

November 26, 2007

To: Public Utility Commission

Re: Docket No. AR 521 Small Generator Interconnection Rulemaking

Please accept the following comments in reference to AR521.

Mountain Energy, Inc. owns and operates Lake Creek #1; a 50KW hydroelectric power project, FERC Project No. 6595-003, in Josephine County, Oregon. The project is a QF. It was issued a FERC exemption in 1987. It has been in commercial operation continuously for well over 20 years, interconnected to PacificCorp.

PacificCorp has requested and Mountain Energy agreed to several short-term extensions of its PPA during the time rulemaking regarding terms of PPAs were ongoing. Now that the process is complete, PacificCorp is offering Mountain Energy a contract to continue purchasing power from Lake Creek#1. One of the terms of this agreement is that an Interconnection Agreement be completed with PacificCorp. The process Pacific is requiring for interconnection is onerous and unnecessary for a project the size of Lake Creek #1's, especially since it is already interconnected, and appears to be designed to impede this project from normal operations or at best does not consider the consequences of its policies. This is so for the following reasons:

1. Mountain Energy put the project on-line under the watchful eye of Pacific following interconnection studies and submitting to Pacific's requirements regarding control system and interconnection requirements. In fact, Pacific required that we submit the equipment for their review. The distribution line to the project, 12.5 KV single phase, has not undergone substantial change during the time Lake Creek has been operational nor has any other generation project come on-line and interconnected to the local distribution system.
2. Lake Creek #1 has never had any maintenance issues relating to interconnection over its lengthy period of operation.
3. Pacific is fully aware of improvements to our control system undertaken over the years by Mountain Energy of its own volition including additions of Siemens Control and Bassler relay packages, upgrading the meter-base after Pacific demanded that a digital meter be installed several years ago, adding a secondary separate 480V lockable switch to provide an independent secondary guarantee the system could be isolated at their discretion, there was an existing lockable switch on the main control cabinet, and a key box to the powerhouse to allow easy access to manage locking the system off as they required.
4. Pacific, having created a separate wing of its operation to manage transmission line matters, claimed during recent conversations to have absolutely no knowledge of Lake Creek #1 operations for over 20 years or initial interconnection undertakings at the time of construction. They are taking the position that they are required by FERC to refrain from any contact with the contracting/power producing wing of their company and therefore must start a new interconnection process. The result of this policy is that they are ignoring

nearly continuous inspections over 20 years, are demanding \$1000 to undertake a study of an application to interconnect, and are allowing for the possibility that more funds may be invoiced for additional study, see attached Pacific Letter.

5. In conversation with Pacific's representative, there was no answer to the question of what potential further requirements for interconnection Pacific could demand.

Bottom line, Pacific wants to pretend that the project has not been on line in a safe and operable condition for over 20 years, and continues to be at this writing, and by implication asserts that they could even refuse interconnection to a project already safely interconnected; nothing that I have read from Pacific would limit or constrain their staff from asserting what they please regarding interconnection viability. Indeed, there appears to no criteria for evaluating interconnection issues or the cost to study them should such studies even be necessary.

After a conversation with Ed Durrenberger that gave me some initial understanding about the AR 521 process, I requested a waiver from Pacific regarding this matter since there was some possibility that rulemaking could exempt small projects from interconnection applications as currently proposed by Pacific or certainly affect the process. They refused, see attached letter, in essence because the rulemaking process is not yet complete. Indeed, Laura Raypush, the account manager, asserted repeatedly to me that the interconnection contracting process must be the same for all parties wishing to interconnect regardless of their size, "20 MW or 50 KW", or previous interconnection status. I believe this position is without merit and prejudicial to the intentions of the State of Oregon regarding small-scale production facilities.

I would be delighted to have a Pacific engineer inspect our project facility to make sure the system initially installed was indeed still there and not changed substantially; this is reasonable. To require engineering studies beyond that and charge what they please with no limits or criteria to evaluate what is already in place is not reasonable. Certainly their implicit assertion that an application to continue interconnection for an existing facility begs the question of what they have been doing for 20 years to make sure interconnection was viable or safe. The test is not whether a small facility has the funds to pursue engineering studies of questionable merit but rather whether the conditions for interconnection as defined by Pacific at the time of original interconnection have been maintained especially given that conditions of the grid in that area have not substantially changed. The burden should be on Pacific to demonstrate that conditions have changed that might pose a problem for Pacific. I believe Pacific is asking Mountain Energy to fund a classic fishing expedition looking for something that could allow them to kill a proven viable project.

Pacific has created an artificial barrier within its corporate structure that permits the emergence of a bureaucracy that has every interest in creating a position for itself rather than fairly and reasonably evaluating interconnection issues, particularly with respect to small projects. The reasons FERC required Transmission and Generation to be separated with Pacific's corporate would not include exchanging engineering details

about systems in place, but rather was an attempt to limit collusion among policy makers at Pacific or any Utility to the disadvantage of ratepayers.

At least two years ago Pacific informed me that I would be required to supply liability insurance at a level that would have made operating the Lake Creek project uneconomical or even possible. I refused to comply because this would have been a major change to operating requirements over rules in place at the time the project was permitted by FERC and the State of Oregon. The rulemaking process eventually recognized that the demands made by Pacific were onerous and not appropriate to small-scale energy producers and removed that insurance requirement during rulemaking. I believe an analogous situation is unfolding at the PUC regarding interconnection of small projects. Pacific is making unreasonable, unnecessary, and unupportable demands that should not be taken at face value just because they own the distribution line. Furthermore, it is within the scope of PUC authority, and reasonableness in general, to remove bureaucratic, expensive, unlimited and unchecked Pacific authority over the interconnection of small projects, particularly those already interconnected.

Jack Goldwasser, President  
Mountain Energy, Inc.  
4330 Fish Hatchery Road  
Grants pass, OR 97527

5641-472-8095

Attached PacifiCorp letter of November 21, 2007



P.O. Box 2757  
Portland, Oregon 97208-2757

1033 NE 6th Avenue  
Portland, Oregon 97232

November 21, 2007

Jack Goldwasser  
Mountain Energy / Lake Side #1  
4330 Fish Hatchery Rd.  
Grants Pass, OR 97527

**RE: Mountain Energy / Lake Side #1 – Interconnection Agreement Renewal Request**

Dear Mr. Goldwasser:

The delay in response to your October 29, 2007, email has been because of your request to consider any possible implications of the rulemaking procedure for small generation facilities that the state of Oregon is currently undertaking. PacifiCorp has reviewed the draft rules and while those rules are not yet effective, the most recent draft rules support PacifiCorp's position in ensuring the safety and reliability of the electrical system and ensuring that the electric ratepayers are not subsidizing third-party owned generation facilities.

PacifiCorp has had established standardized interconnection procedures to ensure that all entities wishing to renew their agreement to interconnect with PacifiCorp's electrical system are treated in the same manner and allow PacifiCorp to fulfill its two primary obligations ensuring 1) the safety and reliability of the electrical system and 2) ensuring that the electric ratepayers are not subsidizing third-party generation facilities. These interconnection procedures will remain in place until rules are enacted that dictate otherwise. The interconnection procedures require a completed application in order to provide PacifiCorp with the technical data regarding your facility and the funds to complete the review allowing PacifiCorp to meet these objectives.

Pursuant to the interconnection procedures, Interconnection Customer needs to provide the following:

- 1) Please submit a signed application form with as much technical information as you have available. PacifiCorp acknowledges that Interconnection Customer has submitted via email some technical information regarding your project. To remove any chance of error on PacifiCorp's part in identifying the technical information, it is recommended that you include on the signed application form all applicable information regarding your generation facility.
- 2) Please provide the \$1000 application deposit. The deposit is placed into an account for your project. Interconnection Customer is only responsible for the actual costs to evaluate your renewal request. Upon the completion of PacifiCorp's review, PacifiCorp will review the final project accounting resulting in either a refund of the balance or an invoice for the outstanding amount due.

As you have not submitted a signed application form or the application deposit along with your request, PacifiCorp is not able to proceed with your request to renew your interconnection agreement. Once the signed application form and deposit have been received, PacifiCorp will be able to review the technical information provided and determine if any equipment needs to be modified to meet the current standards or offer an interconnection agreement for your facility.

It is requested that Interconnection Customer provide the additional information, as soon as possible, given that it will take time to review the details regarding your generation facility.

If you have any questions, please contact me at (503) 813-7040.

Sincerely,

A handwritten signature in black ink that reads "Laura Raypush". The signature is written in a cursive, flowing style.

Laura Raypush  
Account Manager  
Transmission Services

Cc: J. Cupparo, D. Desmarais, L. Lynch-Harkins, K. Houston,  
R. Huitron-Azcuaga, H. Jespersen, D. Johannsen, L. Raypush,  
T. Tabor, J. Tanneberger

File: Mountain Energy / Lake Side #1


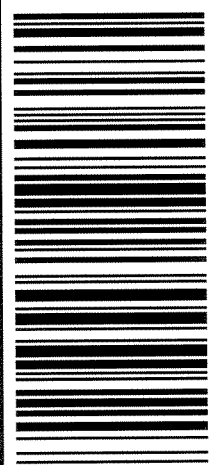

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2. **Fold the printed label at the dotted line.** Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.
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**Customers without a Daily Pickup**
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  - o Hand the package to any UPS driver in your area.
  - o Take your package to any location of The UPS Store<sup>®</sup>, UPS Drop Box, UPS Customer Center, UPS Alliances (Office Depot<sup>®</sup> or Staples<sup>®</sup>) or Authorized Shipping Outlet near you. Items sent via UPS Return Services<sup>SM</sup> (including via Ground) are accepted at Drop Boxes.
  - o To find the location nearest you, please visit the Resources area of CampusShip and select UPS Locations.

**Customers with a Daily Pickup**

- o Your driver will pickup your shipment(s) as usual.

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PacifiCorp Accounting: 12580 Contents / Sender: WRS Renewal request ltr				