

**Division Position Paper
QF Transmission Task Force
Docket 03-035-14**

The positions contained in this document apply only to the size and manner of resources to which the newly ordered changes to schedule 38 would apply (up to 99 MW).

The issues addressed in the QF Transmission Task Force (TTF) can be broken into four general areas: Thermal-avoided transmission capacity, Thermal-avoided line losses, Wind-avoided transmission capacity, and Wind-avoided line losses. After listening closely to the positions and arguments for said positions from all parties that participated in the task force, the Division has recommends the following:

Thermal-avoided transmission capacity:

Consistent with our position during the hearing for this docket, the Division continues to oppose any use of a pro rata payment for transmission costs associated with the proxy plant. The main reason for this is that it is unclear that even if a particular plant is avoided, that the transmission lines would also be avoided. For example, going back to when the proxy plant was a second unit at Current Creek, it is unclear to the Division that an avoidance of the Current Creek plant would mean that the transmission upgrades from Mona to the Wasatch Front would never be needed. For example, a line from Mona to the Wasatch Front could be used to bring in necessary market purchases, even in the absence of an expansion at Currant Creek. If avoided costs were based on the assumption that the line is not needed if the plant does not materialize, ratepayers could be double paying for the transmission resource. The Division is not convinced that even though the IRP may associate transmission upgrades with certain plants, that these plants would be the only use for which the transmission lines would be needed. Therefore, we do not accept the pro-rata methodology.

Instead, we prefer that each QF should be examined for individual impacts, both positive and negative, to the transmission system. Currently, QFs are assessed by PacifiCorp transmission as to negative impacts and are assessed the costs associated with such negative impacts during the required interconnection and system impact studies. PacifiCorp Transmission has indicated that its personnel could also undertake to assess benefits during these studies. The Division accepts this expansion of the studies as reasonable. This expansion could result in higher study costs and longer time frames, but could also benefit the QF by outlining benefits to the transmission system for which the QF should be paid.

A related issue is at what voltage level these studies should be performed. The Division believes that most of the small to medium size generators that would fall under schedule 38 would have little impact on the larger transmission lines, but feels that the QFs should have the right to make the decision of whether to pay for their individual studies to be expanded to the bulk transmission system, understanding that the costs could rise with

such an expansion, as could the length of time needed to perform the study. QFs that do not want the additional delay or expense could choose to move forward with the smaller study on the 138kV and below system impacts.

Thermal-Avoided Line Losses:

QF resources can be broken into two types, firm and non-firm. Firm QF resources would be those that are able to be scheduled in advance or are dispatchable. These resources provide both energy and capacity to PacifiCorp. In determining a capacity value for these resources, a proxy resource is examined, because it is assumed that the capacity which the QF is providing will displace a portion of the capacity of this yet to be built resource. It is reasonable that line losses can be based upon the same idea. For the hours during which PacifiCorp chooses to dispatch the firm QF, it can be assumed that the QF is largely replacing energy that would have come from the avoided proxy plant. Therefore, it is reasonable to assume that the QF is avoiding whatever line losses would be incurred by bringing the energy from the proxy plant into the nearest PacifiCorp load center. It is also reasonable to assume that the QF may incur line losses in order to send its energy to the nearest PacifiCorp load center. Therefore, for the hours in which the QF is dispatched, the appropriate line losses would be the difference between these two sets of losses. For example, suppose PacifiCorp is slated to build a plant at Mona and the nearest load center would be the Wasatch Front, with associated line losses of 5%. If a QF comes online in Bountiful, with line losses into Salt Lake City of 1%, then the QF would be compensated for 4% avoided line losses during the hours in which it is dispatched.

The hours in which the QF is not dispatched are a bit more difficult, as are the losses for a non-firm resource. It can be assumed that if a QF is not dispatched or scheduled, PacifiCorp probably has sufficient other resources to meet its load. Therefore, the plant that the QF is displacing if it still chooses to put its power to PacifiCorp is not necessarily the proxy plant. It would be replacing some other already existing PacifiCorp resource. Any avoided line losses associated with this displacement are difficult to assess, because the plant that the QF is displacing may change from hour to hour and day to day. Depending upon which plant is being displaced, line losses will also change. For example, if a QF decides to put energy to PacifiCorp, who then responds by turning down Gadsby, it is unlikely that a QF would avoid any line losses, as Gadsby is located in the center of the load. On the contrary, depending upon where the QF is located, it may be incurring line losses instead. It would be possible to do this type of calculation, but it would entail what at best could be called RMEC for transmission. In other words, for each hour during which a QF puts energy to the Company, someone would need to figure out which plant was being displaced and what the associated avoided or incurred line losses are. This could either be done on a real time basis or by means of the GRID run that would determine the pricing for the QF. It would entail looking at every hour for every year of each QF contract that did not fall under the dispatched or scheduled category and would, I have no doubt, be a subject of debate on each and every hour. The Division finds it likely that the Company will use its more flexible resources to accommodate non-firm and put power from the QF. Many of these resources, such as Gadsby, West Valley, and Lakeside, are located near or in load centers. Under the above

assumptions, it is reasonable to further assume that in the aggregate, even QFs within the Wasatch Front will not be avoiding system average or even Utah average line losses during non-dispatch hours. The Division has seen no evidence presented as to whether non-firm QF resources avoid line losses and therefore must go only by what arguments they find reasonable and recommends that no line losses be paid to non-firm QFs or firm QFs during non-scheduled or non-dispatched hours.

Wind-Avoided Transmission Capacity:

The Division's position on this issue is similar to its position for Thermal-Avoided Transmission Capacity: PacifiCorp Transmission should perform an individual study for each Wind QF, with the QF determining whether or not it desires the expanded study of the higher voltage system.

Wind-Avoided Line Losses:

The Division's position in regard to this issue is based upon two arguments. First, Wind is by design an intermittent resource and it does not lend itself to scheduling or dispatching. Therefore, the same arguments described above in regard to non-firm thermal resources would apply to Wind resources. Second, pricing for wind resources is being set through use of a market contract, in which locational differences are accounted for. It is unclear to the Division that the contract upon which the current price is based included any consideration for line losses. For these two reasons, the Division feels that to assign further value at this time to any wind project based upon avoided line losses is not warranted.