

ITEM NO. 5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 4, 2008

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: October 29, 2008

TO: Public Utility Commission

FROM: Lisa Schwartz *LS*
W *EB*

THROUGH: Lee Sparling and Ed Busch

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: Request to open an investigation into interconnection of PURPA Qualifying Facilities with a nameplate capacity larger than 10 megawatts to a public utility's transmission or distribution system.

STAFF RECOMMENDATION:

I recommend the Commission open an investigation into interconnection of PURPA Qualifying Facilities (QFs) with a nameplate capacity larger than 10 megawatts (MW) to a public utility's transmission or distribution system. I further recommend the Commission direct each public utility to file in this proceeding, no later than 120 days of granting staff's motion to open the investigation, draft interconnection procedures and agreements governing interconnection in Oregon that is not subject to Federal Energy Regulatory Commission (FERC) jurisdiction for 1) QFs larger than 10 MW and no larger than 20 MW and 2) QFs larger than 20 MW, based on the utility's interconnection procedures and agreements for small and large generators approved by FERC.

DISCUSSION:

In Docket AR 521, the Commission is considering proposed rules for interconnection of small generators – those with a nameplate capacity of 10 MW or less – to a public utility's transmission or distribution system, where the interconnection is not subject to FERC jurisdiction. Such is the case with interconnection of QFs under PURPA, the federal Public Utility Regulatory Policies Act (16 U.S.C. § 824a-3).¹

¹ PURPA requires an electric utility to purchase energy and capacity from certain types of renewable resource and cogeneration facilities (Qualifying Facilities) at the utility's avoided cost rates. The Oregon Public Utility Regulatory Policies Act is codified as ORS 758.505 through 758.555.

In another rulemaking docket (AR 526), the Commission has begun to update its PURPA rules found in Oregon Administrative Rules (OAR) 860, Division 029, consistent with decisions in Docket UM 1129. In phase I of this rulemaking, the Commission adopted new rules for resolution of disputes for proposed negotiated power purchase agreements and modified the applicability of the rules consistent with ORS 757.612(4) [amended by Section 27(4) of the Oregon Renewable Energy Act (Senate Bill 838, 2007 Session)].

The Division 029 rules contain many references to interconnection of QFs, but do not provide uniform technical standards or uniform procedures and terms for interconnection agreements. Among the goals of the state PURPA law is to "Create a settled and uniform institutional climate for the qualifying facilities in Oregon." See ORS 758.515. Staff's objective for this investigation is to provide such a climate for interconnection of QFs over 10 MW.

The public utilities already must use procedures and agreements adopted by FERC for interconnecting small generators (those no larger than 20 MW) and large generators (those over 20 MW) where FERC has jurisdiction over the interconnection.² However, PURPA gives the states broad authority to implement interconnection and other requirements of the Act. Docket AR 521 will address interconnection of QFs up to 10 MW; staff's proposed investigation here will address interconnection of larger QFs until such time as the Commission commences and concludes a future rulemaking to address this issue.

At staff's AR 526 workshop on August 7, 2008, the utilities and other stakeholders supported the concept of using FERC's small generator interconnection procedures and agreements for QFs between 10 MW and 20 MW, and FERC's large generator interconnection procedures and agreements for QFs over 20 MW, until the Commission establishes interconnection rules for these generators.

Originally, staff believed the Commission could adopt these procedures and agreements in the AR 526 rulemaking. However, after consulting with the Hearings

² For "Small Generators" (defined as any QF no larger than 20 MW), a Small Generator Interconnection Agreement (SGIA) and Small Generator Interconnection Procedures (SGIP). For "Large Generators" (defined as any QF over 20 MW), a Standard Large Generator Interconnection Agreement (LGIA) and Standard Large Generator Interconnection Procedures (LGIP). For "Large Wind QFs" (any wind-powered QF over 20 MW), a special "Appendix G" to the LGIA and to the LGIP. Documents are available on the FERC Web site:

<http://www.ferc.gov/industries/electric/indus-act/gi/small-gen.asp>

<http://www.ferc.gov/industries/electric/indus-act/gi/stnd-gen.asp>

<http://www.ferc.gov/industries/electric/indus-act/gi/wind.asp>

Division, staff's attorney advises that the Commission should instead do so through an investigation. The investigation will allow the utilities to slightly modify their FERC-approved filings as necessary to make them fit within Oregon's regulatory scheme. For example, the utilities may specify that the small generator procedures and agreements are available to QFs over 10 MW (smaller QFs will be subject to the Commission's order in AR 521), change references such as "FERC" to "PUC" and "Transmission Provider" to "public utility," specify that the Commission's dispute resolution procedures will be used instead of FERC's, and conform the FERC interconnection procedures and agreements to the Commission's decisions in AR 521 as necessary.³ However, staff does not expect the utilities to change the FERC-approved procedures and agreements in any material way.

Staff recommends each utility file its draft modifications to the FERC-approved procedures and agreements no later than 120 days of granting staff's motion to open the investigation. The filing should include redline versions showing all changes made to the FERC-approved documents as well as an explanation of the proposed modifications.

PROPOSED COMMISSION MOTION:

An investigation into interconnection of PURPA Qualifying Facilities with a nameplate capacity larger than 10 MW to a public utility's transmission or distribution system be opened. Further, each public utility be directed to file in this proceeding, no later than 120 days of granting staff's motion to open the investigation, draft interconnection procedures and agreements governing interconnection in Oregon that is not subject to FERC jurisdiction for 1) QFs larger than 10 MW and no larger than 20 MW and 2) QFs larger than 20 MW, based on the utility's interconnection procedures and agreements for small and large generators approved by FERC.

QF interconnection pmm.doc

³ Staff expects the Commission to issue its decision in AR 521 within 120 days of granting staff's motion to open this investigation, but the Commission has not indicated when it plans to issue its order in the rulemaking.