

Dodge

**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 20 Megawatts to a Public Utility's
Transmission or Distribution System.

ORDER

**DISPOSITION: STANDARD INTERCONNECTION PROCEDURES
AND AGREEMENTS ADOPTED FOR LARGE
QUALIFYING FACILITIES**

I. INTRODUCTION

This docket was opened to investigate the implementation of standard procedures and agreements for Qualifying Facilities (QFs). Although the docket was originally designed to address matters related to QFs with nameplate capacity greater than 10 megawatts (MW), the scope of the investigation was subsequently limited to QFs larger than 20 MW. Utilities were asked to submit draft QF interconnection procedures and agreements based upon the standard Federal Energy Regulatory Commission (FERC) Large Generating Interconnection Agreement and Procedures.

Following various proceedings, workshops, and filings, PacifiCorp, dba Pacific Power (Pacific Power); Portland General Electric Company (PGE); and Idaho Power Company (Idaho Power) (collectively, Utilities) jointly filed both a proposed Qualifying Facility Large Generator Interconnection Procedures (QF-LGIP) and a proposed Qualifying Facility Large Generator Interconnection Agreement (QF-LGIA). Each document contained the Utilities' desired modifications from the FERC versions.

The Industrial Customers of Northwest Utilities (ICNU), the Oregon Department of Energy (ODOE), and the Staff of the Public Utility Commission of Oregon (Staff) filed comments in response to the Utilities' joint filings.



ICNU also argues that Article 11.4 should be retained because network upgrades benefit all customers. ICNU contends the provision should be modified, however, to add a direct payment mechanism reimbursing Interconnection Customers for the costs of network upgrades. The direct payment system would be based on Article 11.4.1 of the California Large Generator Interconnection Agreement (CA-LGIA).⁴ The proposed direct payment plan consists of direct payment on a levelized basis over a five-year period commencing upon commercial operation or any mutually agreeable payment schedule. ICNU argues that a direct payment mechanism would allow cost recovery to be separate from power costs and that such direct payments would not affect avoided cost rates.⁵

Staff generally agrees that the costs of network upgrades should be borne by the Interconnecting Customer as opposed to the Transmission Provider. Staff emphasizes that the Commission has previously expressed that PURPA requires providing incentives for the development of QFs while limiting the cost to ratepayers to that of the avoided cost rate.⁶ Staff also points out that arguments for allocating costs of network upgrades to the Transmission Provider were rejected in docket AR 521, where rules were established for small generating facilities, directly allocating system upgrades to the Interconnection Customer.⁷

Staff agrees with the premise, however, that the Transmission Provider should be responsible for network upgrades if it can be shown that such upgrades will benefit other customers on the system. Contrary to ODOE recommendation, Staff contends that the Interconnection Customer should have the burden of quantifying the benefit enjoyed.⁸

Commission Disposition

As noted by the Utilities, transmission costs and network upgrades are included in the calculation of avoided cost rates. Consequently, QFs are currently compensated for these costs pursuant to the rates established in their respective purchased power agreements with the utilities. For this reason, we conclude that Article 11.4 should be modified such that Interconnection Customers are responsible for all costs associated with network upgrades unless they can establish quantifiable system-wide benefits, at which point the Interconnection Customer would be eligible for direct payments from the Transmission Provider in the amount of the benefit.

We are not persuaded by ICNU's arguments that requiring Transmission Providers to pay for network upgrades would not affect the avoided cost rate and thus impose higher costs on the ultimate ratepayer. ICNU's reliance on the reimbursement provisions set forth in the CA-LGIA⁹ is misplaced, as the CA-LGIA is a FERC tariff that is not bound by the limitations imposed by PURPA. Moreover, ICNU's argument that FERC has long held

⁴ ICNU Opening Comments at 7.

⁵ ICNU Opening Comments at 3.

⁶ Id. at 4 (citing Commission Order No. 05-584 [Docket UM 1129] at 11).

⁷ Id. at 4-5.

⁸ Staff's Reply Comments at 6.

⁹ ICNU Opening Comments at 7. (Although ICNU does not provide a citation to this document, a CA-LGIA can be found at <http://www.caiso.com/1791/1791bfde382e0.pdf>)

that Network Upgrades provide system wide benefits¹⁰ is not 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.

B. Liquidated Damages

Article 5.1.2 of the FERC LGIA provides for an Alternate Option for the engineering, procurement, and construction of interconnection facilities and network upgrades. In the event the Transmission Provider fails to meet certain deadlines for completion of the Interconnection Customer's interconnection facilities, the Alternate Option requires the payment of liquidated damages by the Transmission Provider to the Interconnection Customer. Parties dispute the inclusion of this provision within the QF-LGIA.

The Utilities urge the removal of the Alternate Option. The Utilities argue that there could potentially be circumstances beyond the control of the Transmission Provider that would result in the failure to meet agreed-upon deadlines. In such a case, the Utilities argue that the Transmission Provider would be exposed to liability where it was not at fault.¹¹

Staff argues that Article 5.1.2 should be retained in the final agreement.¹² Staff notes that without the Alternate Option, there are no consequences for the Transmission Provider if they fail to meet mutually agreed upon deadlines.

ODOE and ICNU have not taken a position on this issue.

Commission Disposition

The Commission believes that Article 5.1.2 of the FERC LGIA should be retained in the final QF-LGIA. The Utilities' argument that factors beyond the control of the Transmission Provider might expose it to liability is not sufficient to eliminate the protection for the Interconnection Customer. Without Article 5.1.2, no penalties are in place to ensure that the agreed-upon time schedule for construction of interconnection facilities will be met.

C. Filing Procedures

The final adopted QF-LGIP and QF-LGIA must be implemented within the tariff structure of each utility either as a separate tariff, an attachment to a tariff, or included as a reference within a tariff. The parties disagree as to the appropriate treatment of the QF-LGIP and QF-LGIA.

¹⁰ Id. at 5-6; ICNU Reply Comments at 3-6.

¹¹ Justification for Proposed Change, Joint Utility Redline LGIA Article 5.1.2.

¹² Staff's Reply Comments at 3.