

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
UM 2032**

In the Matter of  
PUBLIC UTILITY COMMISSION OF  
OREGON,  
Staff Investigation into Treatment of Network  
Upgrade Costs for QFs.

**STAFF PREHEARING BRIEF**

**I. Introduction**

Under the Public Utility Regulatory Policy Act (PURPA) and the Federal Energy Regulatory Commission (FERC)’s rules implementing PURPA, electric utilities must offer to purchase energy and capacity from “Qualifying Facilities” (QFs) at avoided cost prices and must interconnect with QFs to facilitate these purchases.<sup>1</sup> When the QF sells its entire net output to the interconnecting (host) utility, the interconnection between the QF and utility, including the allocation of costs to interconnect, are subject to the State’s jurisdiction.<sup>2</sup> The Oregon Public Utility Commission (Commission) has adopted policies and procedures that govern state-jurisdictional interconnections for QFs.<sup>3</sup>

In this docket, the Commission is examining its policies related to cost allocation for interconnection-related Network Upgrades, which are upgrades to the utility’s transmission system at or beyond the QF’s point of interconnection.<sup>4</sup> Specifically, this investigation is focused on the following questions to determine whether new policies and procedures are appropriate:

<sup>1</sup> 16 U.S.C. § 824a-3; 18 C.F.R. §§ 292.101-.602.

<sup>2</sup> 18 C.F.R. §292.306.

<sup>3</sup> OAR Ch. 860, Div. 082.

<sup>4</sup> For purposes of this docket, Staff’s references to “Network Upgrades” include Network Upgrades to the host utility’s transmission system for large generators and System Upgrades to the host utility’s transmission system for small generators.

- 1 1. Who should be required to pay for Network Upgrades necessary to interconnect the  
2 Qualifying Facility (QF) to the host utility?
- 3 2. Should on-system QFs be required to interconnect to the host utility with Network  
4 Resource Interconnection Service (NRIS) or should QFs have the option to  
interconnect with Energy Resource Interconnection Service (ERIS) or an  
interconnection service similar to ERIS?

5 Depending on the resolution of these two questions, a second phase of the docket  
6 may be necessary to address a third question:

- 7 3. If the answer to Issue No. 1 is that users and beneficiaries of Network Upgrades  
8 (which typically are primarily utility customers) should pay for the Network  
9 Upgrades necessary to interconnect the QF to the host utility, how should that  
10 policy be implemented? For example, should utility customers, and other  
11 beneficiaries and/or users, fund the cost of the Network Upgrades upfront, or should  
the QF provide the funding for the Network Upgrade subject to reimbursement  
from utility customers? Should the QF, utility customers, and other beneficiaries  
and users, if any, share the costs of Network Upgrades?

12 In Phase I of this docket, Staff recommends that the Commission require Oregon QFs to  
13 use Network Resource Integration Service (NRIS) rather than Energy Resource Integration  
14 Service (ERIS) when interconnecting with utilities for the purpose of selling their net output to  
15 the utility at a fixed price. NRIS facilitates a connection intended to allow the customer's facility  
16 to function as a “network resource,” which means the transmission service provided for that  
17 resource will be firm and uninterrupted.<sup>5</sup> The interconnection studies associated with NRIS  
18 determine whether “at full output, the aggregate of generation in the local area can be delivered  
19 to the aggregate of load” on the transmission system consistent with established reliability  
20 criteria.<sup>6</sup>

21 In contrast, ERIS is a basic interconnection service that allows an interconnection  
22 customer to connect its generator to the transmission provider’s system and be eligible to deliver  
23 the generating facility’s electric output using the existing firm or non-firm capacity of the  
24 transmission system on an as-available basis. Interconnection studies for ERIS identify only  
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26 <sup>5</sup> Staff/200, Moore/3.

<sup>6</sup> Staff/200, Moore/4.

1 those facilities and upgrades necessary to safely and reliably interconnect the generating resource  
2 to the system, and do not identify upgrades necessary to move the interconnecting generator's  
3 output to the load. Accordingly, requiring QFs to interconnect with NRIS will ensure the  
4 utilities comply with the PURPA requirement to provide firm transmission service to ensure the  
5 deliverability of the QF's net output to load while protecting the utility's retail customers from  
6 unwarranted cost shifting.

7 Staff also recommends the Commission determine that an interconnecting QF's Network  
8 Upgrade costs that exceed the utility's avoided Network Upgrade costs should be allocated to  
9 QFs and interconnecting utilities commensurately with the benefits that the Network Upgrades  
10 provide. From Staff's perspective, this approach is consistent with the Commission's existing  
11 policy, though that policy has not necessarily been put into practice.<sup>7</sup> Staff acknowledges that  
12 determining what system benefits are provided by Network Upgrades may not be an easy  
13 exercise. Accordingly, the second phase of this investigation will be necessary to explore how to  
14 identify system benefits of Network Upgrades and how to allocate costs between the  
15 interconnecting QF and the host utility.

16 Finally, Staff recommends that the Commission specify that avoided cost prices in  
17 Oregon must include avoided interconnection costs. Staff believes that this is the current policy  
18 but recommends that the Commission reinforce this policy to eliminate any ambiguity and to  
19 facilitate the appropriate allocation of costs to interconnect a QF.

## 20 **II. Background**

21 FERC's use of standardized methods for allocating interconnection costs dates back to  
22 2003 when FERC adopted its Large Generator Interconnection Procedures (LGIP), a  
23 comprehensive set of procedures and a *pro forma* agreement for interconnections between large  
24 generators (over 20 MW) and transmission providers. In Order No. 2003 and subsequent orders,  
25 FERC identified two general approaches for assigning the costs of interconnection-related

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<sup>7</sup> Staff/200, Moore/6.

1 Network Upgrades needed to interconnect a generating facility to the transmission system:  
2 (1) the crediting policy, whereby the interconnection customer initially funds the  
3 interconnection-related network upgrades and is reimbursed through transmission credits; and (2)  
4 participant funding, where the costs of interconnection-related network upgrades are assigned  
5 directly to the interconnection customer.<sup>8</sup> FERC required non-independent Transmission  
6 Providers such as public utilities to implement the crediting policy consistently with FERC's  
7 LGIP, but allowed independent transmission providers, i.e., Regional Transmission Operators  
8 (RTOs) and Independent System Operators (ISOs), to request authority to implement other  
9 funding methods, including participant funding.<sup>9</sup>

10 In 2010, the Commission adopted its LGIP for generators 20 MW and larger.<sup>10</sup> These  
11 procedures dictate the interconnection process and policies for QFs that sell their entire net  
12 output to the interconnecting utility. The Commission's order adopting the QF-LGIP reflects  
13 that the Commission adopted the FERC LGIP with only a handful of modifications, one of which  
14 was the cost allocation for Network Upgrades:

15 As noted by the Utilities, transmission costs and network upgrades are included in  
16 the calculation of avoided cost rates. Consequently, QFs are currently  
17 compensated for these costs pursuant to the rates established in their respective  
18 purchased power agreements with the utilities. *For this reason, we conclude that*  
19 *Article 11.4 should be modified such that Interconnection Customers are*  
20 *responsible for all costs associated with network upgrades unless they can*  
21 *establish quantifiable system-wide benefits, at which point the Interconnection*  
22 *Customer would be eligible for direct payments from the Transmission Provider*  
23 *in the amount of the benefit.* We are not persuaded by ICNU's arguments that  
24 requiring Transmission Providers to pay for network upgrades would not affect  
25 the avoided cost rate and thus impose higher costs on the ultimate ratepayer.

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22 <sup>8</sup> *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003,  
23 104 FERC P 61,103 (2003), order on reh'g, Order No. 2003-A, 106 FERC P 61,220, order on  
24 reh'g, Order No. 2003-B, 109 FERC P 61, 297 (2004), order on reh'g, Order No. 2003-C, 111  
25 FERC P 61, 401 (2005).

26 <sup>9</sup> Order No. 2003, 104 FERC P 694; Order No. 2003-A, 106 FERC P 696.

<sup>10</sup> *See In the Matter of Public Utility Commission of Oregon Investigation into Interconnection of*  
25 *PURPA Qualifying Facilities With Nameplate Capacity Larger Than 20 Megawatts to a Public*  
26 *Utility's Transmission or Distribution System* (Docket No. UM 1401), Commission Order No.  
10-132 (April 7, 2010).

1 ICNU's reliance on the reimbursement provisions set forth in the CA-LGIA9 is  
2 misplaced, as the CA-LGIA is a FERC tariff that is not bound by the limitations  
imposed by PURPA. Moreover, ICNU's argument that

3 FERC has long held that Network Upgrades provide system wide benefits is not  
4 persuasive to this point. None of the authorities cited are related to facilities  
governed by PURPA and thus none faced the limitation of the avoided cost rate.<sup>11</sup>

5 The Commission's LGIP also differed from FERC's LGIP in that the Commission's LGIP does  
6 not include an option for ERIS. Instead, large generators' only option is to interconnect to host  
7 utilities with NRIS.<sup>12</sup>

8 In 2006, FERC adopted its Small Generator Interconnection Policies (SGIP) and *pro*  
9 *forma* Small Generator Interconnection Agreement (SGIA) for generators under 20 MW.

10 FERC's SGIP does not have distinct interconnection services such as ERIS or NRIS, but instead,  
11 provides for "small generator interconnection service," which FERC describes as comparable to  
12 ERIS. To the extent a small FERC-jurisdictional generator wants to interconnect with NRIS, it  
13 must interconnect under FERC's LGIP. While the SGIP does provide for construction of  
14 upgrades to the interconnecting utilities' transmission system when necessary for an  
15 interconnection, these upgrades are called "System Upgrades."

16 The Commission adopted its own SGIP in 2009 for generators 10 MW and smaller.<sup>13</sup>

17 The Commission's SGIP does not categorize the interconnection service as either ERIS or NRIS,  
18 but like the FERC SGIP, provides for the construction of upgrades to the interconnecting utility's  
19 transmission system when necessary to for an interconnection. These upgrades are called  
20 "System Upgrades" in Oregon's SGIP rather than Network Upgrades. Costs for System  
21 Upgrades are allocated to the interconnection customer. The Commission specifically rejected a  
22 proposal to allocate costs of System Upgrades to the host utility, but noted that its intent was to  
23 strictly limit what System Upgrades a small generator would be responsible for:

24 <sup>11</sup> *Id.*, Order No. 10-132, pp. 3-4 (emphasis added).

25 <sup>12</sup> *See Id.*, Attachment A, Article 2.1.

26 <sup>13</sup> *In the Matter of a Rulemaking to Adopt Rules Related to Small Generator Interconnection* (AR  
521), Order No. 09-196, p. 4 (June 8, 2009).

1 The proposed rules, however, include language that is meant to strictly limit  
2 a public utility's ability to require one small generator facility to pay for the  
3 cost of system upgrades that primarily benefit the utility or other small  
4 generator facilities, or that the public utility planned to make regardless of  
5 the small generator interconnection. Under the proposed rules, a public  
6 utility may only require a small generator facility to pay for system upgrades  
7 that are "necessitated by the interconnection of a small generator facility"  
8 and "required to mitigate" any adverse system impacts "caused" by the  
9 interconnection. We therefore believe the proposed rules adequately protect  
10 small generator facilities and that ICNU's fears are unfounded.<sup>14</sup>

11 As noted above, the Joint Utilities currently require all QFs, including those subject to  
12 Oregon's SGIP, to interconnect with NRIS to ensure deliverability of the QF's output at the time  
13 of interconnection.

14 Whether studied as an NR or ER interconnection, the service facilitated by an  
15 interconnection request only results in interconnection. To move the interconnected generators'  
16 energy over the Transmission Provider's system, the generator or another party must request and  
17 procure transmission service. Like interconnection service, Transmission Providers must  
18 perform studies upon receipt of a request for transmission service to determine whether the  
19 Provider can safely and reliably provide the requested service without upgrades to the  
20 transmission system. Any upgrades the transmission system needed to accommodate the  
21 transmission service request are assigned to the entity requesting transmission service.

22 Typically, a non-QF interconnecting generator is responsible for procuring and paying for  
23 transmission service to transmit the interconnected generator's output. This is not true for QFs.  
24 Instead, the host utility is responsible for acquiring transmission service for the QF's output. If  
25 the request for transmission service triggers Network Upgrades, the costs for these upgrades are  
26 borne by the host utility and its transmission customers because under PURPA, they cannot be  
27 assigned directly to the QF. Although it would be possible to account for these costs in the  
28 calculation of avoided cost prices, the determination of whether transmission service network  
29 upgrades are necessary typically occurs after a PURPA PPA has been signed. Neither the

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<sup>14</sup> Order No. 09-196, p. 4.

1 Commission nor a purchasing utility may unilaterally modify a PPA after it is executed to  
2 change the avoided cost rates to account for the costs of transmission related Network Upgrades.

3 **III. Allocation of Network Upgrade Costs**

4 **A. Allocation of Network Upgrade Costs should follow the benefits.**

5 PacifiCorp, PGE, and Idaho Power (together the “Joint Utilities”), Staff, NewSun Energy,  
6 LLC, (“NewSun”), and the Interconnection Customer Coalition (“ICC”) consisting of Northwest  
7 & Intermountain Power Producers Coalition, and the Community Renewable Energy  
8 Association, all appear to base their positions regarding cost responsibility on the same tenet:  
9 costs of Network Upgrades should be allocated to the beneficiaries of the Network Upgrades.  
10 However, these parties differ on who the beneficiaries of the Network Upgrades are or are likely  
11 to be and differ on the method the Commission should use to allocate the costs.

12 The Joint Utilities doubt interconnection-related Network Upgrades for QFs will provide  
13 system benefits that should be borne by all users of the utilities’ transmission systems.  
14 Notwithstanding, the Joint Utilities are willing to support the use of the Commission’s stated  
15 policy that the costs for any Network Upgrades that provide “quantifiable system-wide benefits”  
16 should be allocated to the host utility. However, the Joint Utilities qualify that in their opinion,  
17 the only way to determine whether Network Upgrades provide quantifiable system-wide benefits  
18 is with a “but for” test. Under this test, Network Upgrades have a quantifiable system-wide  
19 benefit only if the Network Upgrade was previously identified as a necessary upgrade in the  
20 utility’s integrated resource plan or transmission planning.<sup>15</sup>

21 The Joint Utilities argue that costs of any Network Upgrades that do not meet this “but  
22 for” test must be allocated to QFs to ensure the “ratepayer indifference” standard of PURPA is  
23 not violated. The Joint Utilities also assert that notwithstanding what system benefits may result  
24 from Network Upgrades needed for interconnection with a QF, the interconnecting utility can be  
25 allocated no more than its avoided costs for interconnection upgrades. The Joint Utilities argue

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<sup>15</sup> Joint Utilities/500, Vail-Bremer-Foster-Olennikov-Ellsworth/9.

1 that allocating the interconnecting utility any amounts that exceed the utility's avoided  
2 interconnection costs will violate PURPA's ratepayer indifference standard.

3 NewSun provides a considerable amount of testimony to support its conclusion that most,  
4 if not all, Network Upgrades necessitated by interconnection with a QF will provide benefits to  
5 all users of the Transmission System.<sup>16</sup> Based on this conclusion, NewSun recommends the  
6 Commission require the host utility to pay for the costs of Network Upgrades unless the host  
7 utility can show the Upgrades demonstrably benefit only the interconnecting facility.<sup>17, 18</sup>

8 The ICC also believes that the cost of Network Upgrades should be allocated to the  
9 beneficiaries of the Upgrades and asks the Commission to establish the presumption that  
10 Network Upgrades benefit the system that can be rebutted if the utility shows the Network  
11 Upgrades only benefit the QF. The ICC notes the Commission's current methodology gives QFs  
12 the burden of proof to show the Network Upgrades provide quantifiable system benefits and  
13 assert that shifting the burden to utilities to show the upgrades do not have benefits is more  
14 equitable.<sup>19</sup>

15 As already noted, Staff believes that costs of interconnection-related Network Upgrades  
16 should be allocated to the beneficiaries of the Upgrades. However, Staff is not persuaded that  
17 any of the other parties has hit upon a reasonable method for identifying or allocating these costs.  
18 In essence, NewSun and ICC propose what is essentially FERC's "crediting policy," which  
19 requires the Transmission Provider to reimburse the interconnection customer for any capital the  
20 interconnection customer provided to fund the Network Upgrades. The Joint Utilities propose  
21 FERC's "participant funding" methodology where the costs are assigned to the interconnecting  
22 customer with limited opportunity for reimbursement.

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<sup>16</sup> NewSun/200, Andrus/15.

25 <sup>17</sup> NewSun/100, Rahman/11-13, NewSun/200, Andrus/5, 18.

26 <sup>18</sup> NewSun/100, Rahman/11-13; NewSun/200, Andrus/5, 18.

<sup>19</sup> Interconnection Customer Coalition/200, Lowe/4.

1 NewSun’s and ICC’s proposals fail to account for a key difference between the  
2 generators to which FERC’s crediting policy applies and QFs. Interconnection customers that  
3 are reimbursed for the capital costs of interconnection-related Network Upgrades are typically  
4 transmission-service customers, and accordingly, will ultimately pay for a portion of the  
5 Network Upgrade through their transmission rates. This is not true for QFs. Instead, the host  
6 utility procures transmission service to move on-system QFs’ output to load. Accordingly, if  
7 QFs are reimbursed for the capital costs of Network Upgrades, they will bear no cost  
8 responsibility for the Network Upgrades even though they are beneficiaries of the Upgrades.  
9 This complete lack of cost responsibility is likely to lead to uneconomic siting decisions for  
10 generating facilities and presents considerable financial risk to the utility’s retail customers who  
11 are responsible for 70-87 percent of the utilities’ transmission revenue.<sup>20</sup>

12 The Joint Utilities’ proposal to continue the Commission’s current policy of allocating  
13 costs of Network Upgrades to host utilities only when the QF can establish the Upgrades provide  
14 “quantifiable system benefits” and to incorporate the “but for” test to determine whether a  
15 Network Upgrade provides system benefits creates an unreasonably high bar for QFs. In 2003,  
16 FERC rejected a “but for” test for non-independent transmission providers, noting that use of  
17 this test had only been allowed in regions where the Transmission Provider is independent of  
18 market participants because certain aspects of this method can be subjective. The  
19 Commission noted that a Transmission Provider that is not an independent entity would have  
20 the ability and the incentive to exploit this subjectivity to its own advantage.<sup>21</sup>

21 Further, the Joint Utilities’ proposal dismisses the possibility that Network Upgrades  
22 to their transmission systems will benefit more users of the systems than just the  
23 interconnecting customers in more than a handful of cases, if at all. The Joint Utilities  
24 refusal to recognize the potential benefits of Network Upgrades that do not meet the “but

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25 <sup>20</sup> Staff/100, Moore/20, 24.

26 <sup>21</sup> 104 FERC P 61,103, 677, WL 21725988 (July 24, 2003).

1 for” test is at odds with FERC’s observations in its 2021 Advanced Notice of Proposed  
2 Rulemaking, *Building for the Future Through Electric Regional Transmission Planning and*  
3 *Cost Allocation and Generator Interconnection*, regarding changes to the generation  
4 interconnection landscape.<sup>22</sup> In that ANOPR, FERC noted that the likelihood Network  
5 Upgrades would benefit only the interconnecting generator had changed since it affirmed in  
6 Order No. 2003 that participant funding could be a reasonable method for independent  
7 transmission providers to use to of allocating costs of interconnection:

8 At the time that the Commission issued Order No. 2003, it was less likely that  
9 interconnection customers would be assigned significant interconnection-related  
10 network upgrades through the interconnection study process. Now, however,  
11 there is little remaining existing interconnection capacity on the transmission  
12 system, particularly in areas with high degrees of renewable resources that may  
13 require new resources to fund interconnection-related network upgrades that are  
14 more extensive and, as a result, more expensive. The more significant the  
15 interconnection-related network upgrades needed to accommodate a new  
16 resource, the greater the potential that such upgrades may benefit more than just  
17 the interconnection customer. Where an interconnection customer elects not to  
18 pursue a generating facility with system-wide benefits that exceeds such facility's  
19 cost, net beneficial infrastructure would not be developed, potentially leaving a  
20 wide range of customers worse off as a result.”<sup>23</sup>

21 Staff believes that a Network Upgrade cost allocation method that is based on a  
22 presumption that interconnection-related Network Upgrades will benefit only a single user is  
23 likely not warranted. For this reason, Staff recommends further investigating what might be an  
24 appropriate methodology in Phase II.

25 **B. The ratepayer indifference standard does not prevent the Commission from**  
26 **allocating Network Upgrade costs to host utilities under 18 C.F.R § 292.306.**

27 The Joint Utilities testify that their understanding of PURPA is “that requiring a QF to  
28 pay for the costs of Network Upgrades necessitated by its interconnection is mandated by  
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30 <sup>22</sup> *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation*  
31 *and Generator Interconnection*, Advanced Notice of Proposed Rulemaking, 176 FERC P 61024,  
32 2021 WL 3013526 (July 15, 2021).

33 <sup>23</sup> *Id.*, P 61,111.

1 PURPA’s customer indifference standard.’’<sup>24</sup> While the Joint Utilities acknowledge that the  
2 Commission could allocate some costs to the interconnecting utility for the system benefits a  
3 QF’s Network Upgrades provide, the Joint Utilities assert that this allocation must be capped at  
4 the interconnecting utility’s avoided costs to interconnect.

5 Staff disagrees with the Joint Utilities’ interpretation of PURPA. If FERC intended to  
6 prevent the Commission from allocating to utilities the costs of Network Upgrades that exceeded  
7 the utility’s own avoided interconnection costs, there would be no need to give the States  
8 discretion over the allocation of these costs. However, this is exactly what FERC did in 18  
9 C.F.R. § 292.306. This rule provides:

- 10 (a) Obligation to pay. Each qualifying facility shall be obligated to pay any  
11 interconnection costs which the State regulatory authority (with respect to  
12 any electric utility over which it has ratemaking authority) or nonregulated  
13 electric utility may assess against the qualifying facility on a  
14 nondiscriminatory basis with respect to other customers with similar load  
15 characteristics.
- 16 (b) Reimbursement of interconnection costs. Each State regulatory authority  
17 (with respect to any electric utility over which it has ratemaking authority)  
18 and nonregulated utility shall determine the manner for payments of  
19 interconnection costs, which may include reimbursement over a reasonable  
20 period of time.<sup>25</sup>

21 18 C.F.R. § 292.306 does not give States authority to allocate the QFs costs to  
22 interconnect with a host utility that do not exceed the utility’s avoided costs for interconnection.  
23 This is because for purposes of PURPA, “interconnection costs” are defined as the costs to  
24 interconnect a QF to a host utility that exceed what the costs to interconnect would be but for the  
25 host utility’s purchase from the QF:

26 Interconnection costs means the reasonable costs of connection, switching,  
metering, transmission, distribution, safety provisions and administrative costs  
incurred by the electric utility directly related to the installation and maintenance  
of the physical facilities necessary to permit interconnected operations with a  
qualifying facility, *to the extent such costs are in excess of the corresponding  
costs which the electric utility would have incurred if it had not engaged in*

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<sup>24</sup> Joint Utilities/100, p. 23.

<sup>25</sup> 18 C.F.R. § 292.306.

1 *interconnected operations, but instead generated an equivalent amount of electric*  
2 *energy itself or purchased an equivalent amount of electric energy or capacity*  
3 *from other sources. Interconnection costs do not include any costs included in the*  
4 *calculation of avoided costs.*<sup>26</sup>

4 Presumably, the costs to interconnect with the host utility that do not exceed the host  
5 utility's avoided costs stay with the QF. Otherwise, the QF could be compensated twice for the  
6 Network Upgrades, once through avoided cost payments and once through reimbursement.  
7 However, if FERC had intended that all the QF's costs to interconnect with a host utility must  
8 stay with the QF, it would not have provided States with the discretion to allocate, on a  
9 nondiscriminatory basis, the interconnecting QF's actual interconnection costs that exceed the  
10 utility's avoided costs.

11 Furthermore, the Joint Utilities' assumption that the ratepayer indifference standard  
12 prevents the Commission from allocating Network Upgrades to the host utility overlooks the  
13 potential benefits to the host utility's transmission system from Network Upgrades necessitated  
14 by the interconnection of a QF. Staff does not believe PURPA's ratepayer indifference standard  
15 is violated when the users of the transmission system (primarily the host utility's retail  
16 customers), are required to pay for the benefits to the system from Network Upgrades.

17 **C. The Joint Utilities' criticisms of Staff's suggestion for a stream-lined allocation**  
18 **methodology are misplaced.**

19 In testimony, Staff suggested that in Phase II of this investigation, parties and the  
20 Commission could explore use of an allocation methodology for QFs interconnections that  
21 allocate the benefits of interconnections to QF generators based on a default assumption of who  
22 benefits from the interconnections. In support of its proposal, Staff pointed to examples of such  
23 a methodology previously used in the State of Idaho and by an independent transmission  
24 operator.

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<sup>26</sup> 18 C.F.R. § 292.101(7).

1           The Joint Utilities criticize Staff’s proposal by distinguishing the circumstances in which  
2 the methodologies apply in the other jurisdictions from those presented here. The Joint Utilities  
3 point out that the methodology used in the State of Idaho stems from a settlement agreement  
4 between Idaho Power and several QFs regarding distinctive circumstances that the Idaho Public  
5 Utilities Commission declined to apply broadly to all interconnections. The Joint Utilities point  
6 out that the methodology used in the SPO was for an independent transmission provider and is  
7 no longer in use.

8           The Joint Utilities’ arguments pointing out the distinguishing circumstances in the cases  
9 discussed by Staff are wasted. Staff is not arguing the Commission should adopt the  
10 methodologies used in the other jurisdictions because the circumstances presented here are  
11 similar but is recommending parties and the Commission explore use of a such a streamlined  
12 allocation methodology in Phase II. Given changing circumstances, including the adoption of  
13 House Bill (HB) 2021 that requires rapid decarbonization by the large investor-owned utilities  
14 and promotes small-scale and community-based renewable energy development, Staff believes  
15 the appropriate resolution in this case may be based more on innovation than a reliance on how  
16 things have been done in the past. As FERC noted in its 2021 Advanced Notice of Proposed  
17 Rulemaking regarding generation interconnection, the circumstances surrounding  
18 interconnections have changed since FERC adopted its standardized methodologies, including  
19 the participant funding method that the Joint Utilities support.

20 **IV. Staff recommends the Commission require QFs to interconnect to host utilities with**  
21 **NRIS.**

22           As discussed above, ERIS is a basic interconnection service that allows an  
23 interconnection customer to connect its generator to the transmission provider’s transmission  
24 system and be eligible to deliver the generating facility’s electric output using the existing firm  
25 or non-firm capacity of the transmission system on an as-available basis. Interconnection studies  
26 for ERIS identify only those facilities and upgrades necessary to safely and reliably interconnect

1 the generating resource to the system. NRIS is a more comprehensive interconnection service  
2 and not only allows the generator to interconnect to the transmission provider's system as ERIS  
3 does but is intended to make an interconnecting generator eligible to deliver its output to load on  
4 a firm basis. The interconnection studies for NRIS start with the same analysis as those for ERIS  
5 but include a deliverability analysis that identifies the facilities and upgrades necessary to allow  
6 the aggregate of generation in the area where the interconnecting generator sited its project to be  
7 reliably delivered to the aggregate of load during peak conditions.

8 The ICC and NewSun disagree with the Joint Utility's assessment that NRIS should be  
9 required to interconnect QFs to the host utilities' systems. These parties argue that QFs should  
10 be given the flexibility to choose ERIS. Mr. Lowe testifies on behalf of ICC that imposing NRIS  
11 on QF generation may result in unnecessary system upgrades, noting the QF generation could be  
12 delivered using Point-to-Point Transmission ("PTP Transmission"). Mr. Lowe testifies it is his  
13 understanding that NRIS is not a prerequisite for PTP Transmission, and the use of PTP  
14 Transmission may make sense in at least some circumstances. Mr. Lowe also notes that ERIS  
15 would be appropriate for QFs that may wish to voluntarily curtail its power to avoid the need for  
16 interconnection costs.<sup>27</sup>

17 Mr. Rahman for NewSun Energy also testifies that imposing NRIS on QF generators may  
18 result in unnecessary system upgrades. Mr. Rahman explains that a solar resource may find  
19 ERIS to be acceptable given their specific business plan and delivery requirements. Mr. Rahman  
20 testifies that unless the interconnection would result in a violation of NERC/WECC reliability  
21 standards and therefore require reliability upgrades, generators should be provided with the  
22 option to select ERIS or NRIS based on their business objectives, power purchase agreement  
23 provisions, and economic assessment of the total project costs to interconnect. Mr. Rahman  
24 states that this is the most common and prevailing practice across the WECC.<sup>28</sup>

25 <sup>27</sup> Coalition/100, Lowe/25-26.

26 <sup>28</sup> NewSun/100, Rahman/18.

1 Staff agrees with the Joint Utilities that NRIS is the appropriate interconnection service  
2 for QFs wishing to enter a fixed-price term PURPA Power Purchase Agreement. This is because  
3 PURPA requires host utilities to procure firm transmission service to transmit a QF's output sold  
4 under a fixed-price term PPA. If the ability to deliver the QFs' output to load is not addressed at  
5 the time of interconnection by requiring NRIS, the utility and its customers would bear the entire  
6 risk of any transmission service related Network Upgrades that may be necessary to ensure the  
7 deliverability of QF output. This is an unacceptable risk. Accordingly, QFs should be required  
8 to interconnect with NRIS to ensure deliverability-related Network Upgrades are addressed in  
9 connection with a request for interconnection service rather than transmission service.

10 Furthermore, the suggestion of ICC and NewSun that ERIS would be an economic option  
11 for QFs that are willing to be curtailed ignores PURPA's must-take requirement. In a  
12 declaratory order issued in 2013, FERC found a PURPA PPA that included the option for QF  
13 curtailment and a consequential increase the QF's avoided cost prices to be inconsistent with the  
14 utility's must take obligation. In *Pioneer Wind Park 1, LLC*, PacifiCorp offered Pioneer Wind  
15 Park 1, LLC ("Pioneer Wind") a PPA with a curtailment option that would allow Pioneer Wind  
16 to receive higher avoided-cost pricing. Pioneer Wind filed a complaint with FERC, arguing that  
17 such a curtailment provision is prohibited under PURPA. FERC agreed. FERC opined "[i]t is  
18 undisputed here that Pioneer Wind and PacifiCorp intend to enter into a long-term, fixed rate  
19 PPA based on avoided costs calculated *at the time the obligation is incurred*; Pioneer Wind's sale  
20 here is not intended to be on an "as available basis." Under these circumstances, the  
21 Commission's PURPA regulations only permit PacifiCorp to curtail Pioneer Wind's QF output  
22 during system emergencies, pursuant to section 292.307(b) of the Commission's regulations.<sup>29</sup>

23 FERC's opinion on the legality of a PURPA PPA with a curtailment provision leaves  
24 ICC and NewSun with very shaky ground on which to base a claim the Commission can allow  
25

26 <sup>29</sup> 18 C.F.R. § 292.307 (A host utility may curtail a QF selling to the utility under a fixed price  
term contract only in in system emergencies).

1 utilities and QFs to address deliverability concerns with curtailment rather than interconnection-  
2 related Network Upgrades.

3 **CONCLUSION**

4 Staff recommends that the Commission order that QFs in Oregon must interconnect to the  
5 host utility with NRIS and that cost allocation for Network Upgrades should be consistent with the  
6 benefits provided by the Upgrades and the Commission’s authority to allocate only interconnection  
7 costs that exceed the host utility’s avoided interconnection costs. Staff further recommends that  
8 the Commence Phase II of this investigation to determine a methodology to allocate the costs of  
9 Network Upgrades consistently with the benefits they provide.

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11 DATED this 3<sup>rd</sup> day of June, 2022.

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Respectfully submitted,

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*/s/ Stephanie S. Andrus*

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