

# MEMORANDUM

August 15, 2007

TO: Mark Sidran, Chairman  
Patrick Oshie, Commissioner  
Philip Jones, Commissioner

FROM: Dick Byers, Project Lead on Electric Interconnection Rulemaking  
Docket UE-060649

SUBJECT: Rulemaking to establish regulations governing interconnection of customer-owned generation facilities up to 20 MW of capacity to utility delivery systems

RE: Adoption Hearing, August 15, 2007 at 1:30 p.m.

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## **Background:**

The Commission initiated an inquiry June 9, 2006, to examine whether amendments to WAC 480-108 would be appropriate to govern interconnection to utility distribution systems of consumer-owned generation facilities of generating capacity greater than 25 kilowatts (kW) up to 20 megawatts (MW). The context for this inquiry included four important features:

1. The Commission's existing rules found at WAC 480-108 addressing interconnection to utility distribution systems of consumer-owned generating facilities up to 25 kW. This rule was adopted March 6, 2006, to comply with the threshold requirement in RCW 82.16.120 that uniform state-wide interconnection standards be in place before certain tax credits for small-scale renewable projects are available.<sup>1</sup>
2. Amendments to RCW 80.60 enacted in 2006 to increase the generator capacity ceiling for net metering from 25 kW to 100 kW.<sup>2</sup>
3. The Federal Energy Regulatory Commission's (FERC) adoption of a rule governing interconnection of small generators to delivery facilities over which it holds jurisdiction.<sup>3</sup>

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<sup>1</sup> General Order No. R-528, Docket UE-051106, § 480-108, filed March 6, 2006, effective April 5, 2006.

<sup>2</sup> Chapter 201, Laws of 2006.

<sup>3</sup> Standardization of Small Generator Interconnection Agreements and Procedures, Order No. 2006, 70 FR 34190-01 (June 13, 2005), 2005 WL 1382263 (F.R.), order on reh'g, Order No. 2006-A, 70 FR 71760-01 (November 22, 2005), 2005 WL 3171564 (F.R.).

4. The requirement under the 2005 federal Energy Policy Act that state utility regulatory agencies consider adoption of interconnection standards pursuant to the Public Utility Regulatory Policies Act (PURPA).<sup>4</sup>

The following depicts the key milestones and developments in our inquiry and rulemaking to date:

- Inquiry Initiated June 9, 2006
- Initial Comments August 11, 2006
- Workshop December 15, 2006
- Notice of First Discussion Draft January 24, 2007
- Comments on First Discussion Draft February 28, 2007
- Notice of Second Discussion Draft April 30, 2007
- Comments on Second Discussion Draft May 25, 2007
- Notice of Proposed Rule July 9, 2007
- Comments on Proposed Rule August 2, 2007
- Adoption Hearing August 15, 2007

The Proposed Rule would cover interconnections up to 20 MW in generator capacity and would fulfill the requirements of RCW 82.16.120 and PURPA §111(d)(15) for the 40 percent of the state's retail electricity load served by investor-owned utilities.

Two rounds of discussion drafts were undertaken to refine the rule amendment to address stakeholder comments and particularly comments by combined-heat-and-power (CHP) and other potential interconnection customers regarding timelines for application processing and for dispute resolution.

We received no comments opposing or proposing substantive changes to the proposed rule amendment by the August 2, 2007, deadline. We received comments supporting adoption of the rule amendments as proposed from Public Counsel and the Industrial Customers of Northwest Utilities. We received comments from PacifiCorp generally supporting adoption of the proposed rule, but seeking clarification on 3 matters.

**Discussion:**

The proposed rule is the product of nearly a year of refinement including four rounds of written comments and one workshop. This work built on and benefited from the substantial public input which informed development of the existing WAC 480-108 covering small scale electric interconnections up to 25 kW. Staff is informed that the proposed rule amendment is supported by the regulated electric utilities. In addition, the Industrial Customers of Northwest Utilities (ICNU), representing some potential interconnection customers, and the Public Counsel Section of the Office of the Washington Attorney General, support the rule amendment as proposed. Several entities

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<sup>4</sup> 2005 Energy Policy Act 1254(a) codified at 16 U.S.C 2621(d)(15).

representing combined-heat-and-power and other potential interconnection customers filed comments and recommendations on discussion drafts of the rule amendments. These comments and recommendations were very helpful and lead to refinements in the final proposed rule. None of these persons submitted additional written comments regarding the final proposed rule amendment.

Staff believes that adoption of the proposed amendments to WAC 480-108 will benefit the public interest by facilitating the development of cost-effective, customer-owned, on-site distributed generation. The proposed amendments to WAC 480-108 require utilities under the commission's jurisdiction to offer interconnection service and clarify the processes governing application for, and the terms and conditions that pertain to, such service. In addition, the proposed amendments to WAC 480-108 update the rule to reflect changes made to Washington's net metering statute, RCW 80.60, and fulfill the Commission's responsibility to consider adopting interconnection policies under PURPA.

**Conclusion:**

Staff recommends that the Commission adopt the proposed rule additions and amendments to WAC 480-108 in this docket.