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Cece L. Coleman
Assistant General Counsel

December 29, 2009

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: UM 1401 – INVESTIGATION INTO INTERCONNECTION OF PURPA QF LARGER THAN 10MW

Attention Filing Center:

Enclosed for filing in the captioned docket is an original and one copy of:

- **JOINT RESPONSE OF PORTLAND GENERAL ELECTRIC COMPANY, PACIFICORP AND IDAHO POWER COMPANY TO BENCH REQUEST**

This document is being filed by electronic mail with the Filing Center. An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided.

This document is being served upon the UM 1401 service list.

Thank you in advance for your assistance.

Sincerely,

Cece L. Coleman

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Assistant General Counsel
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CLC:cbm
Enclosures
cc: Service List-UM 1401

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON
UM 1401

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation into Interconnection of PURPA Qualifying Facilities With Nameplate Capacity Larger Than 10 Megawatts to a Public Utility's Transmission or Distribution System.	**JOINT RESPONSE OF PORTLAND GENERAL ELECTRIC, PACIFICORP, AND IDAHO POWER TO BENCH REQUEST**

I. Introduction

Portland General Electric Company ("PGE"), PacifiCorp d/b/a Pacific Power ("PacifiCorp"), and Idaho Power Company ("Idaho Power") (collectively "the Utilities"), jointly submit the following responses to the November 30, 2009 Bench Request of the Public Utility Commission of Oregon ("Commission").

II. Responses

1. **Within both the QF-LGIP and QF-LGIA submitted by the Utilities multiple references to FERC regulatory authority have been deleted. These deletions were not addressed by the parties. Please provide specific justification, with reference to the section number, for the removal of FERC regulatory authority without the addition of OPUC regulatory authority.**

The Utilities' FERC jurisdictional LGIAs and LGIPs all include language reflecting the fact that the individual executed LGIAs are filed with FERC and subject to FERC approval. The Utilities removed these references to FERC authority and did not add reference to OPUC authority because the parties have not contemplated that the individual, executed, QF-LGIAs would be filed with the Commission or subject to further Commission review. To provide further clarity about the rationale for each individual deletion of the reference to FERC, please see Attachment A to this joint response.

2. **Within both the QF-LGIP and QF-LGIA, the Effective Date is defined as "[T]he date on which the QF-LGIP [A] becomes effective by the parties." Please clarify this definition, specifically whether the Effective Date should be upon signing of the document, upon completion of commissioning tests or facility upgrades, upon OPUC approval, or some other date.**

The Utilities intended that the Effective date is the date on which the documents are executed by both parties.

3. **Article 4.1.1 of the QF-LGIA, removes the option of Energy Resource Interconnection Service. The removal was not addressed by the parties during the comment periods. Explain the justification for removing the option of Energy Resource Interconnection Service, and provide examples of negative consequences of retaining this option.**

When a QF interconnects to the utility that will purchase the QF's output, it is necessary to require the QF to pay for those improvements needed to both interconnect its generator and ensure that capacity is available to deliver all of the QF's output to load. This is important because, in Oregon, the purchasing utility is directed to address transmission costs as part of interconnection rather than as an adjustment to the avoided cost rates the utility must pay, for the QF's output (*see* OPUC Order No. 07-360 at p. 26-27). To implement the approach to transmission costs dictated by Order 07-360, it is necessary to treat all QF interconnection requests as requests for Network Resource Interconnection Service ("NRIS")[1], rather than as requests for Energy Resource Interconnection Service ("ERIS")[2].

If a QF interconnection request were to be processed as a request for ERIS, the purchasing utility might be put in the position of subsequently having to pay for

[1] Network Resource Interconnection Service is defined as, an Interconnection Service that allows the Interconnection Customer to integrate its Large Generating Facility with the Transmission Provider's Transmission System in a manner comparable to that in which the Transmission Provider integrates its generating facilities to serve native load customers. NRIS, in and of itself, does not convey transmission service.

[2] Energy Resource Interconnection Service is defined as, an Interconnection Service that allows the Interconnection Customer to connect its Generating Facility to the Transmission Provider's Transmission System to be eligible to deliver the Generating Facility's electric output using the existing firm or nonfirm capacity of the Transmission Provider's Transmission System on an as available basis. ERIS, in and of itself, does not convey transmission service.

transmission upgrades needed to get the QF's output to load, but that utility would not be allowed to reduce the price it is obligated to pay for the QF power, in order to reflect this additional cost it incurred (*see* OPUC Order No. 07-360 at p. 26-27), and the purchasing utility would, therefore, end up paying more than its avoided cost for the QF output in violation of PURPA (16 U.S.C. § 824a-3(b)&(d); 18 C.F.R. § 292.304). Given that the purchasing utility is required to take all of the energy generated by a PURPA project, it is appropriate and necessary that the PURPA project ensure, as part of its interconnection request, that such transmission facilities/capacity is available for the delivery of its output. Unfortunately, that goal cannot be achieved through an ERIS request. Therefore, requests for interconnections by PURPA projects should always be regarded as NRIS requests.

4. Article 4.1.2 of the QF-LGIA refers to certain congestion management costs and procedures. Please provide a working definition of congestion management costs and procedures, and also describe the effect of congestion management costs and procedures on a QF's ability to sell all of its contractual output under PURPA.

Congestion costs are those costs required to relieve transmission congestion by bringing on or ramping up generation resources on the load side of transmission congestion. For example, if transmission is congested between a generation location and load, then generation on the load side of the congestion (local generation) would be brought up, while generation beyond the point of congestion would need to be reduced. If the cost of the local generation is more expensive than the cost of the generation that has been reduced, the difference constitutes the congestion costs.

The procedures for relieving transmission congestion are as follows: all non-firm transmission schedules are cut first; this is followed by the equal and equitable reduction of firm transmission schedules (including transmission for PURPA projects). The outcome is that during times of congestion, the network transmission schedule for PURPA projects (and all other uses) is limited, to reduce the congestion. The management of the network transmission system is independent of the power purchase agreement through which a utility's merchant function purchases a QF's output. (Please note, the Utilities left this language in the QF-LGIA because our goal was to make only those changes that appeared necessary. However, the Utilities collectively view this language as irrelevant in the QF interconnection context, and would have no objection to striking it, if the Commission deems it appropriate).

5. **Please clarify whether Article 4.4 of the QF-LGIA establishes that transmission delivery service to take a QF load is contained in the power purchase agreement.**

No, the power purchase agreement does not provide for transmission delivery service. Rather, transmission service is something the *network transmission customer* obtains from the transmission provider under separate agreement. When a QF interconnects directly with the purchasing utility, the utility's merchant function will typically be the network transmission customer.[3] However, if a QF interconnects directly to one utility but sells its output under PURPA to a second utility (a so-called off-system QF), then the QF is typically the network transmission customer.[4]

6. **Within the QF-LGIA, the Utilities propose to remove articles 9.9.1 and 9.9.2 regarding Third Party Users, but note that they have not had sufficient time to decide on the removal of these sections.**

    a. **Please provide a final recommendation, along with specific justifications, for whether section 9.9.1 and 9.9.2 should be retained in the final QF-LGIA.**

[3] For a directly interconnected QF – the QF will typically need an interconnection agreement with the utility's transmission function, the QF will typically need a power purchase agreement with the utility's merchant function, and the utility's merchant function will typically need a transmission services agreement with the utility's transmission function.

[4] For an off-system QF – the QF will typically need an interconnection agreement with the transmission function of the directly interconnected utility, the QF will typically need a power purchase agreement with the merchant function of the purchasing utility, and the QF will typically need a transmission services agreement with the transmission function of the directly interconnected utility (and with the transmission function of any utilities located on the path between the directly interconnected utility and the purchasing utility). The interconnection for an off-system QF is typically subject to FERC jurisdiction (and therefore would not typically be subject to the QF-LGIP or QF-LGIA).

The Utilities are comfortable with keeping these sections.

b. Please provide examples of how Interconnection Customer's facilities would potentially be used by third parties.

The interconnection customer builds and owns the radial line to the point of interconnection and/or point of change of ownership. Another generator customer may subsequently request to use a portion of the same line to deliver power to the transmission provider.

Dated this 29th day of December, 2009.

Respectfully submitted,

By Cece L Coleman

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ATTACHMENT A

QF LGIA

Page 12 Article 1 Definition of "Effective Date" removes reference to filing agreement with FERC and does not replace with reference to OPUC because agreements will not be filed there.

Page 21 Article 1 Definition of "Tariff" removed entirely because it referenced OATT. That definition included a reference to tariffs filed with FERC.

Page 22 Article 2.1 Effective Date removes a reference to filing the agreement with FERC and does not replace with reference to OPUC because agreements will not be filed there.

Page 23 Article 2.3.3 deletes a reference to filing a notice of termination with FERC because no comparable filing will occur with the OPUC.

Page 65 Article 9.9.2 Third Party Users paragraph struck entirely, including a reference that FERC will resolve disputes about interconnection compensation.

Page 68 Article 11.4.1 Transmission Credits article struck entirely including references to FERC because the costs of network upgrades are assigned to interconnection customer only.

Page 95 Article 27.2 External Arbitration Procedures removes reference to FERC regulations applying to arbitration.

Page 95 Article 27.3 Arbitration Decisions removes requirement that arbitration awards must be filed with FERC if the award affects jurisdictional rates, terms, conditions of service, interconnection facilities, or network upgrades.

Page 100 Article 29.11 Reservation of Rights deletes a clause stating that nothing in the QF LGIA limits the parties' or FERC's rights under FPA.

Appendix G Transition Period LVRT Standard removes a reference to wind plants being subject to FERC Order 661. The language referencing FERC Order 661 has been deleted as inapplicable to this OPUC-jurisdictional QF-LGIA.

QF LGIP

The QF LGIP has no page numbers. The page numbers referenced here are the page numbers from the Microsoft Word document.

Page 26 of 81 Section 38.3 deletes a reference to filing the LGIA with FERC.

Page 36 of 81 Section 40.1.1.3 deletes reference to filing the LGIA with FERC.

ATTACHMENT A

Page 36 of 81 Section 40.1.2 deletes a reference to filing the LGIA with FERC.

Page 37 of 81 Section 40.1.2 deletes another reference to filing the LGIA with FERC.

Page 38 of 81 Section 40.2 deletes a reference to filing the LGIA with FERC.

Page 58 of 81 Section 46.2 deletes a reference to filing the LGIA with FERC.

Page 60 of 81 Section 46.3 deletes a reference to filing the LGIA with FERC.

Page 61 of 81 Section 46.4 deletes a reference to FERC's authority to modify LGIA after it is filed.

Page 79 of 81 Section 48.5.2 deletes a requirement that all applicable FERC rules apply to arbitration proceedings.

Page 80 of 81 Section 48.5.3 deletes a requirement that arbitration awards must be filed with FERC if it affects jurisdictional issues.

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **JOINT RESPONSE OF PORTLAND GENERAL ELECTRIC, PACIFICORP AND IDAHO POWER COMPANY TO BENCH REQUEST** 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. UM 1401.

Dated at Portland, Oregon, this 29th day of December, 2009.

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