



Portland General Electric Company
Legal Department
121 SW Salmon Street • Portland, Oregon 97204
(503) 464-7611 • Facsimile (503) 464-2200

Richard George
Assistant General Counsel

November 27, 2007

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
Salem OR 97308-2148

Re: AR 521

Attention Filing Center:

Enclosed for filing in the captioned dockets are an original and one copy of:

- **COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY.**

This document is being filed by electronic mail with the Filing Center.

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,


J. RICHARD GEORGE

JRG:smc
Enclosure

cc: Service List-AR 521

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No AR 521.

Dated at Portland, Oregon, this 27th day of November, 2007.



J. RICHARD GEORGE, OSB No. 97469
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC1301
Portland, Oregon 97204
(503) 464-7611 phone
(503) 464-2200 fax
richard.george@pgn.com

SERVICE LIST

OPUC DOCKET # AR 521

Central Electric Cooperative

Alan Guggenheim
Member Services Director
PO Box 846
Redmond, OR 97756

McMinville Water and Light

Gail Shaw
PO Box 638
McMinville, OR 97128

ORECCA

David Shaw
Manager of Regulatory Affairs
1750 Liberty Street SE
Alem, OR 97302-5159

Voltair Wind Electric

Robert Migliori
24745 NE Mountaintop Road
Newberg, OR 97132

**Community Renewable
Energy**

Paul R. Woodin
282 Largent Lane
Goldendale, WA 98620-3519

Middlefork Irrigation District

Craig Dehart
PO Box 291
Parkdale, OR 97041

Richardson and O'Leary

Peter J. Richardson
PO Box 7218
Bosie, ID 83707

Oregon Dept of Energy

Carel DeWinkel
625 Marion Street NE
Salem, OR 97301-3737

Department of Justice

Michael T. Weirich
Assistant Attorney General
1162 Court Street NE
Salem, OR 97301-4096

Roush Hydro Inc

Toni Roush
366 E Water
Stayton, OR 97383

Sorenson Engineering

John Lowe
12050 SW Tremont St.
Portland, OR 97225

Triaxis Engineering

Diane Broad
1600 W Western Blvd
Corvallis, OR 97333

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

AR 521

In the Matter of a Rulemaking to Adopt Rules
Related to Small Generation Interconnection

Comments of
Portland General Electric Company

1 PGE appreciates the opportunity to provide formal comments on the proposed Oregon
2 Small Generator Interconnection Rules (“Proposed Rules”). As we stated during the hearing on
3 November 13th, we appreciate the collaborative efforts of all the parties involved including the
4 Oregon Public Utility Commission Staff’s (“Staff”) significant work in organizing stakeholder
5 participation and producing the draft rules.

6 Largely, the Proposed Rules incorporate changes proposed by PGE that address most of
7 the informal comments and issues PGE has had in the course of their development. PGE has the
8 following additional comments on the rules:

9 1) Dispute Resolution. PGE supports the proposal offered by the Oregon Department of
10 Energy as Appendix I to its November 27, 2007 comments, which provides for an
11 expedited dispute resolution process before the Commission. PGE does not support
12 binding arbitration or other forms of dispute resolution that would prevent the
13 Commission from being the decision maker concerning disputes. PGE anticipates that
14 disputes, if any arise, may concern the nature and scope of upgrades to be constructed on
15 the utility’s system to accommodate the interconnection. In the event PGE is going to be
16 required to compromise or deviate from what it believes is necessary for safety and
17 reliability, it should only do so upon Commission order.

1 2) Insurance. PGE agrees with and supports comments offered by PacifiCorp and others
2 that small generators should be required to obtain reasonable amounts of insurance to
3 cover risks to the system and individuals associated with electrical disturbances created
4 by their generation equipment. PGE believes that the level of insurance necessary should
5 be analyzed in this rulemaking solely from the perspective of the risks associated with
6 interconnection of an operating generator, and not with respect to contractual risks
7 associated with the delivery or sale of electricity. Some parties in comments have
8 referenced that the recent Order No. 07-360 (in docket UM 1129) examined both
9 transactional and electrical risks with respect to small QF facilities and set a precedent
10 that facilities under 200Kw in size should not be required to carry insurance. While the
11 order did reference interconnection risks, PGE notes that the UM 1129 docket
12 specifically addressed developing terms and conditions regarding QF power purchases,
13 not interconnections. *See, e.g.*, Jan. 20, 2004 Staff Report, adopted by the Commission
14 and initiating the docket. The parties did not sufficiently develop the record concerning
15 interconnection safety or risks, and therefore the UM 1129 policies towards insurance
16 required for standard contracts for QFs should not be precedential here.

17 Likewise, in the AR 521 docket, no party provided dispositive evidence that it is
18 cost prohibitive for a less than 200Kw facility to obtain general liability insurance
19 covering the facility. Some parties did suggest that specialized policies specifically
20 designed for generating facilities might be hard to acquire for small facilities; however,
21 we are not suggesting such specialized policies be required, only that claims regarding
22 facilities be covered, whatever the form of insurance.

1 Moreover, PGE believes that it is not in the best interests of small generators to be
2 underinsured. In the event of an electrical disturbance, a small generator could be
3 significantly damaged, taking the facility out of service. Without insurance to help small
4 generator's recover or repair the facility, they may be at significant financial risk.
5 Facilities that receive financing for their construction must be able to produce electricity
6 and use proceeds from sales of that electricity to cover debt obligations.

7 Additionally, if a third party is seriously injured or possibly killed due to a
8 generation facility, the ensuing litigation or claims that may be made against the facility
9 owner place the owner at risk of financial catastrophe. PGE believes that a prudent
10 generator should carry reasonable amounts of insurance covering claims related to the
11 interconnection of its facility.

12 3) Third-Party Contracting for Construction or Interconnection Studies. While in
13 principle, PGE supports the ideas raised by the Energy Trust of Oregon, Inc. ("ETO") in
14 its November 8, 2007 comments concerning using third-party contractors for
15 interconnection construction, we believe the Proposed Rules would need to include
16 significant additional protections. Specifically, ETO suggested that if the utility and
17 generator cannot agree on timelines to construct necessary facilities or conduct studies for
18 larger Tier 4 facilities, the generator should be able to substitute third parties to carry out
19 the work.

20 For PGE to allow third-party contractors to work on its system, there would need
21 to be a review process by the utility to ensure that the contractor is qualified to perform

1 such work. Due to critical system stability and safety risks, any contractor working on
2 our system would need to be screened to ensure they had the experience and knowledge
3 to properly and safely do the work. Also, there would need to be a process for the utility
4 to review any design work, and an inspection prior to energization of any facilities
5 constructed. Similar safeguards would need to apply to any studies performed by third-
6 parties regarding upgrades needed on the utility's system. PGE believes strongly that it
7 would need to be compensated for any costs associated with this oversight.

8 Dated this 27th day of November, 2007

9 Respectfully Submitted,

10 /s/ J. Richard George
11 Assistant General Counsel
12 Portland General Electric Company