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August 20, 2008

VIA ELECTRONIC FILING AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. AR 521

Enclosed for filing in the above-referenced docket is an original and one copy of Idaho Power Company and Pacific Power's Final Comments.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in cursive script that reads "Wendy L. McIndoo".

Wendy L. McIndoo
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cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in AR 521 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: August 20, 2008.



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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

AR 521

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

**IDAHO POWER COMPANY and PACIFIC
POWER'S FINAL COMMENTS**

On August 12, 2008, Commission Staff and the Industrial Customers of Northwest Utilities ("ICNU") each filed comments in the above-captioned docket. By these joint comments, Idaho Power Company and Pacific Power provide their response to the comments of Staff and ICNU.

Response to Staff's August 12, 2008 Comments

In comments filed on August 12, 2008¹, Commission Staff recommended that the Commission revise Proposed Rule 860-029-0070 which addresses metering and monitoring. Commission Staff has recommended replacing some of the content of Proposed Rule 860-029-0070 with two tables of information. Pacific Power and Idaho Power believe that the approach suggested by Commission Staff is unnecessary and potentially confusing and recommend that the Commission retain the monitoring language proposed in the version of Proposed Rule 860-029-0070 contained in the June 25, 2008 notice of hearing in this docket. If the Commission decides to adopt Staff's suggestion regarding tables, Pacific Power and Idaho Power believe that the tables proposed by Staff need to be revised and clarified. Pacific Power and Idaho Power also continue to believe that the metering and monitoring aspects of Proposed Rule 860-029-0070 should be addressed in two separate rules in order to minimize the potential for confusion.

¹ Staff Comments, dated August 12, 2008.

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Response to ICNU's August 12, 2008 Comments

In its Comments filed on August 12, 2008², ICNU asks that the Commission revise Proposed Rule 860-029-0060(2) to incorporate a reasonableness standard. The rule as currently drafted³ states as follows:

“An applicant or interconnection customer must pay all expenses, including overhead expenses, associated with constructing, owning, maintaining, repairing, and replacing its interconnection equipment.”

ICNU argues that this language would require the interconnection customer to pay interconnection costs “regardless of whether they are reasonable, legal, or were incurred through the negligent acts of the utility”⁴ and proposes that the Commission insert a “reasonableness” standard. Pacific Power and Idaho Power do not agree that the rule as presently worded would have the dire consequences suggested by ICNU. They do however agree that it is appropriate to include a reasonableness standard in the rule. Accordingly, Pacific Power and Idaho Power suggest that the word “reasonable” be inserted after the word “all”, so that the rule reads as follows:

“An applicant or interconnection customer must pay all reasonable expenses, including overhead . . .

ICNU also argues that the Commission should clarify that it is *not* reasonable to require interconnection customers to pay all the costs for system upgrades that primarily benefit other interconnection customers or were installed for the future benefit of the utility.⁵ Pacific Power and Idaho Power disagree.

² Comments of the Industrial Customers of Northwest Utilities, dated August 12, 2008 (“ICNU Comments”).

³ These comments are based on the Proposed Rule circulated by the ALJ on June 4, 2008.

⁴ ICNU Comments, p. 2.

⁵ ICNU Comments, p. 5.

1 The relevant section is OAR 860-082-0035(4) which reads as follows:

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3 "A public utility must design, procure, construct, install and
4 own any system upgrades to the public utility's transmission or
5 distribution system *necessitated by the interconnection of a*
6 *small generator facility*. The public utility must determine what
actions or upgrades are required to mitigate these impacts.
Such mitigation measures are considered system upgrades as
defined in these rules. The applicant must pay the costs of
any system upgrades."⁶

7 System upgrades by definition, then, are those actions or upgrades that are required to
8 mitigate the impacts on the system of the specific interconnection. There is no question
9 then that the small generator facility requiring the utility to perform the work should be
10 responsible for paying for it.

11 ICNU argues that the rules as currently drafted would require interconnection
12 customers to pay for system upgrades, "even if those upgrades were made primarily for the
13 benefit of other utility customers, were already planned, or were installed exclusively for the
14 future benefit of the utility."⁷ This is simply untrue. If the utility had already installed or
15 planned to install certain upgrades for the benefit of others, then the upgrades would not be
16 "necessitated by the interconnection of the small generator facility" as stated in the rule.
17 Similarly, ICNU is incorrect in stating that the rule as presently drafted would allow utilities to
18 "double recover" the cost of system upgrades through their existing distribution rates. If a
19 utility receives a cash contribution in aid of construction to cover the cost of a system

20 ////

21 ////

22 ////

23 ////

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25 ⁶ Emphasis added.

26 ⁷ ICNU Comments, p. 6.

1 upgrade, then the cost of that system upgrade would not be included in rate base. There is
2 no risk of double recovery.

3 DATED: August 20, 2008.

McDOWELL & RACKNER PC

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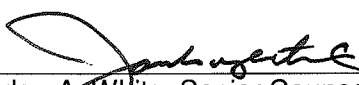
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