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PUGET SOUND ENERGY
The Energy To Do Great Things

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

Via electronic mail – records@utc.wa.gov

January 30, 2012

Mr. David W. Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Subject: **Docket No. U-112133**
Review Standards for Interconnection with Electric Generators in WAC 480-108.
Comments of Puget Sound Energy, Inc.

Dear Mr. Danner:

Puget Sound Energy, Inc. ("PSE" or the "Company") submits these comments in response to the December 23, 2011, Notice of Opportunity to File Written Comments ("Notice"). These comments address the subjects mentioned in the Notice which were also the recommendations regarding interconnection issues on pages 18 and 19 in the Commission's Report on the Potential For Cost-Effective Distributed Generation in Areas Service by Investor-owned utilities in Washington State in Docket No. UE-110667 (the "Report"). PSE appreciates the opportunity to participate in this rulemaking proceeding and to comment on the draft rules.

Puget Sound Energy General Comments

PSE presents its comments following each of the four recommendations in the Report. PSE hopes that the Commission's plans include circulation of red-lined version of proposed rule changes (if any) to allow a robust discussion and allow the parties to have an understanding of the intent of any proposed changes (consistent with the Commission's February 15, 2006, *Changes in the Utilities and Transportation Commission Rulemaking Process*).

In general, PSE has found the present rules workable, but as shown by Table 1 on page 13 of the Report, it would be helpful to tie all of the various rules and laws together so that they can be more easily understood.

Puget Sound Energy Comments on Specific Commission Recommendations

WUTC Report Recommendation: As technologies and policies have evolved since the UTC adopted its interconnection rules in 2007, the UTC will initiate a rulemaking to examine whether to amend certain interconnection rules, such as those concerning external disconnect switches.

PSE Comment: Currently, PSE requires a disconnect switch between PSE's system and a customer-owned generator if the total customer-owned generation is 5 kW or larger, or if the installation is metered using current transformers ("CT metered"). A disconnect switch is not required for generation less than 5 kW and not CT metered because the production meter can be pulled. The disconnect switch provides a visible break between PSE's electrical system and the customer's system thus ensuring worker safety while working on the electrical system.

Moreover, a visible break is required by the Department of Labor and Industries rules before linemen can consider the equipment de-energized. See WAC 296-45-335 "De-energizing Lines and Equipment for Employee Protection" WAC 296-45-335(16) provides, "..., only a *visible* break of all phases shall be regarded as clearing a line or equipment."

If PSE's requirement for a disconnect switch between PSE's system and the customer-owned generation is eliminated, an upstream switch must be used to clear a line before a lineman can work on it. In some cases, this may increase the duration of outages for those customers between the generator and the upstream switch and also affect more customers than disconnection at the generator. For net-metered customers another option is to disconnect the net-metered premises (rather than just the generation) which may result in a longer outage for the net-metered customer's premises.

PSE currently has several Service Quality Indices ("SQIs") that may be impacted by elimination of the requirement for a disconnect switch and a separate proceeding should be convened to consider and evaluate that impact. These SQIs include SAIDI and SAIFI indices that track the duration and frequency of outages. PSE also has a service restoration guarantee that could be impacted by a change in the disconnect switch requirement, and therefore the guarantee may have to be amended to reflect that net metering customers may prolong the outage to themselves and/or their neighbors.

In summary, PSE is not opposed to eliminating the requirement for a disconnect switch between a customer's generator and PSE's system provided the impact of such a decision on costs, service metrics, customers and customers with generators is examined. Cost recovery by utilities should be provided for those costs transferred from the customer with generation to the utility. Such a change should possibly be considered jointly with the Department of Labor and Industries.

WUTC Report Recommendation: In the rule-making inquiry, the UTC will review the current insurance requirements and whether to waive the insurance requirement for certain small-sized generators. This review will involve an assessment of how much risk there is and if it is fair to shift that risk onto the ratepayers of the utility.

PSE Comment: Generators are generally connected to the distribution system for three very different reasons so a blanket waiver of insurance based on size of the generator is not appropriate. These three reasons are: (i) for the purpose of net metering where the purpose is intended primarily to offset part of or all of the customer-generator's requirements for electricity; (ii) others are connected for the business purpose of selling electricity to either the utility they interconnect with or to some other entity; and (iii) other generators interconnect only momentarily for the purpose of emergency back-up for their own electric loads. The size of the generator should be one consideration but also the reason for the interconnection should also be considered. The possible costs that are covered by the insurance do not go away if no insurance is required. If there is no insurance requirement, it is likely that all customers of the utility will pay those costs or pay costs of additional insurance, so the reason or purpose of the interconnection must be considered. If the purpose is net metering, which the Washington State legislature has determined that it is in the public interest to encourage, then a waiver of insurance requirements is appropriate and is reflected in PSE's Schedule 80 provisions for interconnection of a net metered generator. If the purpose of the generation is a commercial venture, the costs of the insurance should be paid by the commercial enterprise rather than by all of the utility's customers. Finally, if the purpose of interconnection is for emergency back-up generation, the Company does not presently require any insurance but a customer may choose to obtain insurance for the indemnification required.

It should be noted that if the size of a generator eligible for net metering is increased to the point where the purpose is to offset all of the customer-generators electricity requirements and to sell excess generation to the utility or some other party, the requirements for insurance should apply to the customer-generator.

The Company presently requires insurance to be maintained by the interconnection customer if the customer's generator is not used as part of a net metering system as presently defined in RCW 80.60.010(10). Customers who sell the output of their generator to PSE, regardless of size, contract with PSE for the sale and PSE requires that the contractor provide insurance. PSE also requires insurance of all other parties with which it contracts for other services.

In summary, PSE believes that insurance requirements based on the intent of the generation are appropriate. If the generation is a commercial enterprise selling output into the market, insurance should be required. If the generation is to offset part of, or all of, the customer's usage through net metering with no sale of excess generation, then no insurance should be required. Should the Commission decide to eliminate the insurance requirement, cost recovery by utilities should be provided for the insurance costs imposed on the utility.

WUTC Report Recommendation: The inquiry also will focus on which party should bear the costs of interconnection. This involves examining the opportunity to reduce the transaction costs of interconnection by increasing the efficiency of the process with streamlined rules tailored to the unique characteristics of a group of generation technologies or sizes. In reviewing the assignment of interconnection costs, the UTC will be mindful of the need to preserve fair and nondiscriminatory service for customers, and avoid subsidies that inefficiently promote distributed generation. We will need to address whether it is equitable for customers without generation to pay the costs of connecting the customer-generator's system to the grid, or to provide unequal subsidies for similarly situated generators. As the IOUs noted in their comments, interconnection costs can vary greatly for two projects with exactly the same size, technology and operating characteristics depending on the location of the interconnection on the distribution system and the characteristics of the distribution system near the interconnection location.

PSE Comment: As mentioned in the discussion about changes to the insurance requirements, the reason for the interconnection should also be considered if the utility's customers are to bear the costs of interconnection. Where the purpose of the interconnection is to sell power to the utility or some other party, the costs of interconnection should either be paid by the customer-generator or reflected in the rate paid to the customer-generator by the utility. For generators that connect to a utility's transmission system, the costs of interconnection are paid by the customer-generator

pursuant to FERC's regulations. Changing the requirement for generation connected to the distribution system may result in unintended cost shifting.

Where a customer net-meters, the benefit is customer specific and the costs should be paid by the customer. There may be some system benefit enjoyed by all customers of a utility because a customer net-meters. However, that benefit is offset by the fact that all of the utility's customers must maintain the distribution, transmission and generation systems as if the net-meter system did not exist so that the utility is capable of providing electric service to the net-meter customer upon demand.

Regarding *"...examining the opportunity to reduce the transaction costs of interconnection by increasing the efficiency of the process with streamlined rules tailored to the unique characteristics of a group of generation technologies or sizes."* The state Department of Commerce is leading a collaborative effort to bring about these changes under the auspices of the federal Sunshot program which is expected to simplify and standardize the local jurisdiction permitting process across the state for residential solar net metering installations.

PSE recommends that interconnection costs should be borne by the generator. Changing this requirement would result in the customers of utilities bearing the cost of interconnection without any offsetting benefit. Should the Commission decide to change who bears the cost, cost recovery by utilities should be provided for the interconnection costs imposed on the utility.

WUTC Report Recommendation: As technologies and policies have evolved since the UTC adopted its interconnection rules in 2007, the UTC will initiate a rulemaking to examine whether to amend certain interconnection rules and whether to develop simplified interconnection rules for a small range of generator capacities above 300 kW.

PSE Comment: PSE is unsure if "small range" means 300 kW to 20 MW or if it means some subset of that range and therefore cannot adequately comment. PSE does comment that generators above 300 kW have the choice, depending on location, to interconnect with either the transmission or distribution system. An interconnection to the distribution system is regulated by the WAC rules and PSE's state tariff, while interconnection to the transmission system is regulated by FERC rules and PSE's OATT tariff. Having an additional set of requirements for interconnection depending on the size of the generation combined with the existing choices would be more confusing to customers and may result in unintended cost shifting.

PSE recommends that this item be more fully fleshed out in order to be able to adequately comment.

PSE appreciates the opportunity to comment on the draft new rule or modifications to existing rules to clarify the use of electronic documents. Please direct any questions regarding these comments to Lynn Logen at (425) 462-3872 or at lynn.logen@pse.com or the undersigned at (425) 462-3495.

Sincerely,

Tom DeBoer
Director – Federal and State Regulatory Affairs