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DEPARTMENT OF JUSTICE  
GENERAL COUNSEL DIVISION

August 13, 2009

Attention: Filing Center  
Public Utility Commission of Oregon  
550 Capitol Street N.E., Suite 215  
Salem, OR 97301-2148  
[puc.filingcenter@state.or.us](mailto:puc.filingcenter@state.or.us)

Re: *In the Matter of an Investigation into Interconnection of PURPA Qualifying Facilities  
With Nameplate Capacity Larger Than 10 Megawatts to a Public Utility's Transmission  
or Distribution System*  
Docket No. UM 1401  
DOJ File No. 330-030-GN0606-08

Enclosed are an original and one copy of Oregon Department of Energy's Reply  
Comments in the above-captioned matter for filing with the PUC today.

Sincerely,

Janet L. Prewitt  
Assistant Attorney General  
Natural Resources Section

Enclosures

JLP:jrs/#1568302

c: Mark Long, Director, Oregon Department of Energy  
Diana Enright, Oregon Department of Energy  
UM 1401 service list

1                           **BEFORE THE PUBLIC UTILITY COMMISSION**  
2   **OF OREGON**

3   UM 1401

4 In the Matter of

5 THE PUBLIC UTILITY COMMISSION OF  
6 OREGON

7 Staff investigation into Interconnection of  
8 PURPA Qualifying Facilities With Nameplate  
9 Capacity Larger Than 10 Megawatts to a  
Public Utility's Transmission or Distribution  
System

OREGON DEPARTMENT OF ENERGY'S  
REPLY COMMENTS

10           Pursuant to Administrative Law Judge (ALJ) Wallace's Prehearing Conference  
11 Memorandum issued May 12, 2009, and updated in a Ruling issued July 16, 2009, Oregon  
12 Department of Energy (ODOE) submits Reply Comments in this proceeding.

13  
14   **Background**

15           The Public Utility Commission of Oregon recently approved interconnection rules for  
16 small generators of 10 MW or smaller in AR 521. The purpose of UM 1401 is to develop  
17 policies and procedures to govern the interconnection of large PURPA Qualifying Facilities  
18 (QFs). The OPUC staff asked the utilities to use the FERC Large Generator Interconnection  
19 Agreements (LGIAs) and Procedures (LGIPs) as a basis for new agreements and procedures.

20           In her Ruling issued February 12, 2009, ALJ Wallace suspended the schedule for  
21 submission of draft interconnection procedures and agreements for QFs between 10 MW and 20  
22 MW. The parties decided that it would be best for the docket to focus first on the FERC-defined  
23 large generators (20 MW and greater) since the procedures and agreements are designed  
24 specifically for them. She directed that the UM 1401 docket should proceed to create such  
25 agreements and procedures focused on QFs larger than 20 MW.

26 ///

1 **Policy Statement**

2 Recent legislative actions, particularly the adoption of a renewable portfolio standard in  
3 SB 838 (Oregon Laws 2007, Chapter 301), have strengthened Oregon’s policy in support of  
4 expanded renewable energy development in Oregon. Many renewable energy projects that have  
5 been developed in Oregon are QFs. The Department of Energy suggests that the Commission  
6 consider whether additional cost burdens will discourage these small generators from seeking QF  
7 status.

8  
9 **Selected Policy Issues**

10 **1. Network Upgrade Cost Allocation**

11 The primary change in the LGIA proposed by the utilities relates to the cost responsibility  
12 for network upgrades. Network upgrades are transmission upgrades needed to facilitate the  
13 power flow from the new generator into the transmission grid. Each utility has proposed that the  
14 network upgrades as an interconnection cost will be paid by the QF owner, just like  
15 interconnection facilities and distribution upgrades. Removal of Section 11.4 from the FERC  
16 LGIA, is being recommended by utilities.

17 ODOE provides the following comments for your consideration and respectfully suggests  
18 that removal of Section 11.4 be evaluated specifically to the potential impact on renewables.

- 19 ▪ A requirement to pay for network upgrade costs may impact the potential for future  
20 newer renewable energy projects being developed by QFs.
- 21 ▪ In general, as FERC assumes, most network upgrades provide benefit to all customers.  
22 Industrial Customers of Northwest Utilities (ICNU) quotes from FERC on page 6 of their  
23 Opening Comments: “[m]ost improvements to the Transmission System, including  
24 Network Upgrades, benefit all customers” and “it is just and reasonable for the  
25 Interconnection Customer to pay for Interconnection Facilities but not for Network  
26

1 Upgrades.” We understand that in some cases network upgrades will only benefit one  
2 generator, and in that case, it makes sense for that generator to pay for the upgrades.

- 3 ▪ Utilities are in the best position to determine system impacts and whether there would be  
4 no benefit to customers from a proposed network upgrade. QFs generally do not have the  
5 resources or information to determine system benefit. Our understanding is that the  
6 utilities have this information readily available.
- 7 ▪ The application of technological equipment requirements for QFs as interconnection  
8 customers should be as consistent as possible among all of the utilities using “good utility  
9 practice.”
- 10 ▪ Allowing QFs to recover the cost of network upgrades should not have an impact on the  
11 avoided cost rates, because we can assume that the cost will be offset by the benefits of  
12 such system upgrade, unless the utility determines otherwise.

## 13 2. Dispute Resolution

14 We understand use of FERC’s LGIA procedure for dispute resolution with only minor  
15 modification is being considered. ODOE suggests the Commission adopt the dispute resolution  
16 mechanism adopted in the AR 521 rulemaking proceeding. Use of the same dispute resolution  
17 mechanism would result in consistency for all QFs under the Commission’s rules. The language  
18 from AR 521 would work for large generator interconnections, if the reference from “small”  
19 generators was changed to “large”. It has the benefit, among other things, that it specifically  
20 states what a petition for arbitration needs to contain, how the arbitration is to be streamlined,  
21 that only the two negotiating parties have full party status, and that there is an option to hire an  
22 outside arbitrator rather than file a petition with the Commission.

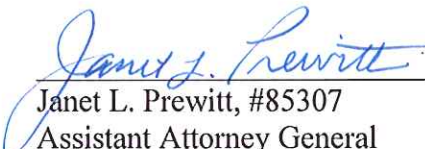
## 23 3. Reporting Requirements

24 ODOE recommends that the Commission adopt robust record keeping and reporting  
25 requirements for utilities interconnecting with large QFs. As in the case of small generators, the  
26 large generator interconnection procedures are complicated and only detailed reporting on an

1 annual basis will provide the Commission the data to evaluate whether this process works as  
2 intended. ODOE would like the Commission to consider capture of the data in areas such as,  
3 number of completed interconnection applications received, the number of interconnections  
4 completed, the types of facilities, the location of the completed interconnection, the estimated  
5 and the actual costs for the studies, interconnection facilities, and system upgrades, as well as the  
6 time taken to complete various steps in the interconnection process. ODOE supported this in AR  
7 521 and feels it should be a component of agreements with large QFs as well. The AR 521  
8 language (OAR 860-082-0065) could be modified for adoption with the large generator  
9 agreements.

10  
11 DATED this 13<sup>th</sup> day of August 2009.

12 Respectfully submitted,  
13 JOHN R. KROGER  
14 Attorney General

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16 Janet L. Prewitt, #85307  
17 Assistant Attorney General  
18 Of Attorneys for Oregon Department of Energy,  
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CERTIFICATE OF SERVICE

I certify that on August 13, 2009, I served the foregoing Oregon Department of Energy's Reply Comments upon the parties in this proceeding by electronic mail and by sending a true, exact and full copy by regular mail, postage prepaid, or by hand-delivery/shuttle, to the parties accepting paper service.

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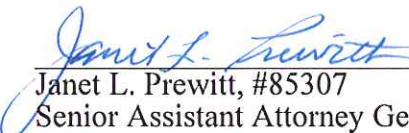
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20 DATED: August 13, 2009

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