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October 17, 2007

VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. AR 521

Enclose for filing in the above-referenced docket is Idaho Power Company's Initial Comments.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in cursive script that reads "Wendy L. McIndoo".

Wendy L. McIndoo
Legal Assistant

cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in AR 521 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: October 17, 2007.



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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

AR 521

In the Matter of a Rulemaking to Adopt
Rules Related to Small Generator
Interconnection.

IDAHO POWER COMPANY'S INITIAL
COMMENTS

INTRODUCTION

Idaho Power welcomes this opportunity to provide the following comments on Staff's proposed rules, as revised in Staff's Second Set of Comments, Workshop Edits, filed on October 2, 2007 ("Staff's Proposed Rules"). Idaho Power appreciates the significant time and energy Staff has expended in order to craft a consensus among the Parties in support of these rules. Indeed, it is a testament to Staff's dedication that the Parties have come to agreement on the vast majority of the Proposed Rules. Accordingly, in these comments, Idaho Power requests changes to only two provisions of the Proposed Rules, and provides comments in support of a third.

I. Dispute Resolution

The issue of the appropriate dispute resolution provision was the subject of heated debate during the workshop process. Idaho Power supports Staff's proposal, contained in Section 860-082-0080 of the Proposed Rules.

First, Staff's proposal will encourage informal resolution by the parties whenever possible. Under Subsection (1), any party wishing to file a complaint must first provide the other party with a Notice of Dispute describing in detail the nature of the dispute and proposed resolution. Thereafter the parties are obligated to appoint senior representatives to work together to resolve the dispute. It is only when and if this informal process fails that a formal dispute may be filed. Idaho Power believes that this notice requirement will reduce the number of formal complaints ultimately filed.

1 Second, Staff's proposal will allow the Parties to choose alternative dispute
2 resolution when appropriate. Specifically, the rule provides that a party may file a formal
3 complaint with the Commission, or, if both parties agree, the dispute may be referred to
4 arbitration conducted by a single neutral arbitrator. Thus, the parties can avail themselves
5 of the Commission's expertise when desired; however, when and if they believe the matter
6 can be resolved by an arbitrator, they can forego Commission processes and seek a more
7 speedy (and less costly) resolution.

8 At the September 25 Workshop, representatives of some developers and customers
9 argued that before resorting to the Commission, the parties should be required to submit
10 their dispute to an impartial technical expert. These parties argued that this was necessary
11 because (a) the Commission might lack the expertise to decide some interconnection
12 disputes; and (b) the Commission is accustomed to relying on the utility's expertise in
13 technical matters and therefore might be more inclined to find in the utility's favor. These
14 parties argued that a technical expert would have the expertise to render a sound decision
15 and would be more likely to be fair to both parties. Idaho Power disagrees on both of these
16 points. The Commission regularly relies on its Staff in determining highly technical issues,
17 and there is no reason to believe that interconnection disputes should prove any different.
18 On the second point, the Commission has significant experience balancing the interests of
19 developers and customers with those of the utility and certainly has no history of simply
20 ceding to the utilities in these matters.

21 Idaho Power opposes any provision requiring the Parties to submit their
22 interconnection disputes to a third party. Accordingly, the Commission should adopt Staff's
23 proposed dispute resolution provision.

24 **II. Insurance for Projects under 200 kw**

25 The Proposed Rules provide that "[g]eneral liability insurance is not required for
26 approval of an interconnection application, or for the related Interconnection Agreement, for

1 a Small Generator Facility with an Electric Nameplate Capacity of 200 kw or smaller.”

2 Section 860-082-0035(1). This provision should be rejected.

3 Idaho Power acknowledges that the cost of liability insurance may be more difficult
4 for smaller facilities to bear, and assumes that this fact provides the motivation for the
5 exemption contained in Staff’s Proposed Rule. However, the fact that insurance
6 requirements might prove a heavier burden for smaller customers says nothing about the
7 risks imposed by smaller operations. Indeed, there is no evidence whatsoever that the size
8 of the facilities covered by the proposed rule is related to the degree of exposure faced by
9 the utility and ratepayers in the event of an accident. On the contrary, in the case of an
10 electrical contact, the harm caused by a 200kw facility would be no less than that caused by
11 a 20 MW facility.

12 Idaho Power sees no reason why in the case of smaller projects liability risks should
13 be shifted to the utility or its customers. For these reasons, Idaho Power requests that the
14 Commission reject Staff’s proposed Section 860-082-0035(1).

15 **III. Cost Responsibility--Deposits**

16 Idaho Power proposes one change to Subsection (7) of Staff’s proposed rule
17 regarding Cost Responsibility—Section 860-082-0030. That rule covers cost responsibility
18 for study costs, Minor T&D System Modifications, Interconnection Facilities, Interconnection
19 Equipment, System Upgrades, and Adverse System Impact. Subsection (7), provides:

20 The EDC may require a deposit of not more than 50 percent of the cost
21 estimate, not to exceed \$1000, to be paid in advance by the Applicant
22 for studies or Interconnection Facilities necessary to complete an
23 Application and to interconnect to the T&D System. Progress billing,
24 final billing and payment schedules must be agreed to by Parties prior
25 to commencing work.

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1 The \$1000 cap on deposits will, in many cases, be insufficient to protect the utility
2 and its customers.

3 As described in proposed OAR 860-082-0010 (20), " 'Interconnection
4 Facilities' means the facilities and equipment required by the EDC to
5 accommodate the interconnection of a Small Generator Facility to the EDC's T&D
6 System." Under 860-082-0030(3), the costs for which the Customer is
7 responsible include "the cost of the facilities and the time required to build and
8 install those facilities."

9 In a situation where the EDC is required to build out feeder facilities a mile
10 or more in order to connect with the customer, the costs could amount to
11 \$100,000. If the customer in such a case were required to put down a deposit of
12 only \$1,000, and if the customer were to default, the EDC could incur a loss of up
13 to \$99,000. Even if the parties agreed to regular progress payments as allowed
14 by the rule, depending on the timing of the default, the EDC could incur a
15 significant loss.

16 Given that the rule does allow for progress billing, Idaho Power believes it
17 unnecessary to require the customers to pay the entire estimate up front.
18 However, it should be allowed to require significantly more than the \$1,000

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1 proposed by Staff. For this reason, Idaho Power requests that the \$1,000 cap be
2 raised to \$10,000.

3 DATED: October 15, 2007.

4 MCDOWELL & RACKNER PC

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