

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INQUIRY INTO PURPA INTERCONNECTION STANDARD	DOCKET NO. NOI-06-4
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ORDER INITIATING INQUIRY

(Issued July 3, 2006)

On August 8, 2005, the Energy Policy Act of 2005 (EPACT 2005) was signed into law. Among the many provisions of this federal legislation are five new federal ratemaking standards added to the Public Utility Regulatory Policies Act of 1978 (PURPA). The fifth of these new standards (commonly referred to as Standard 15), found in Section 211 of PURPA (16 U.S.C. 2621(d)), pertains to interconnection of distributed generation facilities.¹ Standard 15 provides that all state utility commissions must consider and make a determination whether to adopt the standard. Standard 15, if adopted by the Utilities Board (Board), would require each rate-regulated utility to interconnect any customer's on-site generation

¹ Specifically, the new PURPA Interconnection Standard adopted in 16 U.S.C. 2621(d)(15) states:
(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.

(i.e., distributed generation) with the utility's local distribution facilities, based on Institute of Electrical and Electronics Engineers (IEEE) Standard 1547. Standard 15 also requires, among other things, the establishment of non-discriminatory practices and procedures that promote the best practices of interconnection of distributed generation.

Pursuant to EPACT 2005, the Board must commence a proceeding on or before August 8, 2006, to consider adopting Standard 15. The Board may decline to adopt or implement the standard, but must state in writing the reasons for its decision.

The Board implemented interconnection rules for PURPA qualifying facilities (QFs) in 1981; the rules were amended in 1984 to include alternate energy production facilities (AEPs). Specifically, 199 IAC 15.4(3) requires rate-regulated utilities to interconnect with QFs; rule 15.8 requires QFs and AEPs to pay all costs associated with their interconnection with rate-regulated utilities; rule 15.10 applies to all utilities and includes minimum interconnection standards, including IEEE Standard 1547; 199 IAC 15.11(4) requires rate-regulated utilities to file standard AEP contract provisions for Board approval; and 199 IAC 15.2(2) provides that none of the requirements of 199 IAC 15 prevent a utility or an AEP or QF from agreeing on contract terms that vary from the rules' requirements. In general, the Board only becomes involved in the interconnection process if a complaint is filed.

Under Standard 15, the Board is to consider broadening its interconnection requirements to include all forms of customer-owned on-site generation, not just

AEPs or QFs. Standard 15 also requires the Board to consider adopting IEEE Standard 1547. The Board adopted IEEE Standard 1547 in a prior rule making, Docket No. RMU-04-6 (September 22, 2004). The rule citation is 199 IAC 15.10(1). Finally, Standard 15 requires the Board to consider revising its current interconnection rules to reflect current best practices for interconnection agreements and procedures, including the National Association of Regulatory Utility Commissioners' (NARUC) "Model Interconnection Procedures and Agreement for Small Distributed Generation Resources" (NARUC Document) issued in 2003.

The NARUC Document includes a detailed application and review process for interconnection and a model interconnection agreement. An electronic copy of the NARUC Document will be made available through links on the Board's website, <http://www.state.ia.us/iub>. The NARUC Document's model interconnection agreement provides, among other things, that each party assumes responsibility only for their own facilities and neither party is required to indemnify or carry insurance benefiting the other.

In order to obtain information on whether to adopt Standard 15, the Board will open an inquiry into the PURPA interconnection standard, identified as Docket No. NOI-06-4. All persons interested in participating in this notice of inquiry shall send e-mail or written confirmation of their intent to participate to the inquiry manager by August 22, 2006. Notice of participation shall include the following, if available: name of the participant/organization, contact person, mailing address, phone number, facsimile number, and e-mail address. If more than one person from any

entity is planning to participate, the written confirmation shall include the names of all participants, but designate a single contact person. As soon as possible after August 22, 2006, the service list will be available on the Board's Web site, <http://www.state.ia.us/iub>, or by contacting the Board's Records Center or inquiry manager.

On or before September 29, 2006, all participants may file responses to some or all of the questions contained in the body of this order. All responses shall be filed as follows: 1) an original and ten written copies filed with the Board's Executive Secretary, 2) one copy, via e-mail, to the inquiry manager, and 3) one copy, via e-mail, to each participant on the service list. If a participant does not have an e-mail address, a copy is to be provided by mail or facsimile. All other communications regarding this inquiry are to be directed to the inquiry manager:

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Iowa Utilities Board
350 Maple Street
Des Moines, Iowa 50319-0069
Telephone: (515) 281-5679
Facsimile: (515) 281-5329
E-mail: john.pearce@iowa.gov

After receipt and review of the comments, the Board will determine what additional procedures are necessary to complete the inquiry. Work sessions may be scheduled or additional comments on specific questions may be solicited. An oral presentation to solicit additional comments and argument may also be scheduled. Participants will be notified of any subsequent procedures established.

Comments are solicited on the following inquiry questions. The list is not exclusive and participants are invited to submit comments on any other issues or questions that they believe are relevant to this inquiry and may provide recommendations to the Board.

1. Under current law, is the Board authorized to require utilities to interconnect customer-owned distributed generation facilities with the utility's distribution system if the distributed generation facilities are not PURPA QFs?

- a. If so, please explain.
- b. If not, what changes in law would be needed?

2. PURPA Standard 15 states that interconnection services should 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. Does the Board's previous adoption of IEEE Standard 1547 under 199 IAC 15.10(1) meet the PURPA Interconnection Standard or are additional rule changes needed? Please explain.

3. Is the Board requirement for rate-regulated utilities to interconnect with QFs (199 IAC 15.4(3)) according to Board interconnection standards (199 IAC 15.10) and the availability of Board customer complaint procedures (199 IAC 6) sufficient to address the problems customers might encounter with rate-regulated utility interconnection processes?

- a. If not, what types of problems have customers encountered and how or why were the problems not resolved by the Board's complaint procedures? How would the NARUC Document's model application and review process (pp. 1-22) help resolve such problems?

- b. Why would Board adoption of the NARUC Document's model application and review process (pp. 1-22) improve the interconnection process if enforcement relies on the same IUB complaint procedures?

- c. Would an alternative conflict resolution process be more appropriate for interconnection disputes? If so, how would such a process work?

4. Should a rate-regulated utility's application and review process for interconnection involve uniform customer charges based on average processing and review costs or should cost-based interconnection charges be customer-specific?

a. Should cost recovery be based on a combination of customer-specific and average cost approaches or some other recovery mechanism?

b. If based on a combination of customer-specific and average cost charges, what types of charges should be based on average cost and what types of charges should be customer-specific and why?

c. Should interconnection costs be recovered entirely from interconnection customers or also from utility customers as a whole?

5. The NARUC Document's model interconnection agreement addresses liability and insurance (Sections 6.0 and 7.0).

a. Are these provisions acceptable?

b. If not, what types of provisions would be more appropriate and why?

c. Should the Board adopt a customer liability insurance requirement? If so, what would be the basis for such a requirement in terms of actual costs incurred by utilities due to QF negligence? Provide copies of any supporting studies.

6. There are several provisions in the NARUC model interconnection agreement that have not been specifically addressed by prior questions.

a. Should any of the provisions be changed or removed and why?

b. Should provisions be added? If so, what should be added and why?

7. What other issues associated with the interconnection process should be addressed in this inquiry?

IT IS THEREFORE ORDERED:

1. An inquiry, identified as Docket No. NOI-06-4, is initiated concerning interconnection standards as set forth in PURPA Standard 15.

2. Interested persons wishing to participate in this inquiry shall confirm their participation as described in this order on or before August 22, 2006.

UTILITIES BOARD

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 3rd day of July, 2006.