

PacifiCorp Position Statement

Docket 03-035-14 Transmission Workgroup

On October 31, 2005, the Commission issued its Report and Order in the above-referenced proceeding. With respect to transmission capital costs and line losses, the Commission noted that the parties were in agreement that transmission capital costs and losses should be included in avoided cost prices and that these costs should be determined on a case-by-case basis. However, the Commission noted that parties were in disagreement as to how to approach the case-by-case analysis. On the one hand, UAE and US Mag proposed that transmission capital costs be awarded based on a pro rata share of the transmission capital costs associated with the next deferrable unit. On the other hand, CCS, DPU and PacifiCorp argued that transmission capital costs should be determined on a case-by-case basis because transmission is not deferrable to the same extent and in the same manner as generation. Accordingly, the parties proposed the formation of a working group to determine how to assess costs and/or benefits on a case-by-case basis, which would report back to the Commission within 21 days after the Commission's order was issued.

The Commission agreed with the recommendation of the CCS, DPU and Company that a working group should be formed. They stated:

“We are persuaded that further examination is required to better understand the relationship of avoidable generation capital cost to avoidable transmission capital cost and losses for QFs subject to Schedule No. 38. We order formation of the proposed work group and await its report in 21 days.”

The objective of the workgroup was stated by the Commission as follows: “to recommend a method to identify the costs, savings and timing of avoidable transmission costs for QFs subject to Schedule No. 38 . . .”

Despite the fact that the Commission adopted the case-by-case analysis approach recommended by the CCS, DPU and Company, some participants in the working group continue to advocate a pro rata share approach. The Company submits that the task force was not intended to provide those parties with an opportunity to re-litigate their pro rata position under the guise of developing a case by case analysis approach. If those parties believe that the issue was wrongly decided by the Commission they have other procedural mechanisms to challenge the Commission order.

Transmission Proposal

Per the Utah Commission's Order dated October 31, 2005, PacifiCorp proposed the following methodology to determine transmission costs and savings for individual QF projects.

Background

PacifiCorp's Transmission Function conducts up to three levels of interconnection studies for generation resources requesting interconnection directly to PacifiCorp's system. The complexity of the studies is dependent on the size of the generation resource. The table below summarizes the current studies that are being conducted by size of resource per PacifiCorp's Open Access Transmission Tariff (“OATT”).

Size of Resource	Feasibility Study	System Impact Study	Facility Study
Greater than 20	• \$10K deposit	• \$50K deposit	• \$100K

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Size of Resource	Feasibility Study	System Impact Study	Facility Study
<p>MW (LGIA)</p> <p><i>Note: The days shown are representative of PacifiCorp Transmission completing that individual study and are not cumulative. Schedule does not include any time for delays due to lack of information, scheduling conflicts, etc.</i></p>	<ul style="list-style-type: none"> • 45 calendar days to complete • Short Circuit (Engineering) • Load Flow, cost, and schedule estimate (Planning and Project Services) • Cost estimate is very high level 	<ul style="list-style-type: none"> • 90 calendar days to complete • Study includes Short Circuit Load Flow, Transient Stability, cost, and schedule estimate 	<ul style="list-style-type: none"> • 90 calendar days to complete • Study includes: <ol style="list-style-type: none"> 1. Design of TP's Interconnection Facilities and Network Upgrades 2. Cost estimate - Customer selects either a 10 or 20% cost estimate accuracy 3. Schedule to complete construction
<p>20 MW or less (SGIA)</p> <p><i>Note: The days shown are representative of PacifiCorp Transmission completing that individual study and are not cumulative. Schedule does not include any time for delays due to lack of information, scheduling conflicts, etc.</i></p>	<ul style="list-style-type: none"> • Lower deposit requirements than LGIA • Thirty (30) business days to complete • If no system impacts are found, the feasibility study is binding • If a system impact found during feasibility study, then the schedule default to two (2) thirty-day studies 	<ul style="list-style-type: none"> • If Feasibility Study identifies system impacts, an impact study is allowed • Thirty (30) business days to complete 	<ul style="list-style-type: none"> • Forty-five (45) days to complete if upgrades required, 30 days if no upgrades
<p>2 MW or less</p> <ul style="list-style-type: none"> • Generally, distribution voltage interconnection projects • Screen test within fifteen (15) business days of an application. <ul style="list-style-type: none"> ○ Project passes screen must be issued an IA within five (5) days. • Fails screen test, reverts to standard procedure for SGIA 			

Proposed Process

1. The assessment of benefits or savings would only apply to QFs subject to Schedule 38 pricing interconnecting to PacifiCorp transmission system at 138kV or below. However, no assessment of benefits or savings would be determined for QFs subject to Schedule 38 at 230 kV and above ("Bulk Transmission"). As indicated during the 03-035-14 proceedings, PacifiCorp does not believe any Bulk Transmission deferral or avoidance could be eliminated with the addition of a QF that is not identified as a Firm Significant Energy Resource ("SER").

2. The evaluation will be conducted on an individual project by project basis. The QF project evaluation will be completed as part of the System Impact Study ("SIS") phase of

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- the QF's Interconnection Request (note: all QFs that locate within PacifiCorp's system must already request an interconnection request from PacifiCorp Transmission).
- PacifiCorp would obtain a commitment from the QF customer at the SIS scoping meeting and define the additional evaluation criteria and study time requirements in the SIS agreement. The QF must be fully integrated as a Network Resource under PacifiCorp Merchants Network Tariff to receive benefits associated with interconnecting to the system. However, a QF could still incur interconnection costs or direct assigned costs as a result of interconnecting to PacifiCorp's system.
3. The calculation of deferral or avoidance costs and savings would be conducted on a project-by-project basis under the proposed schedule in-conjunction with the standard procedure PacifiCorp Transmission uses to conduct an Interconnection SIS.
 4. PacifiCorp Merchant would request from PacifiCorp Transmission to integrate the resource as a Network Resource at the same time as the QF is requesting to interconnect to the system. PacifiCorp Transmission would evaluate the Network Upgrade dollar impact as a savings or a cost for each QF project requesting to be interconnected to the system as a firm Network Resource at the transmission level including:
 - a. new transmission requirements,
 - b. transmission upgrades or additions, or
 - c. acceleration of transmission requirements.

PacifiCorp will evaluate system reliability before and after the QF addition and determine the effect on currently planned transmission system additions.
 5. Timeframe to complete the SIS for a QF will be expanded at a minimum to the following:
 - a. LGIA – 120 calendar days
 - b. SGIA – 60 business days
 - c. 2MW or less – 60 business days if necessary per SGIA. Per the OATT, a resource of 2MW or less would go through a screening test within fifteen (15) business days of an application. If the resource passes the screen test, it must be issued an IA within five (5) days. If the resource fails the screen test, it reverts to standard procedure for SGIA.

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6. The SIS will provide estimated or indicative costs and savings but not the final costs which will be formalized by the Facility Study. Even when the Facility Study is complete, it is only an estimate of final costs, therefore final adjustments to the avoided cost would be based on actual costs incurred when the QF interconnection is complete and signed off by PacifiCorp. Where new lines are avoided or required, PacifiCorp will use commercially available information to estimate the per mileage cost for constructing a line to arrive at a final estimate of the interconnection costs or savings. Any line saving or cost estimate will be based upon best possible conditions to obtain the line including right of way, permits, etc. and assumes that the shortest distance route could be obtained without federal environmental review requirements.
7. Consistent with existing FERC rules and tariffs, all interconnection studies are paid for by the QF. For example, the SIS is paid for by the QF, which is approximately \$20k to complete. Under the current FERC procedure, a \$50k deposit is required and the difference, if any, is refunded to the QF upon completion.
8. QF would still receive its indicative avoided generation costs per Schedule 38 process.
9. Dispute resolution would be per Utah Commission Order in Docket 03-035-14.

Methodology:

1. Cost is defined as the additional cost of integrating the QF resource into PacifiCorp's transmission system evaluated in the current SIS methodology as established in PacifiCorp's OATT.
2. Savings will be determined based on the net transmission benefits or costs that the QF provides to PacifiCorp when integrated as a Network Resource into the system. A standard methodology and a standardized set of system models will be used for the studies that determine these costs and benefits. The QF will be added to the standard models and the effect on the then current PacifiCorp five-year transmission plan will be assessed. While some parties have proposed that a ten-year plan be used for modeling purposes, the Company's detailed transmission planning horizon does not extend 10

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years. The use of a 10 year horizon would introduce unnecessary uncertainty. The studies will detail the specific effect on the advancement or deferral of transmission additions. Only facilities that are currently in PacifiCorp's five-year plan will be considered for advancement or deferral. The expected annual carrying charge associated with the transmission additions effected by the QFs will form the basis for an annual credit or assessment to a QF over the five year period.

Losses Proposal

Background

Transmission (and distribution if applicable) losses would be applied to thermal QF projects only based on the comparison of the proximity of the locations of the QF site and the proxy resource to the Utah load center.

Wind QF projects would receive no avoided cost adjustment for losses. Wind resources evaluated in the RFP include no adjustment for losses and are added as a system resource at the location where the developer has determined the wind characteristics, a forecast of the expected wind profile, which is anticipated by the developer to be sufficient to operate a wind farm successfully. Output from the wind QF is intermittent and integrated into the PacifiCorp's system for serving the nearest load, not specific to delivery to Utah's load center.

Methodology

1. The evaluation will be conducted on an individual project by project basis.
2. Analysis to be completed as part of Schedule 38 when PacifiCorp Merchant prepares indicative prices.
3. Transmission line losses adjustments (both as an increase (cost) or reduction (benefit)) are applied to the thermal QF's scheduled and/or dispatched power and any replacement power the Company must acquire to replace scheduled but non-delivered power. Losses not applicable to non-scheduled or non-dispatched power that the QF delivers to PacifiCorp.

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4. Losses would be applied at the QF interconnection transmission level per the published OATT.
5. If the Proxy is geographically closer to the load center than the QF, the QF delivery, net of any station service and load self-served, is reduced by the loss factor at the appropriate transmission voltage level.
6. If the QF is closer to the load center than the Proxy, the full delivery by QF, net of station service, is grossed up by the loss factor at the appropriate transmission voltage level.
7. Dispute resolution would be per Utah Commission Order in Docket 03-035-14.