WENDY MCINDOO
MCDOWELL & RACKNER PC
520 SW 6TH AVE STE 830
PORTLAND OR 97204

EEmail wendy@mcd-law.com

LISA F RACKNER
MCDOWELL & RACKNER PC
520 SW SIXTH AVENUE STE 830
PORTLAND OR 97204

EEmail lisa@mcd-law.com

PATRICK HAGER RATES & REGULATORY AFFAIRS
PORTLAND GENERAL ELECTRIC
121 SW SALMON ST 1WTC0702
PORTLAND OR 97204

EEmail pge.opuc.filings@pgn.com

OREGON DOCKETS
PACIFICORP OREGON DOCKETS
825 NE MULTNOMAH ST
STE 2000
PORTLAND OR 97232

EEmail oregondockets@pacificorp.com

MICHELLE R MISHOE
PACIFIC POWER & LIGHT
825 NE MULTNOMAH STE 1800
PORTLAND OR 97232

EEmail michelle.mishoe@pacificorp.com

JEFFREY S LOVINGER
LOVINGER KAUFMANN LLP
825 NE MULTNOMAH STE 925
PORTLAND OR 97232-2150

EEmail lovinger@lklaw.com

CAREL DEWINKEL
OR DEPT OF ENERGY - RENEWABLE ENERGY DIV
625 MARION ST NE
SALEM OR 97301-3737

EEmail carel.dewinkel@state.or.us

MICHAEL T WEIRICH
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUSINESS SECTION
1162 COURT ST NE
SALEM OR 97301-4096

EEmail michael.weirich@doj.state.or.us

DAVID SHAW
ORECA
1750 LIBERTY ST SE
SALEM OR 97302-5159

EEmail dshaw@oreca.org

TONI ROUSH
ROUSH HYDRO INC
366 E WATER
STAYTON OR 97383

EEmail tmroush@wvi.com

ALAN GUGGENHEIM
CENTRAL ELECTRIC COOPERATIVE INC
PO BOX 846
REDMOND OR 97756

EEmail aguggenheim@cec.coop

PAUL R WOODIN
COMMUNITY RENEWABLE ENERGY ASSOCIATION
282 LARGENT LN
GOLDENDALE WA 98620-3519

EEmail pwoodin@communityrenewables.org

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