



February 28, 2007

Secretary
Washington State Utilities & Transportation Commission
1300 South Evergreen Park Drive S.W.
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Olympia, WA 98504-7250

RE: Docket UE-060690 [records@wutc.wa.gov]

The USCHPA submits its comments on the *Public Utility Regulatory Policies Act Standards for Interconnection to Electric Utility Delivery Systems*.

USCHPA is the national association of companies, organizations, and individuals who recognize the benefits and seek to increase the use of combined heat and power (“CHP”) and clean distributed generation (“DG”) throughout the U.S. economy. Our membership includes 65 corporate members, representing manufacturers of equipment used for CHP, installers, users, consultants and engineering firms, as well as non-profit environmental and public-interest groups who recognize and seek the important efficiency, environmental, and reliability benefits offered by CHP and clean DG. In addition, we have 480 individuals on our membership rolls.

Collectively and through our individual members’ activities, we are intimately familiar with the interconnection standards that have been developed in state and federal jurisdictions over the past decade. We have engaged in the drafting of many of the current standards, procedures and practices of interconnecting systems. This experience affords us an intimate familiarity with the “best in class” provisions of both the technical and commercial terms of these various rules. We offer our comments to the Commission from this national perspective.

General Comments:

The standard has proportionally little emphasis on the commercial aspects of interconnection, and yet we know from experience that these can be the most important provisions. Timelines, procedures, fees, insurance requirements, and

dispute resolution mechanisms among others are either minimally or not addressed. California, Texas and Massachusetts are states that have standards and procedures that can be used as reference in crafting applicable sections.

Of equal significance, we are concerned by the focus (depth of coverage) of the standard on interconnections up to 300 kW. A decade ago, the first states to develop interconnection standards included size caps in this range, but since then the evolution has been first towards higher size caps, and then towards size-independent caps that focus instead on the impacts of DG on the overall system. From fault-current contributions to power factor degradation, the primary consequences of shoddy interconnection result not from the size of the generator, but rather from the nature of its protection and the circuit(s) beyond the point of common coupling. Indeed, to a significant degree, there are no grid impacts from DG that are exclusively a function of generator size. Size-based limits thus have the effect not of protecting the grid, but simply insulating utilities from competitive pressures, since it ensures that the only generation that will come on line is that with the least adverse revenue impact on the utility.

We recommend the Massachusetts standard as a good example of a standard based on technical-screens that is size-agnostic, but ensures that the primary objective of the standard is to ensure the safe and reliable provision of power through the electric grid.¹

Specific Comments:

USCHPA draws upon its members' expertise to propound fair and reasonable interconnection standards, fees and procedures in state regulatory proceedings across the United States. In general, we find the proposed amendments to the rule to lack a balance of interests to the detriment of the interconnecting party. Our specific comments follow.

1. WAC 480-108-020 Technical standards for interconnection.

Section (f) (page 7) specifies that written pre-approval by the electrical company is required for interconnection to spot network distribution systems. Section (g) outright prohibits interconnection to grid network distribution systems. Further in section 4 (page 8), the utility is provided sole discretion to reject an application but that the reasons for rejection are to be provided. And again, in section 11 (page 11), the utility is again given unilateral authority to deny new or expanded interconnection if engineering, safety or reliability studies indicate a need.

¹ The protocols used in the Massachusetts standard are essentially identical to those used in Texas, California and in the recently adopted FERC standard. The success of this model in multiple jurisdictions ought to enable Washington to adopt such rules without substantial review, and certainly without first obtaining compliance with all affected state utilities.

Comment: We recognize that there are unique technical challenges specific to the interconnection of DG on a network grid. However, it is fair to assert that the primary reason for the development of interconnection standards is not to overcome technical obstacles but rather to address commercial limitations imposed by utilities that have used technical arguments to block the onset of competitive power sources on their grid. This is certainly not true of all utilities, but such anti-competitive behavior has been the underlying basis for the development of technical interconnection rules throughout the country.

In this regard, an interconnection standard cannot put all responsibility for technical review on the utility, such as is done in this section. We are particularly concerned that the standard does not provide any recourse to the applicant in the event of a dispute. We urge the Commission to redraft this section in a manner that better balances the interests of the parties. While the optimal approach to such balancing depends to a large degree on Commission resources and relevant state law, we offer the following examples from other jurisdictions:

- a. New York State allows interconnection to network grids for all generators up to 2 MW, but provides substantial technical expertise at the Commission level. New York is somewhat unique amongst state utility commissions for the level of resources that are available to DG-related issues, but – costs notwithstanding – this is perhaps the best approach, since it ensures that a technically-competent but commercially neutral arbitrator can fairly assess technical disputes at the PUC level.
- b. Massachusetts provides an Alternative Dispute Resolution System that allows for a cost-effective and fair means of dispute resolution should disagreements arise between the utility and the interconnecting customer.
- c. California provides a dispute resolution process with specific deadlines. The aggrieved party, either the applicant or the utility can seek arbitration by the Chief Administrative Law Judge or seek outside third party mediator whose costs are to be shared equally between the parties. Pending resolution of the dispute, the parties are to proceed diligently with their respective obligations under the interconnection rule.

2. Application prioritization

Prioritization (page 8) is to be done by the electrical company in the same manner as any new load request with preference not to be given to either request type. Processing time is to be consistent with the average of other service connections.

Comment: The WUTC has delegated the authority to the utility to determine the “average time” for processing an application. This delegation invokes the honor system basis -- there is no filing burden on the utility to substantiate the calculation of the “average time.” While we do not seek an unreasonable

regulatory burden on either the utilities or the WUTC, the filing can be a simple email submission to the WUTC and web posting on the utility's website for public review. There is minimal cost incurred to comply in this manner and will reflect the WUTC's desire to have an open and transparent process.

Lessons can be learned from other jurisdictions. In almost all current interconnection standards, there are specific timelines within which the utility is required to respond to specific steps in the interconnection process. Massachusetts has gone one step further, requiring actual times spent by utilities to be tracked so that they can perform an annual review of utility compliance and adjust the required timelines if justified by actual data. Much like our prior comment, the absence of such balance in the Washington standard creates a "fox guarding the henhouse" problem that can be easily addressed now, but will be much harder to resolve should the existing draft standard become law and set precedent for future activities.

3. New Section WAC 480-108-035 Interconnection Agreements and Costs. Section 1 (page 9) states that "once an application is accepted by the utility as complete, the utility will determine if any additional engineering, safety, reliability or other studies are required." Subsequent sections provide that utility give a good faith estimate of the cost to perform the studies and require the applicant to respond in 30 days, including any deposit, or face termination of the application process.

Comment: These sections again deny the applicant any standing to deal effectively with the utility. Having time certain deadlines imposed on the applicant is not equally applied to the utility. No deadlines are imposed on the utility, and there is no requirement for the technical basis of what constitutes a "good faith" estimate. We urge the WUTC to have the parties develop acceptable range of study costs using, as a starting point, the examples of other jurisdictions. We would also reiterate our suggestions for fair dispute resolution provisions to level the playing field between the disparate interests and resources of the parties.

4. New Section WAC 480-108-070 Interconnection of Facilities Greater than 300 kW.

Section 6 (page 13) states: "Unless an interconnection that is not a PURPA qualifying facility is shown to provide quantifiable benefits to an electrical company's other customers, an interconnecting customer must pay all costs made necessary by the requested interconnection service. Such costs include, but are not limited to, the cost of engineering studies, upgrades to utility facilities made necessary by the interconnection, metering and insurance."

Comment: We commend the Commission for this provision, and would urge them to apply it to all interconnections, not just those that are greater than 300 kW. Local generation as a class is cheaper and cleaner than comparable utility-provided alternatives due to both its higher overall efficiency and avoidance of transmission and distribution assets (which are the most expensive component of the utility grid on a \$/kW basis). As a result, policies that encourage the deployment of distributed generation – or at least remove barriers thereto – will serve to drive up system reliability, drive down costs and lower pollution. However, DG is most commonly deployed by the private sector, external to utility cost-recovery processes, and this creates a peculiar disconnect whereby more expensive, dirtier and less reliable utility assets are underwritten by ratepayers while local generation alternatives receive no such guarantee – and are actually compelled to pay costs (like interconnection) that in other contexts are borne by the ratebase. Sound policy ought to recognize the societal benefits created by any modification to the existing grid, regardless of whose capital is being invested, and then provide an equivalent incentive thereto. We commend the commission for realizing as much in this provision.

However, we would point out that the burden for such demonstration ought not to lie with the interconnecting customer or with the utility but with the utility commission. The benefits created by on-site generation are aggregated in nature, and while it is fairly easy to evaluate such benefits on a system-wide basis², it is cost-prohibitive for a specific customer to evaluate those benefits for a specific installation. Moreover, this balancing of the public interest is most appropriately done at the utility commission. We recommend that the commission commence a generic investigation into the costs and benefits of on-site generation on the state power grid, and use the result of this study as the basis for the determinations envisioned in this provision.

² Indeed, many jurisdictions already have, and we would recommend recent work done in Rhode Island as just the most recent example thereof

Conclusion:

We appreciate your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to be 'SC', followed by a long horizontal line extending to the right.

Sean Casten

Chair

USCHPA

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