ORDER NO. 25-005

ENTERED Jan 08 2025

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2346

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application for an Order Approving Queue Reform Proposal.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 7, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Alison Lackey
Chief Administrative Law Judge

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. RA1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 7, 2025

REGULAR X **CONSENT** _ **EFFECTIVE DATE** January 8, 2025

DATE: December 30, 2024

TO: Public Utility Commission

FROM: Ted Drennan

THROUGH: Caroline Moore, Scott Gibbens, and Curtis Dlouhy **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2346)
In the Matter of Application for Revision of Interconnection Procedures.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (Commission) approve Portland General Electric's (PGE, or Company) application for revision of interconnection procedures with modifications as discussed below.

DISCUSSION:

Issue

Whether the Commission should approve PGE's application for revision of interconnection procedures.

Applicable Rule or Law

OPUC has adopted rules and policies for how large and small Oregon-jurisdictional generators, i.e., Qualifying Facilities (QFs), interconnect under the Public Utility Regulatory Policies Act (PURPA) and Oregon law.

In 2009, the Commission adopted OAR Division 82 of Chapter 860 Small Generator Interconnection Rules, which outline the interconnection requirements for Oregon-jurisdictional generators up 10 MW in size.[1]

[1] *In the Matter of Public Utility Commission of Oregon Staff's Investigation Relating to Electric Utility Purchases from Qualifying Facilities*, Docket No. UM 1129, Order No.07-360 (Aug. 20, 2007).

As part of the investigation into interconnection of PURPA Qualifying Facilities (QF), the Commission issued Order No. 10-132 in Docket No. UM 1401, in which the Commission established standard large generator interconnection procedures (LGIP) for generators 20 MW and larger and adopted a standard Large Generator Interconnection Agreement (LGIA).

In Order No. 24-068 the Commission adopted new rules and amendments to existing Division 82 interconnection rules for small generators.

Background
PGE currently uses a serial approach when studying interconnection requests from generators. That is, a first-come, first-served process. This is the same approach followed by Idaho Power, while PacifiCorp transitioned in 2020 from a serial approach to a cluster study approach for Oregon as approved by the Commission in Order 20-268. Under a cluster study generator requests are studied together in geographic clusters and costs are allocated between generators in a cluster according to an approved methodology. The cluster study process focuses on to a first ready, first served approach.

The Federal Regulatory Energy Commission (FERC) issued a new rule “to reform procedures and agreements that electric transmission providers use to integrate new generating facilities into the existing transmission system,” on July 28, 2003. Order 2023 and 2023-A adopted reforms designed to, “reduce backlogs for projects seeking to connect to the transmission system, improve certainty in the interconnection processes managed by the dozens of transmission providers around the country, and ensure access to the transmission system for new technologies.”

The reforms included requiring transmission providers to replace traditional serial process evaluation of interconnection requests with a cluster study approach. The approach also required penalties for both applicants who dropped out of the study process (a problem requiring often multiple rounds of re-studies) and on transmission providers to complete studies in a timely manner.

PGE currently follows a serial process for both Oregon- and FERC-jurisdictional interconnection applicants. In this docket they seek to implement a cluster-study approach for Qualifying Facility (QF) interconnections larger than 20 megawatts, which are under Commission jurisdiction. This process would be aligned with that required under FERC Order 2023. For clarity, the Company did not incorporate small QFs (less than 20 MWs) in their current state-jurisdictional proposal.

PGE’s approach at the state level mirrors that on the federal level, which was approved by FERC at their December 19 meeting. Important derivations between the two are highlighted in the analysis below, as are Staff's recommendations on dealing with these differences. Also of note, are FERC Order 845 policies from 2018 that are not incorporated into PGE's Oregon jurisdictional interconnection procedures and agreements. Staff addresses these as well below.

Analysis

PGE is seeking Commission approval for proposed modifications to their Qualifying Facility Large Generator Interconnection Procedures ("QF-LGIP") and Qualifying Facility Large Generator Interconnection Agreement ("QF-LGIA") ("Queue Reform Proposal"). This request was submitted on September 17, 2024, with a requested effective date of December 1, 2024. The Company submitted an errata filing on October 1, 2024.

On December 20, PGE filed an amended application following a FERC-issued order[2] on December 19 that accepted PGE's LGIP and LGIA, subject to making a compliance filing within 60 days. The Company was directed to submit, "a further compliance filing that either adjusts these proposed variations to reflect without modification the Commission's pro forma procedures and agreements or else justifies these proposed variations as consistent with or superior to them." The 60-day window here aligns with the timing of the transitional cluster study window.[3]

PGE has requested Commission-approval of their Oregon filing, with an effective date of January 7. This approval would include changes the Company proposed in their November 1 comments, as well as a compliance filing "within ten business days of the Company submitting its FERC compliance filing to incorporate the FERC-directed LGIP and LGIA revisions into the QF-LGIP and QF-LGIA."[4] The compliance filing would include updated QF-LGIP and QF-LGIA as well as "redlined to the QF-LGIP and QF-LGIA approved by the Commission on January 7, 2025."[5]

In addition to Staff's, comments on PGE's filing were received from the Interconnection Trade Association (ITA), which includes Community Renewable Energy Association ("CREA"), the Renewable Energy Coalition (REC), and the Oregon Solar + Storage Industries Association ("OSSIA"). Below Staff discusses concerns raised, responses, and makes recommendations for moving forward.

Applicant Withdrawal Penalties

In opening comments Staff argued for the Company to put caps on penalties for QFs

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[2] See 189 FERC ¶ 61,198.
[3] PGE's Application at page 11 states, "The Transmission Provider must commence the transitional cluster study within 60 days of the FERC-approved effective date for the LGIP".
[4] PGE Amended Application, page 3.
[5] Ibid.

who withdraw from the cluster study process. The reasoning was the penalties could be "onerous to QFs, given their small scale and financing concerns."[6] Staff suggested caps consistent with those put in place when PacifiCorp moved to cluster studies. The table below shows the proposed penalties, as well as those proposed by the Company. To be clear, the penalties faced by the withdrawing applicant would be "based either on the actual study costs or on a percentage of the interconnection customer's assigned network upgrade costs, depending on what phase the interconnection customer withdraws its interconnection request."[7] These costs would be based on the costs attributable to the interconnection customer.[8]

Phase of Withdrawal	**Total Withdrawal Penalty Proposed (if greater than study deposit)**	**Penalties from Order 20-268**	
		Withdrawal Penalty	**Penalty Cap**
Initial Cluster Study	2 x study costs	2X actual study costs	$1 million
Cluster Restudy	5% of Network Upgrade costs	3X actual study costs	$1.5 million
Facilities Study	10% of Network Upgrade costs	5X actual study costs	$2 million
Upon execution of, or after a request to file unexecuted, the LGIA	20% of Network Upgrade costs	9X actual study costs	No Cap

The Company argues that caps on withdrawal penalties, "will not dissuade speculative QF requests and may not encourage QF requests to withdraw earlier in the process."[9] The Company also discusses the motivation behind the FERC penalties. Finally, given PGE's application does not incorporate small QF interconnections, as such there will be no harm to those applicants.

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[6] Staff Comments, page 1.
[7] FERC Order 2023, paragraph 791,
[8] FERC Order 2023, paragraph 791 clarifies this "*as the greater of the study deposit or: (1) two times the study cost if the interconnection customer withdraws during the cluster study or after receipt of a cluster study report; (2) 5% of the interconnection customer's identified network upgrade costs if the interconnection customer withdraws during the cluster restudy or after receipt of any applicable restudy reports; (3) 10% of the interconnection customer's identified network upgrade costs if the interconnection customer withdraws during the facilities study, after receipt of the individual facilities study report, or after receipt of the draft LGIA; or (4) 20% of the interconnection customer's identified network upgrade costs if, after executing, or requesting to file unexecuted, the LGIA, the interconnection customer's LGIA is terminated before its generating facility achieves commercial operation.*"
[9] PGE Reply Comments, page 2,

Many of Staff's concerns have been alleviated in further review of FERC Order 2023. Providers can only asses a withdrawal penalty if said withdrawal has a "material impact on the cost or timing of any interconnection requests with an equal or lower queue position."[10] The order also allows for exemption from withdrawal penalties in cases where network costs increase substantially.[11] FERC also states, "potential interconnection customer will have access to heatmap information, as required in this final rule, that will allow it to evaluate project feasibility without a financial commitment and thereby avoid potential withdrawal penalty risk."[12] Given the protections afforded large interconnection customers, as well as the Company's limiting these to large generators in the cluster, Staff believes the current PGE proposal, without caps is sufficient.

QF-LGIP Section 4.4.3.1

FERC Order 2023 requires transmission providers to evaluate whether adding another generating facility (e.g. battery storage) to an existing interconnection request will exceed the currently requested level of interconnection service before treating it as a material modification. PGE's proposed QF LGIP only allows the evaluation if the generator being added is also a QF. The ITA claims that this that would limit the rights of a state-jurisdictional QF as compared to other QFs. PGE replied that they have some concerns there could be jurisdictional complexities to deal with, however the Company, "does not oppose removal of this language from QF-LGIP Section 4.4.3.1."[13] Staff is supportive of the efficient incorporation of storage where possible and is comfortable with the agreement. However, Staff encourages the Company to inform Staff of any future jurisdictional issues that arise.

QF LGIP Section 3.9: Clarification on Study Delay Penalties

PGE's proposed QF LGIP omits several provisions related to transmission-provider penalties as compared to the FERC LGIP. These include sections 3.9(3), 3.9(4) and Section 3.9(6). The ITA recommended clarification to the QF LGIP either through inclusion of the omitted sections, or better cross references.[14]

In response to concerns raised, the Company notes changes are not necessary, as

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[10] FERC Order 2023, paragraph 783.

[11] FERC Order 2023, paragraph 784 states: *(1) the interconnection customer withdraws its interconnection request after receiving the most recent cluster study report and the network upgrade costs assigned to the interconnection customer's request have increased 25% compared to the previous cluster study report, or (2) the interconnection customer withdraws its interconnection request after receiving the individual facilities study report and the network upgrade costs assigned to the interconnection customer's request have increased by more than 100% compared to costs identified in the cluster study report."*

[12] FERC Order 2023, paragraph 786.

[13] PGE Reply Comments, page 4.

[14] ITA Comments, page 9.

there is a cross reference in the QF-LGIP to the FERC LGIP.[15] The Company has offered to change the language in the QF LGIP, with the changes highlighted in the following sentence.

> The applicable penalty for each study, ~~and~~ the distribution of the penalty, the Transmission Provider's right to appeal to FERC, and no penalty application for study delays of 10 Business Days or less are detailed in Sections 3.9(2)-(5) in Attachment O of Transmission Provider's OATT.

Staff appreciates the Company addressing the issue, but believes the Company should also include Section 3.9(6), which is related to when the penalties start to apply, as raised by the ITA, and not stop with 3.9(5) where unanimous consent of applicants can grant an additional 30 days of study time, as the Company has proposed. Staff believes this may be an oversight by the Company. In any event, Staff recommends incorporating PGE's proposed language, with the cross-reference pointing to 3.9(2)-(6).

<u>Oregon QF-LGIA Provisions</u>
PGE's original application (September 17) included several changes made to the FERC-LGIA that were removed in the Company's errata filing (October 1). These sections were 5.1, 8.4, 9.2, 9.6.1.2, 9.6.4, and 13.1. The Company's response is that the sections were removed as they were originally made to meet FERC Order No. 845 requirements, and not related to FERC Order 2023. The Company argues that these changes would be better made in separate Commission proceeding.

The ITA concerns are specific to Section 5.1 Option to Build. This allows interconnection customers the right to build the needed interconnection facilities and network upgrades. Under PGE's proposal, this would not be permissible for state-jurisdictional QFs, without additional process.

The ITA do not object to the inclusion of the other sections that PGE removed, including:

8.4 – Provision of Data from a Variable Energy Resource.
9.2 – Balancing Authority Area Notification.
9.6.1.2 – Reactive Power and Primary Frequency Response for Non-Synchronous Generation.
9.6.4 – Primary Frequency Response
13.1 – Definition of Emergency Condition.

These provisions generally require additional data submission and other requirements

[15] PGE Reply comments, page 4 states, "These additions are not necessary because the first sentence in QF-LGIP Section 3.9 provides a cross-reference to all of FERC LGIP Section 3.9."

from the interconnection customers,[16] but would more closely align the two sets of requirements. While Staff appreciates the ITA compromise proposal, Staff does not support the approach at this time. QF construction of utility facilities is something that should be examined in a more fulsome manner, something that was included in the UM 2111 investigation scope.

Conclusion

Staff believes the Company's filing satisfactorily incorporates requirements from FERC Order 2023 to move to a cluster study process. In reply comments most issues raised by stakeholders and Staff were addressed. There are however some remaining issues Staff believes should be addressed, some from FERC Order 845. While they may seem out of scope, adoption of these would be appropriate without being overly onerous.

Staff summary recommendations for modifications to PGE's proposed LGIP and LGIA:

1. Applicant Withdrawal Penalties: Use the same FERC penalties, without caps.
2. QF-LGIP Section 4.4.3.1: Strike limiting language in section, "nor is of a different jurisdiction (all requests must be Qualifying Facilities)" which PGE does not oppose. Company should inform Staff if jurisdictional issue arises from this change.
3. QF LGIP Section 3.9: Clarification on Study Delay Penalties.
4. Oregon QF-LGIA Provisions: Do not require the Company to restore initially proposed changes to Sections 5.1, 8.4, 9.2, 9.6.1.2, 9.6.4, and 13.1 of their QF-LGIA.

PROPOSED COMMISSION MOTION:

Approve PGE's application for revision of interconnection procedures with the following modifications:

Strike "nor is of a different jurisdiction (all requests must be Qualifying Facilities)" from QF-LGIP Section 4.4.3.1.

Incorporate PGE's proposed edits to the end of the first paragraph in Section 3.9 but correct to incorporate 3.9(6), as shown below.

> Transmission Provider shall be subject to penalty if it fails to complete a Cluster Study, Cluster Restudy, Interconnection Facilities Study, or Affected Systems

[16] ITA Comments page 11.

Study by the applicable deadline pursuant to the applicable terms in Section 3.9 of Attachment O of Transmission Provider's OATT. Transmission Provider must pay the penalty for each late Cluster Study, Cluster Restudy, and Interconnection Facilities Study on a pro rata basis per Interconnection Request to all FERC-jurisdictional and Oregon-jurisdictional Interconnection Customer(s) included in the relevant study that did not withdraw, or were not deemed withdrawn, from Transmission Provider's interconnection queue before the missed study deadline. Transmission Provider must pay the penalty for a late Affected Systems Study on a pro rata basis per interconnection request to all Affected System Interconnection Customer(s) included in the relevant Affected System Study that did not withdraw, or were not deemed withdrawn, from the host transmission provider's interconnection queue before the missed study deadline. The applicable penalty for each study, ~~and~~ the distribution of the penalty, the Transmission Provider's right to appeal to FERC, and no penalty application for study delays of 10 Business Days or less are detailed in Sections 3.9(2)-(6) in Attachment O of Transmission Provider's OATT.