

August 16, 2005

**NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS
(By October 14, 2005)**

RE: Standards for Interconnection to Electric Utility Delivery Systems
Docket No. UE-051106

TO INTERESTED PERSONS:

On August 12, 2005, the Washington Utilities and Transportation Commission (Commission) filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to consider establishing regulations to govern the interconnection of customer-owned generation facilities to electric utility delivery systems. The CR-101, as filed with the Code Reviser, is available for inspection on the Commission's web site at www.wutc.wa.gov/051106. If you are unable to access the Commission's web page and would like a copy of the CR-101 mailed to you, please contact the Records Center at (360) 664-1234.

BACKGROUND

New small-scale technologies, particularly technologies using renewable sources of energy, are making local generation (so-called distributed generation) of electricity by utility customers increasingly feasible. Customers may wish to interconnect these generation facilities with their local electric distribution utility. But for utilities to fulfill their obligations to provide reliable and safe service to all customers, the interconnection of customer-owned power generation equipment must not impede the ability of utilities to manage the safe and reliable operation of their distribution systems. The legislature has determined that there should be tax incentives to promote this form of distributed generation. In Senate Substitute Bill (SSB) 5101, Chapter 300, Laws of 2005, the legislature established certain utility incentive payments. However, SSB 5101 also provides that before those payments and related tax credits become effective

electric utilities serving at least eighty percent of the state's electric customer load must have in effect uniform interconnection standards.

On May 12, 2005, the Federal Energy Regulatory Commission ("FERC") issued its Order No. 2006 "Standardization of Small Generator Interconnection Agreements and Procedures." (18 CFR Part 35) Order No. 2006 establishes regulations under the Federal Power Act "to require utilities that own, control, or operate facilities for transmitting electric energy in interstate commerce . . . to include standard interconnection procedures and an agreement . . . to provide interconnection services to devices used for the production of electricity having a capacity of no more than 20 megawatts." FERC notes that the regulations established by Order 2006 apply only to those utilities that fall under its jurisdiction and only to those utility facilities that are subject to a FERC-approved Open Access Transmission Tariff ("OATT"). FERC observed:

Because of the limited applicability of the Final Rule, and because the majority of small generators interconnect with facilities that are not subject to an OATT, this Final Rule will not apply to most generator interconnections. Nonetheless, our hope is that states may find this rule helpful in formulating their own interconnection rules.

18 CFR Part 35 ¶ 8.

Finally, on August 8, 2005, the President signed the Energy Policy Act of 2005 ("Energy Policy Act"). Section 1254 of the Energy Policy Act amends Section 111(d) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2621(d)) ("PURPA") to add a new standard for interconnection as follows:

(15) INTERCONNECTION.—Each electric utility shall make available, upon request, interconnection service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "interconnection service" means service to an electric consumer under which an on-site generating facility on the consumer's premises shall be connected to the local distribution facilities. Interconnection services shall be offered based upon the standards developed by the Institute of Electrical and Electronics Engineers: IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems, as they may be amended from time to time. In addition, agreements and procedures shall be established whereby the services offered shall promote current best practices of interconnection for distributed generation, including but not limited to practices

stipulated in model codes adopted by associations of state regulatory agencies. All such agreements and procedures shall be just and reasonable, and not unduly discriminatory or preferential.

Section 1254 of the Energy Policy Act requires further that:

(5)(A) Not later than one year after the enactment of this paragraph, each State regulatory authority (with respect to each electric utility for which it has ratemaking authority) and each nonregulated utility shall commence the consideration referred to in section 111, or set a hearing date for consideration, with respect to the standard established by paragraph (15) of section 111(d).

(B) Not later than two years after the date of the enactment of this paragraph, each State regulatory authority (with respect to each electric utility for which it has ratemaking authority), and each nonregulated electric utility, shall complete the consideration, and shall make the determination, referred to in section 111 with respect to each standard established by paragraph (15) of section 111(d).

COMMISSION INQUIRY

The Commission initiates this Inquiry to examine what, if any, regulations are appropriate and necessary to standardize interconnection of customer-owned generating facilities to the delivery facilities of the utilities it regulates. Issues relevant to the Commission's inquiry include, but are not limited to:

- Content of customer applications for interconnection
- Utility processing of interconnection requests (including any standard fees)
- Technical standards for customer-owned generating equipment and interconnection equipment
- Operational standards for customer-owned generation equipment
- Liability and insurance issues

The Commission's Inquiry is focused on interconnection of customer-owned generation facilities that do not exceed 20 MW of capacity to utility delivery systems.

To begin its Inquiry, the Commission requests that interested parties provide written comments addressing the following issues.

FERC has issued regulations governing the interconnection of small generators to FERC-jurisdictional interstate transmission facilities (Order No. 2006, May 12, 2005):

- 1) If the Commission establishes regulations governing interconnection to utility distribution or transmission facilities that are not FERC-jurisdictional, should it strive for consistency with the FERC standards?
- 2) Do the FERC regulations in Order No. 2006 (particularly Appendices "E" and "F") represent a good technical framework for Commission regulations to govern interconnection? What modifications and adjustments would be necessary if the Commission were to use the FERC rules as a model?

The Commission welcomes any comprehensive recommendations or proposals that stakeholders or utilities may propose for state-wide standards for interconnection as an alternative to the FERC model. While the Commission's rulemaking authority extends only to those utilities under its jurisdiction, SSB 5101 seeks state-wide uniformity in interconnection standards. Accordingly, to facilitate uniformity, the Commission invites participation in its Inquiry by municipal utilities or public utility districts not jurisdictional to the Commission.

WRITTEN COMMENTS

The Commission initiates this Inquiry by inviting written comment. Workshops may be scheduled subsequent to the initial round of written comments. Initial written comments on the above-listed issues and questions may be filed with the Commission no later than **October 14, 2005**. The Commission requests that comments be provided in electronic format to enhance public access, for ease of providing comments, to reduce the need for paper copies, and to facilitate quotations from the comments. Comments may be submitted by electronic mail to the Commission's Records Center at records@wutc.wa.gov. Please include:

- The docket number of this proceeding UE-051106
- The commenting party's name
- The title and date of the comment or comments

An alternative method for submitting comments is to mail/deliver an electronic copy on a 3 ½ inch, IBM-formatted, high-density disk, in .pdf Adobe Acrobat format or in Word 97 or later. Include all of the information requested above. The Commission will post

on the Commission's web site all comments that are provided in electronic format. The web site is located at <<http://www.wutc.wa.gov/051106>>.

If you are unable to file your comments electronically or to submit them on a disk, the Commission will always accept a paper document. Questions may be addressed to Dick Byers at (360) 664-1209 or e-mail at <dbyers@wutc.wa.gov>.

Your participation is welcomed via written comments and participation in any stakeholder workshops. Opportunity for further comment is anticipated. Information about the schedule and other aspects of the rulemaking, including comments, will be posted on the Commission's web site as it becomes available. If you wish to receive further information on this rulemaking you may:

- (1) call the Commission's Records Center at (360) 664-1234
- (2) e-mail the Commission at <records@wutc.wa.gov>, or
- (3) mail written comments to the address below.

When contacting the Commission, please refer to Docket No. UE-051106 to ensure that you are placed on the appropriate service list. The Commission's mailing address is:

Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

NOTICE

If you do not want to comment now, but do want to receive future information about this rulemaking, please notify the Secretary in one of the ways described above and ask to be included on the mailing list for Docket No. UE-051106. If you do not do this, you might not receive further information about this rulemaking.

Sincerely,

CAROLE J. WASHBURN
Executive Secretary