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November 8, 2007

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301-2551

Attention: Vikie Bailey-Goggins
Administrator, Regulatory Operations

Re: Docket No. AR 521 – PacifiCorp’s Initial Comments

Enclosed for filing by PacifiCorp dba, Pacific Power & Light Company (“PacifiCorp” or “the Company”) is PacifiCorp’s Initial Comments in the above-captioned docket. In the interest of providing these written comments prior to the Public Hearing on November 13, 2007, these comments reflect PacifiCorp’s proposed edits to the Commission Staff’s draft rules and forms dated October 1, 2007. PacifiCorp will address updates to these comments and edits to reflect the Staff’s drafts released on November 5, 2007, at the Public Hearing.

Questions may be directed to Joelle Steward at (503)-813-5542.

Sincerely,

Andrea L. Kelly
Vice President, Regulation

Enclosure

cc: Service List for Docket No. AR 521

CERTIFICATE OF SERVICE

I certify that I have cause to be served the foregoing **PacifiCorp's Initial Comments** in OPUC Docket No. AR 521 by electronic mail and first class mail to the parties on the attached service list.

Date this 8th Day of November, 2007



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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

AR 521

In the Matter of a Rulemaking to Adopt)	PacifiCorp's
Rules Related to Small Generator)	Initial Comments
Interconnection)	

INTRODUCTION

PacifiCorp appreciates the opportunity to comment on Staff's proposed Oregon Small Generator Interconnection Rules (Proposed Rules) and the associated forms (Proposed Forms). These comments are based on the Proposed Rules and Proposed Forms contained in Staff's Second Set of Comments filed in the above-captioned docket on October 2, 2007. PacifiCorp supports the comments filed by Portland General Electric Company on October 16, 2007 and the comments filed by Idaho Power Company on October 17, 2007. PacifiCorp reserves the right to submit additional comments in this proceeding.

COMMENTS

1. Isolation Devices. PacifiCorp believes that the safety of its crews, meter readers, and other employees necessitates lockable, visible, air-break type disconnect switches for every interconnection governed by the Proposed Rules. PacifiCorp urges the Commission and its Staff to adopt such an approach.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Rules
860-082-0020(9)

(9) Isolation Device: Small Generator Facilities must be capable of being isolated from the EDC:

(a) ~~For Small Generator Facilities interconnecting to a Primary Line,~~ The isolation must be by means of a lockable, visible, air-break isolation device readily accessible by the EDC.

~~(b) For Small Generator Facilities interconnecting to a Secondary Line, the isolation must be by means of a lockable isolation device whose status is clearly indicated and is readily accessible by the EDC. An exception is allowed for a Small Generation Facility that has a maximum total output of 30 amperes or less, is connected to a Secondary Line, utilizes Lab Tested, inverter-based Interconnection Equipment and is interconnected to the T&D System through an EDC owned metered service. In this case, the meter base may serve as the required isolation device, provided it is readily accessible to the EDC.~~

~~(c)~~ (b) All other interconnection isolation devices must be installed, owned, and maintained by the owner of the Small Generator Facility; and be capable of interrupting

the full load of the Small Generator Facility; ~~and must be~~ located between the Small Generator Facility and the Point of Interconnection; and capable of accepting a EDC-owned padlock to visibly lock the isolation device in the open position.

~~(A) A draw-out type circuit breaker with the provision for padlocking at the draw-out position can be considered an isolation device for purposes of this requirement.~~

~~(B) Alternatively,~~ (c) The Applicant or Interconnection Customer may elect to provide the EDC access to an isolation device that is contained in a building or area that may be unoccupied and locked or not otherwise readily accessible to the EDC, by providing a lockbox capable of accepting a lock provided by the EDC that will provide ready access to the isolation device. Where a lockbox is required, the Applicant or Interconnection Customer must install the lockbox in a location that is readily accessible by the EDC. The Applicant or Interconnection Customer must affix a placard in a location acceptable to the EDC that provides clear instructions to its operating personnel on how to gain access to the isolation device.

2. Dispute Resolution. PacifiCorp believes that the EDC must be the initial decision-maker regarding what facilities and operating procedures are required to maintain a safe and reliable interconnection. If the Interconnection Customer cannot work out disagreements with the EDC through discussions or voluntary, non-binding dispute resolution, then the OPUC complaint process should be the forum for determining the appropriateness of EDC determinations. PacifiCorp does not object to the Proposed Rules establishing a voluntary and non-binding form of alternative dispute resolution (ADR). PacifiCorp has the following comments regarding the ADR proposal contained in the Proposed Rule:

A. ADR should be both voluntary and non-binding. As proposed, ADR is voluntary but binding. In comments PacifiCorp submitted in the informal phase of these rulemaking, PacifiCorp indicated its belief that any ADR process should be voluntary and non-binding. A voluntary, non-binding form of ADR has the following advantages: (1) it is more likely to be used as its results are non-binding; (2) its results, though non-binding, will represent a strong indication of the potential outcome of any complaint proceeding before the Commission and are therefore likely to be voluntarily honored by the parties in many cases. Voluntary and non-binding ADR is consistent with the basic principle that an EDC should decide what is required for its system and that only the OPUC has the authority to countermand an EDC decision regarding the needs of the system. This principle suggests that the existing OPUC complaint process should be left unmodified and should always be available regardless of whether the parties have availed themselves of ADR. Of course, the results of ADR will likely be persuasive authority to the OPUC in any related complaint proceeding.

B. The Commission's existing complaint process should not be modified. As discussed above, the Commission's existing complaint process should not be altered. Accordingly, the 30-day notice period required by Proposed Rule 860-082-0080(2) should apply to ADR only and not to the Commission's regular complaint process. Likewise the Commission's discretion and authority under its complaint process should not be constrained by imposing a Good Utility Practice standard as proposed in 860-082-

0080(3) nor should the Commission's review of an ADR result be constrained by the three factors articulated in 860-082-0080(4)(c). Finally, ADR should not prevent either party from invoking a traditional complaint proceeding at any time.

C. What Arbitration Rules are Applicable? Section 860-082-0080(4)(a) of the Proposed Rules states in relevant part:

The arbitrator(s) must provide each of the Parties an opportunity to be heard and will conduct the arbitration in accordance with applicable arbitration rules and Commission regulations.

The italicized language is inadequate because it fails to provide any guidance regarding which arbitration rules will be applied. PacifiCorp has not proposed a solution to this problem because we are not sure what is intended; this issue will need to be addressed by OPUC Staff or as part of the formal rulemaking. At the least, the italicized language should provide a reference to the American Arbitration Association's Commercial Arbitration Rules. For example:

The arbitrator(s) will provide each of the Parties an opportunity to be heard and will conduct the arbitration in accordance with the American Arbitration Association's Commercial Arbitration Rules (to the extent such rules are consistent with this section) and in accordance with any applicable Commission regulations.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Rules

860-082-0080

Dispute Resolution

~~Except as provided in 860-082-0080(4), nothing in these Rules restricts the rights of any Party to file, defend, or otherwise participate in a complaint proceeding before the Commission under ORS Chapter 756 including any complaint proceeding regarding these Rules or an agreement entered into pursuant to these Rules. Pursuit of informal or formal alternative dispute resolution under this subsection 860-082-0080 does not affect an Applicant with regard to consideration of an Application Interconnection Request or its queue position.~~

~~(1) Notice of Dispute: Before filing a complaint with the Commission or using the formal alternative dispute resolution mechanism set forth in subsection (4), the EDC, Applicant or Interconnection Customer must first provide the other Party with a written Notice of Dispute (Notice). Such The Notice of Dispute will describe in detail the nature of the dispute and a proposed resolution.~~

~~(2) Informal Alternative Dispute Resolution: The Party receiving a Notice of Dispute under this section must refer it to a designated senior representative for resolution on an informal basis as promptly as practicable. In the event the Parties are unable to resolve the dispute within The Parties have thirty (30) Calendar Days (or such other period as the Parties may agree upon by mutual agreement agreed by the Parties) either Party may~~

submit it to the Commission pursuant to ORS chapter 756 or, if the Parties mutually agree, for alternative dispute resolution as set forth in subsection 4 within which to informally resolve the dispute. Parties may not informally resolve a dispute that requires Commission approval as set forth in section 3.6.16 of this Rule.

(3) For complaints filed with the Commission under ORS chapter 756 or under the alternative dispute resolution process described in subsection 4, the following “Good Utility Practice” standard will be used:

(a) “Good Utility Practice” is any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry in the region during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition.

(b) Good Utility Practices is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

(34) Formal Alternative Dispute Resolution: If the Parties cannot informally resolve the dispute within the period provided by subsection (2), the Parties may elect to pursue formal alternative dispute resolution under this subsection. The Parties EDC, the Intereconnection Customer or Applicant may use the following formal alternative dispute resolution process only if both Parties to the dispute mutually agree to do so in writing and both Parties accept all aspects of the alternative procedures set forth in this section. Once both Parties agree in writing to use this formal alternative dispute resolution process, it may only be terminated by mutual written agreement of the Parties.

(a) Procedures: Proceedings initiated under this formal alternative dispute resolution provision are conducted before a single arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the date they agreed in writing to pursue formal alternative dispute resolution, then referral of the dispute to arbitration, each Party will choose one arbitrator who will sit on a three-member arbitration panel. The two (2) arbitrators so chosen will, within twenty (20) days of the date they are appointed, select a third arbitrator to chair the arbitration panel. In either case, the arbitrator(s) will be knowledgeable in electric utility matters, including electrical T&D Systems and interconnection equipment and facilities, and will not have any current or past substantial business or financial relationships with any Party to the arbitration (except prior arbitration). The arbitrator(s) will provide each of the Parties an opportunity to be heard and *will conduct the arbitration in accordance with applicable arbitration rules and Commission regulations.* [NOTE – Italicized language is inadequate, see comment (C) above]

(b) Arbitration Decision: Unless the Parties otherwise mutually agree, the arbitrator(s) will render a decision within ninety (90) days of the date the last arbitrator was appointed appointment and will notify the Parties in writing of such decision and the reasons therefore. The arbitrator(s) are authorized only to interpret and apply the provisions of the OSGIR and any Intereconnection Agreement (if applicable) entered into under the Rules, and ~~†The arbitrator(s) do not have~~ will have no power to modify or change any of the above in any manner the Rules or any agreement entered into under the Rules. Except as provided in subsections 4.3 and 4.4, the decision of the arbitrator(s) will

~~be final and~~ The decision of the arbitrator(s) is advisory and is not binding on the Parties. Any such decision may be presented as evidence in any related complaint proceeding; however, the Commission shall not be bound by the decision and shall remain free to give the complaint de novo review.

(5) Costs: Each Party will be responsible for its own costs incurred during the arbitration process and for the following costs, if applicable:

(a) ~~One~~ half of the cost of the single arbitrator jointly chosen by the Parties; or

(b) ~~The~~ cost of the arbitrator chosen by the Party to sit on a three-member panel and one half of the cost of the third arbitrator chosen.

3. Insurance. The Proposed Rules state that Interconnection Customers are not required to provide general liability insurance coverage for interconnections involving generating facilities with capacities of 200 kW or less. As PacifiCorp understands it, this proposal is based on the outcome in UM-1129 which addressed insurance requirements under power purchase agreements for qualifying facilities. The outcome in UM-1129 should not be determinative of the results in this interconnection rulemaking. The risks associated with the power purchase agreement are primarily financial and involve the risk of loss of expected generation should the qualifying facility fail. It may have been reasonable to determine that the risk of commercial harm associated with the loss of a generator of 200 kW or less is too small to justify the burden of insurance to protect such a risk. However, in marked contrast, the risk under an interconnection agreement is primarily the risk of physical harm including death, bodily injury and property damage. A malfunctioning 100 kW generator is capable of causing death or injury as readily as a malfunctioning 1 MW generator. As such, the logic that led the Commission to exclude small projects from the insurance requirement under UM-1129 should not be applied in the context of interconnection agreements. All interconnection projects create the risk of serious harm and need to carry insurance. The Oregon Legislature recognized this fact when it decided that the only way it could equitably relieve net metering customers of an insurance obligation was to also insulate the interconnected utility from liability. *See* ORS 757.300(4)(c). However, because the Commission cannot immunize utilities from interconnection-related liability through a rulemaking, the Commission should require insurance from all Interconnection Customers except net metering customers. The amount of insurance required by the EDC should be sufficient to allow the Interconnection Customer to honor its indemnification obligations under the Interconnection Agreement.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Rules

860-082-0035

Insurance

~~(1) General liability insurance is not required for approval of an interconnection~~

~~Application, or for the related Interconnection Agreement, for a Small Generator Facility with an Electric Nameplate Capacity of 200 KW or smaller.~~

~~(2) All other Interconnection Customers must obtain general liability insurance in an amount that is prudent and sufficient to protect other Parties, including without limitation the EDC.~~

Form 8 (Interconnection Agreement)

Article 6. Insurance

~~A Party is liable for any loss, cost, claim, injury, or expense including reasonable attorney's fees related to or arising from any act or omission in its performance of the provisions of this Rule or the Interconnection Agreement entered into pursuant to this Rule. General liability insurance is not required for approval of an interconnection Application, or for the related Interconnection Agreement, for a Small Generator Facility with an Electric Nameplate Capacity of 200 KW or smaller. All other~~ The EDC may require that the Interconnection Customers may be required by the EDC to obtain maintain a reasonable prudent amounts of general liability and property insurance sufficient to protect other Parties from any loss, cost, claim, injury, liability, or expense, including reasonable attorney's fees, relating to or arising from any act or omission in its performance of the provisions of the OSGIR is Rule or the Interconnection Agreement entered into pursuant to their OSGIR. Such insurance must name the EDC and its board of directors, officers and employees as additional insureds and the EDC may require the Interconnection Customer to provide the EDC with proof of insurance and/or a true copy of each insurance policy upon request. The required insurance shall be maintained with an insurance company or companies rated not lower than "B+" by the A.M. Best Company. The required insurance shall provide that it is primary insurance with regard to the EDC and that any other insurance maintained by the EDC is excess and not contributory insurance. The required insurance shall provide that it cannot be canceled or its limits of liability reduced without (A) ten (10) days prior written notice to the EDC if canceled for nonpayment of premium, or (B) thirty (30) days prior written notice to the EDC if canceled for any other reason. If, at anytime during the term of this Interconnection Agreement, the Interconnection Customer fails to maintain the reasonable level of liability insurance required by the EDC, the EDC may disconnect the Interconnection Customer's Small Generating Facility.

4. Metering. Metering is governed by Proposed Rule 860-082-0065(1). PacifiCorp believes that the EDC should own and maintain the metering associated with a Small Generator Facility and that the Interconnection Customer should pay the actual cost of such metering and its maintenance. PacifiCorp also believes that the EDC should have the discretion to require that such metering have the capacity for telephonic meter interrogation. Where telephonic meter interrogation is required, the Interconnection Customer should be responsible for any additional meter expense and should be responsible for obtaining and maintaining cellular, hardwire, or other adequate form of continuous telecommunications with the meter of sufficient quality to allow the EDC to

remotely interrogate the meter to the EDC's reasonable satisfaction. This ability to require telephonic interrogation of meters will allow EDC's to efficiently meter Small Generator Facilities.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Rules
860-082-0065(1)

(1) Metering: The Interconnection Customer is responsible for the cost of the purchase, installation, operation, maintenance, testing, repair, and replacement of any ~~special metering and data acquisition~~ equipment deemed necessary by the ~~terms of the (separate) Power Purchase Agreement except as provided in OAR 860-039-0005 through 860-039-0080 for a Net Metering Facility~~EDC. The EDC may require that any metering equipment associated with a Small Generator Facility be capable of being interrogated telephonically and that the Interconnection Customer obtain and maintain continuous telecommunications service to such meter of sufficient quality and reliability to allow the EDC to telephonically interrogate the meter at any time; such telecommunication service may be provided through cellular, hardwire, or other appropriate technology and must be of sufficient reliability and quality to satisfy the EDC's reasonable requirements. The EDC must install, maintain and operate the metering equipment. The Interconnection Customer must provide for and maintain any required telecommunication service associated with the metering equipment. Parties must be granted unrestricted access to all metering equipment as may be necessary for the purposes of conducting routine business or any emergency response.

5. Telemetry. PacifiCorp notes that there are considerations other than telemetry (transfer trip for example) that may, under certain circumstances, require microwave, radio or other communications systems. In addition, PacifiCorp believes that the communication configurations authorized by 860-082-0065(3)(b) may be too limited in many service territories because the mandated communication configurations may not be available. In such circumstances, PacifiCorp believes radio, microwave or other communications systems may be the necessary and most efficient means of communicating telemetry. Finally, PacifiCorp believes that the Proposed Rules and Proposed Form 8, the Interconnection Agreement, should allow the EDC to require telemetry for existing or future generators smaller than 3 megawatts if future mandates of NERC, WECC, FERC or IEEE so require.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Rules
860-082-0065(2)

(2) Monitoring: Small Generator Facilities approved and interconnected to the EDC under a Tier 1, Tier 2 or Tier 3 Interconnection Application, and under a Tier 4 Interconnection Application, up to an Electric Nameplate Capacity rating of 3 MW, except as noted herein, are not required to provide for remote monitoring of the electric

output by the EDC. Tier 4 Interconnection Applications with Electric Nameplate Capacities greater than 3 MW or Tier 3 Interconnection Applications where the aggregated generation on the circuit, including the Applicant's Small Generator Facility, would exceed 50 percent of the line section annual peak load may be required to provide remote monitoring at the EDC's discretion. If applicable standards adopted by NERC, WECC, FERC or IEEE require telemetry monitoring for generation sources with an Electric Nameplate Capacity rating at or below three (3) MW, then the EDC may require the installation of remote monitoring pursuant to this section at existing or future Small Generator Facilities that are subject to the standards adopted by NERC, WECC, FERC or IEEE. For Small Generator Facilities required to provide remote monitoring pursuant to the provisions of this subsection, the data acquisition and transmission to a point where it can be used by the EDC's control system operations must meet the performance based standards described in ~~section (3) of 860-082-0065(3)~~. Any data acquisition and telemetry equipment required by this rule must be installed, operated and maintained at the Interconnection Customer's expense.

(3) Telemetry is the remote communication from a Small Generator Facility to a point on the EDC's communication network where the data can be assimilated into the EDC's grid operations if desired.

(a) Parties may mutually agree to waive or modify any of the telemetry requirements contained in subsection (3) of this rule.

(b) Where practicable, the communication must take place via a Private Network Link using a Frame Relay or Fractional T-1 line or other such suitable device. Dedicated Remote Terminal Units, from the Interconnected Small Generator Facility to an EDC's substation and Energy Management System are generally not required.

(c) A single communication circuit from the Small Generator Facility to the EDC is sufficient.

(d) Communications protocol must be DNP 3.0 or other standard used by the EDC.

(e) The Small Generator Facility must be capable of sending telemetric monitoring data to the EDC at a minimum rate of every two (2) seconds (from the output of the Small Generator Facility's telemetry equipment to the EDC's Energy Management System).

(f) The minimum data points ~~that on which~~ a Small Generator Facility is required to provide telemetric monitoring to the EDC ~~on~~ are:

(A) Net real power flowing out or into the Small Generator Facility (analog);

(B) Net reactive power flowing out or into the Small Generator Facility (analog);

(C) Bus bar voltage at the point of common coupling (analog);

(D) Data Processing Gateway (DPG) Heartbeat (used to certify the telemetric signal quality); and

(E) On-line or off-line status (digital).

(g) If an Interconnection Customer operates the equipment associated with the high voltage switchyard interconnecting the Small Generator Facility to the T&D System, and is required by this rule to provide monitoring and telemetry, the Interconnection Customer must provide the following monitoring to the EDC in addition to provisions in subsection ~~(e)~~ above:

(A) Switchyard Line and Transformer MW and MVAR values;

(B) Switchyard Bus Voltage; and

(C) Switching Devices Status.

6. Modifications. PacifiCorp believes that it is important for the Proposed Rules and Proposed Forms to make it clear that an interconnection review, and the resulting interconnection agreement, authorize interconnection of a specific generation project proposed by the Interconnection Customer in its Application.

To the extent the Applicant seeks to modify its proposal in a material manner the Applicant should be required to submit a new Application and obtain a new Queue position. Likewise, to the extent an Interconnection Customer with an existing interconnection and an effective Interconnection Agreement (obtained either under the Proposed Rules or prior to the effectiveness of the Proposed Rules) seeks to materially modify its interconnection or its Small Generation Facility, the Interconnection Customer should be required to submit an Application for the modified interconnection project.

Regardless of whether a proposal to modify an interconnection project is made during the application process or during the term of an effective Interconnection Agreement, the EDC should have the discretion to determine whether the proposed modification is material. If a modification is deemed material by the EDC, the Applicant or Interconnection Customer should be required to file a new Application. If the proposed modification is deemed immaterial by the EDC, the modification would not require a new Application.

The Proposed Rules address modifications through 860-082-0020(2) & (5) and through 860-082-0005(29). PacifiCorp believes that these sections of the Proposed Rules need to be revised in order to clearly implement the modification concepts discussed above.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Rules

860-082-0010(29)

(29) “Minor Equipment Modification” ~~as used in the context of the application process,~~ means:

(a) A change to the proposed or existing Small Generator Facility (including without limitation a change in the output capacity of the Small Generation Facility) or a change to the proposed or existing Interconnection Equipment; provided:

(A) The change does not affect the application of the screening criteria in Tiers 1, 2, or 3; and

(B) ~~The~~ ~~In the~~ EDC’s can and does conclude that, in its reasonable opinion, the change will ~~does~~ not have a material impact on the safety or reliability of the EDC’s T&D System or any Affected Systems.

(b) Minor Equipment Modification does not include a change in the Electrical Nameplate Capacity of an existing Small Generator Facility, or a change from the type of facility addressed by the OSGIR to a Net Metering Facility application or installation.

Proposed Rule

860-082-0020(2)

(2) Capacity Change: An Interconnection Customer must submit a new Application if the Interconnection Customer proposes to increase the capacity of its existing Small Generator Facility ~~or if the Interconnection Customer changes its Small Generator Facility equipment or operations that increase its capacity~~. The Application and application fees must be ~~are~~ based on the new total Electric Nameplate Capacity of the Small Generator Facility.

Proposed Rule
860-082-0020(5)

(5) Modifications:

(a) Once an Application is deemed complete by the EDC and a queue position has been assigned, or once an Interconnection Agreement has been entered in to under provisions of the OSGIR, any modification to the Application or an existing Small Generator Facility, other than a Minor Equipment Modification, requires that a new Application be submitted and a new or amended Interconnection Agreement be in place before modifications can take place.

(b) Once an Interconnection Agreement entered into pursuant to these Rules has become effective, any modification of the Small Generator Facility, the Interconnection Equipment, or the Interconnection Facilities, other than a Minor Equipment Modification, requires that a new Application be submitted by the Interconnection Customer so that the proposed modifications can be reviewed through the appropriate interconnection process and approved by the EDC together with any required modifications necessary to insure the safety and reliability of the T&D System and any Affected Systems.

7. Cost of System Upgrades. The Proposed Rules at 860-082-0030(5) & (6) state that the actual cost of required System Upgrades and the actual cost of improvements required to address adverse impacts to Affected Systems will be directly assigned to the Interconnection Customer. In addition, these Proposed Rules state that the Interconnection Customer “may be entitled to financial compensation from other EDC Interconnection Customers who, in the future, benefit from the System Upgrades” or the improvements made to mitigate impacts to Affected Systems. Finally, the Proposed Rules make it clear that any such compensation from other Interconnection Customers is not governed by the Proposed Rules.

PacifiCorp understands 860-082-0030(5) & (6) as requiring an Interconnection Customer to pay all actual costs for (a) System Upgrades and (b) any other improvements required to mitigate adverse impacts to Affected Systems. PacifiCorp therefore recommends that the Commission revise the language of the sections in question to make it clear that the direct costs of such improvements will be assigned to *and paid by* the Interconnection Customer. PacifiCorp further recommends deleting the last two sentences of each section addressing the concept of possible compensation from other Interconnection Customers. As drafted, the concept is merely a placeholder and requires additional rulemaking to become active. If the Commission wishes to note the possibility of future regulation regarding the compensation issue, the Commission should do so in its order adopting the Rules rather than in the text of the Rules themselves.

PacifiCorp recommends the following revisions to address these concerns:

860-082-0030(5)

(5) System Upgrades: The EDC must design, procure, construct, install, and own any System Upgrades. The actual cost of the System Upgrades, including overheads, is must be directly assigned to and paid by the Interconnection Customer. ~~An Interconnection Customer may be entitled to financial compensation from other EDC Interconnection Customers who, in the future, benefit from the System Upgrades paid for by the Interconnection Customer.~~ Such compensation is not governed by this rule.

860-082-0030(6)

(6) Adverse System Impact: The EDC is responsible for identifying Adverse System Impacts on any Affected Systems and for determining what mitigation activities or upgrades may be required to accommodate a Small Generating Facility. This responsibility shall be deemed satisfied when the EDC has consulted with the Affected System Owner and required the mitigation deemed necessary by the Affected System Owner. ~~The actual cost of any actions taken to address the Adverse System Impacts, including study costs, cost to consult with Affected System operators, and overheads, must be directly assigned to and paid by the Applicant. An Interconnection Customer may be entitled to financial compensation from other EDC Interconnection Customers who, in the future, benefit from the System Upgrades paid for by the Interconnection Customer.~~ Such compensation is not governed by this rule.

Form 8 (Interconnection Agreement)

Section 4.4 System Upgrades:

The EDC will design, procure, construct, install, and own any System Upgrades. The actual cost of the System Upgrades, including overheads, will be directly assigned to and paid by the Applicant. ~~An Interconnection Customer may be entitled to financial compensation from other EDC Interconnection Customers who, in the future, benefit from the System Upgrades paid for by the Interconnection Customer. Such compensation will be governed by separate rules promulgated by the Commission or by terms of a tariff filed and approved by the Commission.~~ Such compensation will only be available to the extent provided for in the separate rules or tariff.

Form 8 (Interconnection Agreement)

Section 4.5 Adverse System Impact:

The EDC is responsible for identifying Adverse System Impacts on any Affected Systems and for determining what mitigation activities or upgrades may be required to accommodate a Small Generator Facility. The actual cost of any actions taken to address the Adverse System Impacts, including overheads, shall be directly assigned to and paid by the Applicant. ~~The Applicant may be entitled to financial compensation from other EDCs, or other Interconnection Customers who, in the future, utilize the upgrades paid for by the Applicant, to the extent as allowed by the Commission.~~

8. Cost Responsibility for Interconnection Facilities. Section 4.2 of Proposed Form 8

(the Interconnection Agreement) addresses the cost of interconnection facilities but fails to make it clear that the cost of such facilities and the time required to construct such facilities will be *estimates*, nor does the section make it clear that the interconnection customer will be required to pay *actual* costs.

PacifiCorp recommends the following revisions to address these concerns:

Form 8 (Interconnection Agreement)

4.2 Interconnection Facilities:

The EDC will identify under the review procedures of a Tier 2 review or under a Tier 4 Facilities Study, the Interconnection Facilities necessary to safely interconnect the Small Generator Facility with the EDC's T&D System. The EDC will itemize the Interconnection Facilities for the Applicant including a good faith, non-binding estimate of the cost of the facilities and of the time required to build and install those facilities. The Applicant is responsible for the actual cost of the Interconnection Facilities.

9. NERC & WECC. PacifiCorp suggests revision of Proposed Rule 860-082-0025(2) to include reference to the Applicant's Interconnection Equipment and reference to NERC and WECC reliability standards.

PacifiCorp recommends the following revisions to address these concerns:

860-082-0025(2)

The Applicant must construct, own, operate, and maintain its Small Generator Facility and its Interconnection Equipment in accordance with the provisions of IEEE Standard 1547 and applicable provisions of the National Electric Code (2005 ed), any applicable NERC or WECC reliability standards, and with any applicable standards required by the Commission.

10. Site Control. The site control language in Proposed Rule 860-082-0020(6) is derived from the language found in FERC Order 2006. It deviates from the FERC language only in that it allows the Applicant to forego providing evidence of site control if the Applicant is a current customer of the EDC. PacifiCorp does not understand the rationale behind this divergence from the FERC language. PacifiCorp believes that it is important for all Applicants to document site control as part of the application process. The fact that an Applicant is an existing customer should not alter this requirement. Current customer status does not necessarily demonstrate site control sufficient for a proposed interconnection project.

PacifiCorp recommends the following revisions to address these concerns:

860-082-0020(6)

(6) Site Control: Documentation of site control must be ~~available and, if the Applicant is not currently a customer of the EDC,~~ provided with the Application. Site control may be demonstrated through ownership of, a leasehold interest in, or an option or other right to

develop a site for the purpose of constructing the Small Generating Facility. Site control may be documented by a property tax bill or deed or a lease agreement or other legally binding contract.

11. Consistent Language. PacifiCorp recommends that whenever the Proposed Rules or Proposed Forms refer to an estimate they should use the terms “good faith, non-binding estimate.” PacifiCorp also reiterates the need for consistent language across the four levels of interconnection review. Many aspects of all four levels of review are intended to be identical but over time the language used to describe these aspects has begun to differ. PacifiCorp recommends that consistent language be used across all four levels of review.

12. Scope. PacifiCorp believes that the current language for Section 1.1 of Proposed Form 8, the Interconnection Agreement, is confusing.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Form 8 (Interconnection Agreement)

1.1 Scope

The Agreement establishes standard terms and conditions approved by the Commission under which the Small Generator Facility with an Electric Nameplate Capacity of up to 10 MW will interconnect to, and operate in Parallel with, the EDC’s T&D System.

Additions, deletions or changes to the standard terms and conditions of an Interconnection Agreement will not be permitted unless they are mutually agreed to by the Parties or, if required by the Rule, ~~or~~ approved by the Commission for good cause shown if required by the Rule.

13. Consequential Damages. The consequential damages language of Section 5.4 of Proposed Form 8, the Interconnection Agreement, is also contained in the FERC interconnection agreement; however, the FERC agreement begins the provision by stating “[o]ther than as expressly provided for in this Agreement.” PacifiCorp believes the OSGIA should also include this caveat.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Form 8 (Interconnection Agreement)

5.4 Consequential Damages

Other than as expressly provided for in this Agreement, nNeither Party shall be liable to the other Party under any provision of the Agreement for any losses, damages, costs or expenses for any special, indirect, incidental, consequential, or punitive damages, including but not limited to loss of profit or revenue, loss of the use of equipment, cost of capital, cost of temporary equipment or services, whether based in whole or in part in contract or ~~;~~ in tort, including negligence, strict liability, or any other theory of liability; provided, however, that damages for which a Party may be liable to the other Party under another agreement will not be considered to be special, indirect, incidental, or consequential damages hereunder.

14. No Third-Party Beneficiaries. Section 8.3 of Proposed Form 8, the Interconnection Agreement, effectively states that there are no intended third-party beneficiaries. However, the Proposed Rules and Proposed Forms appear to create intended third-party beneficiaries in the person of affected system operators. The Proposed Rules and Proposed Forms should address this issue.

15. Subcontractors. Section 8.10 of Proposed Form 8, the Interconnection Agreement, is based on the language of the FERC interconnection agreement. However, Section 8.10 of Proposed Form 8 inexplicably excludes one clause of the FERC language.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Form 8 (Interconnection Agreement)

8.10.1 The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under the Agreement. The hiring Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor the hiring Party hires as if no subcontract had been made-; provided, however, that in no event shall the EDC be liable for the actions or inactions of the Interconnection Customer or its subcontractors with respect to obligations of the Interconnection Customer under this Agreement. Any applicable obligation imposed by the Agreement upon the hiring Party shall be equally binding upon, and will be construed as having application to, any subcontractor of such Party.

16. Cost Responsibility – Deposits. Section 860-082-0030(7) of the Proposed Rules addresses payment of deposits by the Interconnection Customer. It provides that the EDC may require a deposit of not more than 50 percent of the cost estimate, not to exceed \$1,000, to be paid in advance by the Applicant for studies or Interconnection Facilities. PacifiCorp believes that this provision provides inadequate security for potentially expensive studies and Interconnection Facilities. PacifiCorp recommends revising the Proposed Rules to allow for deposits of 50 percent of estimated study cost and to allow for deposits of 25 percent of estimated Interconnection Facilities costs if coupled with progress payments. If an Interconnection Customer will not agree to progress payments, then the EDC should be allowed to require a deposit of 100 percent of the estimated cost of Interconnection Facilities.

PacifiCorp recommends the following revisions to address these concerns:

Proposed Rules

OAR 860-082-0030(7)

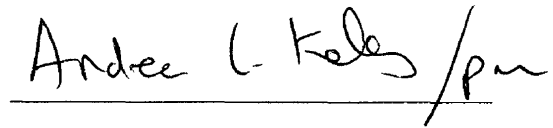
(7) Billings: Regarding interconnection studies, the EDC may require a deposit of not more than fifty (50) percent of the estimated cost estimate, not to exceed \$1000, to be paid in advance by the Applicant for of a studyies. Or Regarding Interconnection Facilities, the EDC may require an advance deposit of not more than twenty-five (25) percent of the estimated cost of the Interconnection Facilities, provided the Interconnection Customer agrees to make progress payments on a schedule established

by the EDC; if the Interconnection Customer refuses to make progress payments, the EDC may require an advance deposit of one hundred (100) percent of the estimated cost of the Interconnection Facilities before commencing or completing work on such facilities. Progress billing, final billing and payment schedules must be agreed to by Parties prior to commencing work.

This concludes PacifiCorp's Initial Comments.

DATED: November 8, 2007.

Respectfully submitted,

A handwritten signature in black ink that reads "Andrea L. Kelly" followed by a slanted line and the initials "pm".

Andrea L. Kelly
Vice President, Regulation