

In the Matter of the Application of
PacifiCorp for an Order Approving Avoided Cost Rates

Docket 03-035-14

DPU Exhibit 1.0DR

Direct Testimony on Rehearing of Andrea Coon
Division of Public Utilities

February 10, 2006

1 **Q. Please state your name for the record.**

2 A. My name is Andrea Coon.

3

4 **Q. Have you previously testified in this docket?**

5 A. I have. I have submitted Direct, Rebuttal, and Surrebuttal written testimony
6 as well as presenting live testimony during the hearings held in September
7 2005.

8

9 **Q. What is the purpose of this testimony?**

10 A. The purpose of this testimony is to explain what the Division believes to be a
11 reasonable method of (1) calculating Avoided Cost payments for transmission
12 capacity and (2) calculating Avoided Cost payments for line losses. For
13 simplicity, I will discuss the two concepts separately.

14

15 **Transmission Capacity:**

16 **Q. What is the Division's preferred method for determining avoided**
17 **transmission capacity costs?**

18 A. The Division believes that each QF should be examined for individual
19 impacts, both positive and negative, to the transmission system. Currently, the
20 cost piece of this study is undertaken by PacifiCorp Transmission upon
21 request by the QF for interconnection. PacifiCorp Transmission has
22 represented to the Division and other parties that its personnel could also
23 assess benefits during this study. The study expansion may result in a longer

24 study period and higher study costs, so the QF should be allowed to opt out of
25 the benefit study portion if the developers do not believe that their facility
26 could provide any significant benefits to the transmission system. The
27 Division believes that a QF should also have the option of expanding PC
28 Tran's study to include not only 138kV lines but also high voltage line
29 implications, if any. The QF would, of course, have to accept any additional
30 costs and time delays that would accompany such an expanded study.

31

32 **Q. Does the Division believe that there should be different methodologies for**
33 **calculating Avoided Transmission Capacity Cost for both thermal and**
34 **wind?**

35 A. At this time, we have seen no evidence that would support different
36 methodologies depending upon fuel type.

37

38 **Q. Does the Division support the same methodology for calculating Avoided**
39 **Transmission Capacity Costs for both firm and non-firm resources?**

40 A. No. Non-firm resources cannot be depended upon for reliability purposes.
41 Non-firm resources do not avoid capacity and would therefore not avoid
42 transmission capacity. Non-firm resources cannot be depended on for
43 reliability purposes, as the QF has no obligation to provide energy at any time.
44 Therefore, PacifiCorp must plan for capacity needs as though the QF is not
45 producing. The need for capacity would extend to both generation and

46 transmission. The Division does not support providing any payment for
47 avoided transmission capacity to a non-firm resource.

48

49 **Q. Has the Division considered the issue of “pro rata” payment for**
50 **transmission costs associated with a proxy plant as previously introduced**
51 **in this docket?**

52 A. Yes. We discussed this topic both with outside parties in this docket and
53 internally. At the end of all of these discussions, however, we are still unable
54 to support this type of payment for transmission costs. As we have previously
55 explained, it is unclear to the Division that even if a particular plant is
56 avoided, that large scale transmission lines would also automatically be
57 avoided. I have previously cited the example of a second Current Creek unit
58 that called for transmission upgrades between Mona and the Wasatch Front.
59 Just because the Current Creek unit is no longer required does not mean that
60 the transmission upgrades that were associated with that plant are also no
61 longer required. The upgrades could be used for a number of other purposes
62 including bringing market purchases into the Wasatch Front or increasing
63 reliability of the system to avoid loss of load. There is also risk to ratepayers
64 that the plant with which the transmission is associated could be downsized
65 rather than avoided, meaning that the transmission would still be required and
66 ratepayers would be paying twice. The Division remains unconvinced that the
67 only purpose assigned to any major transmission line would be to transport

68 energy from the plant assigned to it in the IRP. Therefore, we cannot support
69 the “pro rata” proposal.

70

71 **Line Losses**

72 **Q. What is the Division’s preferred method for calculating avoided line**
73 **losses?**

74 A. In order to simplify the explanation, I will offer an example. Assume that the
75 avoidable resource is a generating station feeding directly into the Mona
76 substation. Then assume that the QF is a generating station feeding directly
77 into the terminal substation. Assume that in this example, the line losses
78 associated with the line from Mona to Camp Williams at the southern end of
79 the Wasatch load center are 5%. Further assume that the losses from terminal
80 to the middle of the Wasatch load center are 0%. The QF in question should
81 be compensated for the difference which would be 5% for whatever hours the
82 QF is dispatched by PacifiCorp. This is reasonable because it can be assumed
83 that the QF would be replacing energy that otherwise would have come from
84 the avoidable plant.

85

86 **Q. In your example above, you specifically state that this method should only**
87 **be used for the hours during which a QF is dispatched by PacifiCorp.**
88 **Does this mean that non-dispatch hours and non-firm resources should**
89 **not receive line losses?**

90 A. At this point, yes. The reason that the above methodology works is that there
91 are a number of simplifying assumptions made. If, such as in the case of non-
92 dispatch hours or a non-firm resource, you cannot directly tie line losses to a
93 particular plant, it is very difficult to ensure ratepayer neutrality. For example,
94 take the same QF, tied into the same Terminal substation, but operating as a
95 non-firm resource. It is no longer reasonable to assume that the energy that
96 this QF is providing would directly replace energy from the avoidable
97 resource. It could be replacing energy on any part of the system, including
98 energy that could be delivered into the same substation, in which case,
99 calculating losses is complicated and continually changing. The Division is
100 open to suggestions for how losses could be reasonably calculated for this
101 type of resource while maintaining ratepayer neutrality.

102

103 **Q. In the past, the Division has recommended a QF contract that was non-**
104 **firm and contained line loss provisions. Are you recommending a change**
105 **in policy going forward?**

106 A. The Division does not believe that this past contract excludes us from
107 reviewing past policy and making recommendations going forward.

108

109 **Q. Does the Division include wind resources in the non-firm category for line**
110 **loss payments?**

111 A. Yes. Wind is by design an intermittent resource and cannot be scheduled or
112 dispatched. Therefore, it is a non-firm resource. Secondly, pricing for wind

113 resources is being set through use of a market contract. It is unclear to the
114 Division that the contract upon which the current price is based includes any
115 line loss value. Therefore, the Division feels that assigning further dollars to
116 wind projects based upon avoided line losses is unwarranted without further
117 evidentiary support.

118

119 **Q. Does this conclude your testimony at this time?**

120 A. Yes it does.