

# MEMORANDUM

February 22, 2006

TO: Mark Sidran, Chairman  
Pat Oshie, Commissioner  
Phil Jones, Commissioner

FROM: Dick Byers, Project Lead on Electric Interconnection Rulemaking  
Docket No. UE-051106

SUBJECT: Rulemaking to establish regulations governing interconnection of customer-owned generation facilities up to 25 kW in capacity to utility delivery systems

RE: Adoption Hearing, February 22, 2006 at 2:30 p.m.

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## **Background:**

The Commission initiated an inquiry August 16, 2005, to examine whether a new rule would be appropriate to govern interconnection of consumer-owned generation facilities to utility distribution systems. The context for this inquiry included three important features:

1. FERC's adoption of a rule governing interconnection of small generators to delivery facilities over which it holds jurisdiction;
2. The threshold requirement in SSB 5101 that uniform state-wide interconnection standards be in place before certain tax credits for small-scale renewable projects are available; and
3. The requirement under the new federal energy act that states consider adoption of interconnection standards.

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

- Inquiry Initiated August 16, 2005
- Initial Comments October 14, 2005
- Workshop December 2, 2005
- Notice of Draft Rule December 19, 2005
- Comments on Draft Rule January 9, 2006
- Notice of Proposed Rule January 23, 2006
- Comments on Proposed Rule February 8, 2006
- Adoption Hearing February 22, 2006

The Proposed Rule would cover interconnections up to 25 kW in generator capacity and would accomplish the requirements of SSB 5101 for the 40 percent of the state's load served by IOUs. We heard a strong consensus view expressed at the December workshop that we should proceed as quickly as possible to put the 25 kW rule in place in order to facilitate the SSB 5101 tax credits and the general propagation of small-scale renewable generation.

We received no comments in opposition to or proposing changes to the proposed rule by the February 8, 2006, deadline. We received one supportive comment urging the Commission to adopt interconnection standards to cover small scale renewable energy projects as soon as possible.

**Discussion:**

The proposed rule has the support of the regulated electric utilities, as well as the non-regulated public utilities that may use it as a model for adoption of local ordinances. The proposed rule has the support of the small scale renewable developers and the renewable generation equipment industry.

While our interconnection inquiry covers the examination of whether rules are appropriate for facility interconnections up to 20 MW, it makes sense to adopt regulations governing small-scale projects now. The larger facility interconnections present more difficult engineering and process issues. These issues will require further examination and can be addressed appropriately in subsequent phases of the inquiry.

The Legislature is considering amending the state's net-metering law RCW 80.60 to increase the maximum facility size from 25 kW to 100 kW. At this point, we do not know if this change in law will be enacted. The standards in the Proposed Rule are likely to be appropriate for facilities up to 100 kW in capacity. Should an amendment to the net-metering law be enacted, a subsequent CR-102 to propose modification of the rule to make it consistent with the net-metering law would be straightforward. There is no need to delay adopting the proposed rule at this time. The utilities and the renewable industry community have encouraged us to adopt the rule as quickly as possible.

**Conclusion:**

The Commission should adopt the proposed rules in this docket.