



Puget Sound Energy  
P.O. Box 97034  
Bellevue, WA 98009-9734  
PSE.com

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Ms. Amanda Maxwell, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

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**RE: UE-210818 (Advice No. 2021-39) – Puget Sound Energy’s Reply Comments in Response to the Joint Comments of Northwest & Intermountain Power Producers Coalition and Renewable Energy Coalition**

Dear Ms. Maxwell:

On October 29, 2021, Puget Sound Energy (“PSE”) filed with the Washington Utilities and Transportation Commission (“Commission” or “UTC”) its proposal for a new optional transmission interconnection service under Schedule 153 in Docket UE-210818. On November 23, 2021, Northwest & Intermountain Power Producers Coalition (“NIPPC”) and Renewable Energy Coalition (“REC”) (jointly, “NIPPC-REC”) filed joint comments regarding this proposed new optional service (“Joint Comments”). PSE appreciates NIPPC-REC’s acknowledgment that the new Schedule 153 transmission interconnection service is a practical and feasible option<sup>1</sup> for Qualifying Facilities (“QFs”) under the Public Utility Regulatory Policies Act of 1978 (“PURPA”). However, PSE disagrees with NIPPC-REC’s recommendation regarding the reimbursement of network upgrades costs. In the reply comments below, PSE shows that its proposed Schedule 153 is consistent with the Commission’s rules governing interconnection costs and offers clarifications regarding certain of NIPPC-REC’s comments.

**NIPPC-REC’s Recommendation**

In its Joint Comments, NIPPC-REC first recognize that PSE’s proposal for an optional network interconnection service is a “constructive and creative proposal that may likely resolve many interconnection-related disputes.”<sup>2</sup> NIPPC-REC recommend in its Joint Comments that PSE’s Schedule 153 should include a provision requiring that QFs funding network upgrades are entitled to cost reimbursement under a rebuttable presumption that network upgrades benefit all

<sup>1</sup> PSE is currently providing transmission interconnection service under its Open Access Transmission Tariff (“OATT”) on file with the Federal Energy Regulatory Commission (“FERC”). Under FERC, a generator/developer can choose between Energy Resource Interconnection Service (“ERIS”) or Network Resource Interconnection Service (“NRIS”). Neither ERIS nor NRIS in and of itself conveys transmission service. PSE’s Schedule 153 provides for state-regulated transmission interconnection service, as promulgated by PURPA, which includes a level of interconnection that is substantially similar to NRIS.

<sup>2</sup> Joint Comments at page 1.

users of the System.<sup>3</sup> NIPPC-REC referred numerous times to its proposal as a “discrete” change to PSE’s proposed Schedule 153.<sup>4</sup> As shown below, NIPPC-REC are instead asking the Commission to read language into its PURPA rules at WAC 480-106-080 that simply isn’t there. Indeed, NIPPC-REC recognize that “[t]he interpretation of what is allowed and required under WAC 480-106-080 is a legal question for the UTC to resolve, and we recognize that PSE simply has a good faith difference of opinion in regard to its legal obligations.”<sup>5</sup> In addition, NIPPC-REC make a number of claims in the Joint Comments which are addressed further below.

### **WAC 480-106 Rulemaking and Interconnection Policy**

On August 23, 2016, in Docket UE-161024, the Commission initiated the CR-101 rulemaking process to consider changes to existing WAC rules to reflect technological changes and current best practices in Integrated Resource Planning (“IRP”) for electric companies, WAC 480-100-238, Integrated Resource Planning for natural gas companies, WAC 480-90-238, and WAC 480-107, Electric Companies – Purchases of Electricity from Qualifying Facilities and Independent Power Producers and Purchases of Electrical Savings from Conservation Suppliers (which outlines utility bidding process responsibilities that are closely tied to the IRP rules).<sup>6</sup> On February 20, 2019, the Commission issued a notice of Proposed Rulemaking (“CR-102”), at WSR #19-05-089 (“Notice”).<sup>7</sup> The Notice included only a portion of the rules at issue in the CR-101, which remains open for further Commission consideration of, and action on, the remaining rules.

In its filed comments in U-161024, NIPPC-REC recommended that the Commission open an interconnection rulemaking claiming that the existing rules “are not sufficiently detailed, and are unclear on key aspects.”<sup>8</sup> The main thrust of NIPPC-REC’s recommendation related to whether QFs are reimbursed for payments made to fund network upgrades. At the UTC April 30, 2019 adoption hearing<sup>9</sup> of the new WAC 480-106, Electric Companies—Purchases of Electricity from Qualifying Facilities and the revised WAC 480-107, Electric Companies—Purchases of Resources, NIPPC-REC commented that the Commission’s interconnection rules “are very bare bones and more guidance would be helpful.” NIPPC-REC also referred to “fundamental policy issues on cost recovery for network upgrades” and opined that these issues would not easily be resolved but could be briefed and the Commission make a decision on the briefs. The Commissioners then solicited the opinions of all the parties who commented at the hearing about whether an interconnection rulemaking was needed. In its written response, UTC staff stated that the Commission “should consider this request [from NIPPC-REC to open an interconnection rulemaking] amongst all the other rulemakings and proceedings it has before it.”<sup>10</sup> The

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<sup>3</sup> Joint Comments at pages 5, 7 and 13.

<sup>4</sup> Joint Comments at pages 1, 2, 5 and 13; see also page 5 “the Interconnection Association’s *one* change” (emphasis added).

<sup>5</sup> Joint Comments at page 11.

<sup>6</sup> Notice of Rulemaking for Integrated Resource Planning, WAC 480-100-238, WAC 480-90-238, and WAC 480-107. <https://apiproxy.utc.wa.gov/cases/GetDocument?docID=12&year=2016&docketNumber=161024>

<sup>7</sup> Proposed Rule Making, CR-102 (December 2017)

<https://apiproxy.utc.wa.gov/cases/GetDocument?docID=521&year=2016&docketNumber=161024>

<sup>8</sup> NIPPC-REC comments in U-161024, dated April 1, 2019, at page 23.

<sup>9</sup> Digital recording of IRP Rulemaking-PURPA Adoption Hearing held on April 30, 2019. [U-161024 IRP Rulemaking Purpa Adoption Hearing-04-30-19.MP3](https://www.utc.wa.gov/cases/GetDocument?docID=521&year=2016&docketNumber=161024)

<sup>10</sup> Docket No. U-161024, General Order R-597 at App. A, at page 19 (June 12, 2019).

Commission declined to open an interconnection rulemaking and concluded in paragraph 19 of its Final Order the following:

The Commission’s interconnection rules are outside the scope of the CR-102, and thus we could not take them up here even if we were inclined to do so. Moreover, we agree with the commenters that reopening those rules would require the Commission and stakeholders to expend considerable time and resources, which we are reluctant to require in the absence of a demonstrated substantial need. We nevertheless recognize that interconnection process and terms generally could impact the relationship between QFs and utilities and more specifically could affect the implementation of the rules we adopt today. We are committed to facilitating the development of alternative sources of energy. If we become aware that interconnection issues are inhibiting the ability of QFs to effectively provide such alternatives, we will consider initiating a proceeding to address those issues.<sup>11</sup>

On August 27, 2019, the Commission issued a notice closing the docket after consideration of processes for the implementation of energy legislation passed during the 2019 legislative session.<sup>12</sup> Based upon the comments summarized by the UTC staff, throughout the course of CR-101 and CR-102, no participant in the two rulemaking processes (other than NIPPC-REC) commented on the new WAC 480-106-080, Interconnection Costs nor the existing WAC 480-107-125, Interconnection Costs,<sup>13</sup> which has been effective since April 28, 2006, and has the exact same language (as that below):

**WAC 480-106-080, Interconnection costs**, provides:

- (1) Any costs of interconnection are the responsibility of the owner or operator of the generating facility entering into a power contract under this chapter. The utility must assess all reasonable interconnection and necessary system or network upgrade costs the utility incurs against a qualifying facility on a nondiscriminatory basis.
- (2) The owner or operator of the qualifying facility must reimburse the utility for any reasonable interconnection costs the utility may incur. Such reimbursement may be made, at the utility's election:
  - (a) At the time the utility invoices the owner or operator of the qualifying facility for interconnection costs incurred by the utility; or
  - (b) Over an agreed period not greater than the length of any contract between the utility and the qualifying facility.

PSE does not believe it would be appropriate for the Commission to accept the NIPPC-REC recommendation to read a rebuttable presumption into WAC 480-106-080 in this proceeding. To do so would effectively revise the state interconnection rules in a proceeding that was opened to

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<sup>11</sup> Docket No. U-161024, General Order R-597 at ¶19 (June 12, 2019).

<sup>12</sup> Notice Closing Docket: In the Matter of Docket U-161024, consideration of changes to WAC 480-100-238, Integrated Resource Planning (Electric); WAC 480-90-238, Integrated Resource Planning (Natural Gas); and WAC 480-107, Electric Companies – Purchases of Electricity.

<https://apiproxy.utc.wa.gov/cases/GetDocument?docID=570&year=2016&docketNumber=161024>

<sup>13</sup> <https://app.leg.wa.gov/wac/default.aspx?cite=480-107-125>

evaluate Schedule 153. If the Commission is inclined to revise or enhance its interconnection rules, it can open a rulemaking proceeding to do so.

PSE, recognizing that QFs are responsible for paying all costs of interconnection, developed a mechanism in Schedule 153 to potentially reduce the costs of network upgrades for QFs. PSE believes that mitigating the costs for a QF upfront, which can be hundreds of millions of dollars for an OATT Network Service customer, is substantially more beneficial to a QF than potentially receiving credits over a long-term period. However, a QF who receives both the benefit of Schedule 153 service and reimbursement will have an unfair advantage over FERC OATT customers. PSE may be likely to rethink its efforts to mitigate the upfront costs for QFs if those QFs receive a reimbursement similar to a FERC OATT customer.

### **PSE’s FERC OATT Transmission Interconnection Processes**

Under PSE’s existing FERC OATT transmission interconnection processes, a generator pays for the interconnection costs separately from the transmission service provided by PSE. These interconnection costs may include costs of the interconnection itself as well as network upgrades required for PSE to safely and reliably interconnect the project. In certain cases, network upgrade costs paid by the generator are then refunded through on-bill credits to its monthly PSE network service transmission invoice over a 20-year period, with any remaining amount credited back in one bulk sum after the 20 years. In order to receive such credits, the interconnection customer must be the same entity as the transmission customer. Furthermore, costs associated with network upgrades that are attributable to the generator or have no shared benefit are not refundable.

### **Benefits and Purposes of the Proposed Schedule 153**

As the NIPPC-REC Joint Comments acknowledge, the purpose of PSE’s “constructive and creative” proposed Schedule 153 transmission interconnection service is to attempt to mitigate the need for potentially expensive system upgrade costs in the first place and thus eliminate the need for a QF to secure and pay for PSE transmission service. QFs electing to take Schedule 153 transmission interconnection service will also enter a power purchase agreement (“PPA”) with PSE under the Commission approved Schedule 91, Purchases from Qualifying Facilities of Five Megawatts or Less, or Schedule 92, Purchases from Qualifying Facilities of Greater Than Five Megawatts. A Schedule 153 QF with a Schedule 91 or 92 PPA would not need to obtain PSE transmission service under PSE’s OATT because PSE is responsible for arranging all transmission and distribution services from the point of delivery within PSE’s own electric system for all service provided under its Schedules 91 and 92 PPAs.

Although a Schedule 153 QF would be responsible for all costs associated with the interconnection service, including network upgrades, the network upgrade requirements (and costs) most likely would be much lower than the requirements for a generator taking OATT interconnection service and FERC NRIS. That is the point of Schedule 153, electing to interconnect under Schedule 153 means that the QF would be subject to generation curtailment, in limited emergency circumstances, in lieu of constructing certain (expensive) network upgrades. That is, the required network upgrades would be specific to the additions, modifications, and upgrades that are required to accommodate interconnection of the QF to

PSE’s transmission system, but do not rise to the level of upgrades needed to ensure adequate redundancy in case of an N-1-1 outage.<sup>14</sup>

The example in the Joint Comments at page 7 concerning a utility charging a QF for the utility’s planned network upgrade does not accurately describe PSE’s transmission planning process. PSE publicly posts its transmission planning process, local system needs and planned transmission projects to meet those needs in Attachment K<sup>15</sup> to PSE’s OATT. Planned network upgrades are publicly posted on Attachment K. If the upgrades needed for a QF interconnection under Schedule 153 were already identified in PSE’s Attachment K, but planned for a time after the QF’s interconnection, the QF would see the planned upgrade on Attachment K and could ask that the project be accelerated. In that circumstance, PSE would absorb that network upgrade cost, not the requesting QF. PSE also invites all interested customers and developers to attend PSE’s annual OATT Attachment K Puget Sound Area Transmission Meeting and welcomes their feedback. These meetings provide an opportunity to discuss PSE’s current efforts and future plans with the stakeholders. The next meeting<sup>16</sup> will take place on December 17, 2021.

On page 10 of the Joint Comments, NIPPC-REC claim that if the Commission agrees that QFs subject to its jurisdiction are required to fund network upgrades without reimbursement, it would single out a “very limited subset of generators for differential treatment.”<sup>17</sup> This statement is not accurate. Schedule 153 is available only to QFs that interconnect to PSE’s transmission system *and sell to PSE as a QF under Chapter 480-106*. Schedule 153 QFs are getting the benefit of the must-purchase requirement in PURPA as well as the option to agree to curtailment in limited emergency circumstances rather than pay for the upgrades needed to ensure adequate redundancy in case of an N-1-1 outage. “Any other generator” will take interconnection service under the FERC OATT which is also available to the QF that qualifies to take service under Schedule 153. That is, the QF will have the option to choose to interconnect under Schedule 153 or under PSE’s FERC OATT, without regard to its QF status.<sup>18</sup>

### **Schedule 153 Is Not Discriminatory**

In the Joint Comments, NIPPC-REC also claim that by not providing for refunds of network upgrades, Schedule 153 discriminates against QFs that take Schedule 153 service. This statement is also not accurate. All QFs that qualify for and take service under Schedule 153 will be treated the same; just like all generators (QFs and non-QFs) that interconnect under the FERC OATT are treated the same. It is not discriminatory to treat a generator that qualifies for and takes service under Schedule 153 different than a generator that takes transmission interconnection service under the FERC OATT; a generator that qualifies for Schedule 153 has the choice to select Schedule 153 service or FERC OATT transmission interconnection service.

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<sup>14</sup> N-1-1 outage: An outage due to loss of two bulk transmission elements consecutively

<sup>15</sup> PSE’s current version of Attachment K:

[https://www.oasis.oati.com/woa/docs/PSEI/PSEIdocs/Attachment\\_K\\_20201026.pdf](https://www.oasis.oati.com/woa/docs/PSEI/PSEIdocs/Attachment_K_20201026.pdf)

<sup>16</sup> PSE OATT Attachment K Meeting Notice.

[https://www.oasis.oati.com/woa/docs/PSEI/PSEIdocs/PSE\\_Att\\_K\\_PSAT\\_Meeting\\_20211217.pdf](https://www.oasis.oati.com/woa/docs/PSEI/PSEIdocs/PSE_Att_K_PSAT_Meeting_20211217.pdf)

<sup>17</sup> Joint Comments at 10.

<sup>18</sup> Under the OATT, all generators must be treated equally, so PSE does not verify if a facility is a QF if it is interconnecting under the FERC OATT rules, as the OATT does not offer allowances for QFs.

**Conclusion**

In conclusion, PSE respectfully requests that the Commission approve Schedule 153 as proposed. It is not necessary to adopt a rebuttable presumption whether network upgrades associated with a QF’s Schedule 153 transmission interconnection service will or will not benefit all users of the system. As detailed above, the new optional transmission interconnection service is aimed to lower the barriers, including costs, for a QF to interconnect with PSE’s transmission system. PSE has also designed the interconnection under Schedule 153 to allow a QF to agree to a curtailment during a System Emergency (as defined in WAC 480-106-007) or a reliability condition (as outlined in Schedule 153), instead of paying for network service upgrades needed to ensure adequate redundancy in case of an N-1-1 outage, in order to keep the interconnection costs manageable. Required network upgrades under Schedule 153 pertain to the QF’s own interconnection service requirements that are necessary and reasonable. Coupled with a Schedule 91 or 92 PPA, a Schedule 153 QF would pay lower upfront total interconnection costs and receive the full PPA prices without paying a separate PSE OATT transmission service charge. Accordingly, it is not necessary for the Commission to adopt NIPPC-REC’s recommendation regarding the treatment of network upgrades.

Please contact Mei Cass at (425) 462-3800 or [mei.cass@pse.com](mailto:mei.cass@pse.com) for additional information about this filing. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

*/s/ Jon Piliaris*

Jon Piliaris  
Director, Regulatory Affairs  
Puget Sound Energy  
PO Box 97034, EST-07W  
Bellevue, WA 98009-9734  
(425) 456-2142  
[Jon.Piliaris@pse.com](mailto:Jon.Piliaris@pse.com)

cc: Lisa Gafken, Public Counsel  
Sheree Carson, Perkins Coie