

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)	<u>DOCKET NO. 03-035-14</u>
PacifiCorp for Approval of an IRP-based)	
Avoided Cost Methodology for QF)	
Projects Larger than One Megawatt)	<u>Request for Clarification and Petition for</u>
)	<u>Reconsideration of Order</u>

Filed May 8, 2006

Wasatch Wind requests clarification of the Commission’s April 19, 2006 Order and petitions for reconsideration of its decision to postpone a ruling on avoided transmission losses. Wasatch Wind also requests that the Commission reverse its decision to deny the opportunity for an intermittent QF resource to receive avoided transmission capital costs.

The Commission’s order states that “we do not approve any method for calculating avoided costs associated with transmission losses in this docket.” This decision not to consider transmission losses is in contradistinction with the intent of PUPRA and FERC’s interpretation of PURPA. Both indicate that transmission losses should be considered in determining avoided costs. There is record evidence that transmission losses exist for both thermal and intermittent resources. The Commission cites a lack of evidence on the part of the Company and the Division for determining exact avoided transmission losses. The Commission reasons that the lack of information and detail precludes it from making a decision on this issue. However, the Commission obligated to make a decision based on the evidence on the record in order to meet the intent of PURPA. Furthermore, the Commission

did not fully consider Wasatch Wind's testimony and subsequent recommendations when it ruled that it could not make a decision on transmission losses. Both Wasatch Wind and the Company testified that the exact determination of avoided transmission costs would create an administrative burden and that other methods were acceptable.¹ The Commission should not fall to the proverbial problem of "paralysis by analysis" and use the excuse of needing perfect information to craft an acceptable decision. The failure to make a decision will materially harm Wasatch Wind and other QFs.

The Commission cites the following rationale for delaying a decision on transmission line losses. First, the methodologies proposed by the Company and the Division are based on comparing a QF to the proxy plant. According to the Company's recommendation if the QF is closer to the load center than the proxy it will receive transmission losses, if further from the proxy it will be accessed transmission losses. The Commission cites the failure to specifically define distance as a reason to reject this method. The Division testimony recommends taking distance into account but did not specifically define how to measure it. The Commission also cites conflicting testimony on the definition of load center.

The Commission cites that both parties use the FERC OATT to determine losses but complains that FERC OATT loss factors are based on a 1991 transmission line study that does not use a Utah Commission approved methodology. A different method approved by the Utah Commission is used in the calculation of retail rates; therefore this could violate ratepayer neutrality. However, in the very next paragraph the Commission notes "the high-voltage

¹ (See Griswold's direct testimony on reconsideration lines 37 to 52 and Collins direct on reconsideration p. 10 lines 12-16)

transmission line energy loss factor is nearly unchanged since the 1991 study despite the addition of the Cholla, Craig, Hayden, Hermiston and Gadsby power plants.” In a footnote the Commission shows that the differences are negligible. “The 1991 transmission energy loss factor is 1.0448 and the 2001 transmission energy loss factor is 1.04543.”² Thus use of the FERC’s OATT losses for at least high voltage transmission losses will not violate ratepayer neutrality, the very reason given by the Commission for rejecting the method.

The Commission cites a possible conceptual error and potential double counting of transmission losses. However the Commission errs in its reasoning. Transmission losses are accessed to market purchases when purchased at the high-voltage level because losses result from the transmission of power along high-voltage lines. Transmission losses are implicitly incurred when power is transmitted from long distant power generators whether they are from Utah or Wyoming. QFs located near load will avoid those losses and should be compensated. Distribution losses may be a little more problematic, but should be treated in a similar manner. If the QF connects at distribution voltage it will avoid the transformation losses associated with stepping down the power to distribution level, other losses will also occur but precise measurement may be difficult, that is why Mr. Griswold recommended a simpler approach of using the FERC OATT losses.

The Commission cites an apparent inconsistency between losses that are calculated by the FERC OATT and losses calculated for QFs. The FERC designed its tariff to recover the capital and operating costs of the transmission system. It uses average transmission losses and

² See Commission April 19, 2006 Order page 13

average generation costs to determine the revenue requirement that will recover these costs. The Commission argues that QFs' transmission losses of 4% for high voltage are calculated and paid at marginal generation costs not average generation costs. Since marginal generation costs are higher than average generation costs, the Commission reasons that the QF will be over compensated and thereby violate ratepayer neutrality. This argument and reasoning makes sense as far as it goes, but it fails to fully analyze the issue. QF transmission losses are marginal losses not average losses and marginal losses will generally be higher than average losses. Recall that transmission losses increase as the line becomes more loaded. Thus the losses that a QF avoids are greater than the average losses used in the FERC OATT, so QFs will be under compensated using the FERC's OATT method of using average system line losses.

Thus, the use of the FERC OATT is a fair compromise, on the one hand it over compensates QFs based on generation costs but under compensates based on actual amount of energy losses that occur during transmission, and thus it is a wash. The Commission should not allow its zeal for precision to outweigh its need to make a decision on this issue. If the Commission is determined to find a methodology that will precisely measure transmission losses for each QF, it can open an investigatory docket to do so; in the meantime QFs should not be denied compensation for avoided transmission losses.

Wasatch Wind requests that the Commission reconsider its decision and adopt Wasatch Wind's simplified method for calculating avoided transmission losses. If the proxy plant is located outside the Wasatch load pocket (the area defined by Utah Power that suffers

from transmission constraints) and the QF is located within the Wasatch load pocket then the QF will receive transmission lines losses at the FERC OATT loss rate. If the QF is outside the Wasatch load pocket then it is ineligible for avoided transmission line losses. If the Commission is uncomfortable with this recommendation as its final decision, it could accept Wasatch Wind's recommendation as an interim solution until it gets the detail that it requires to determine an exact calculation for transmission losses. The Commission should be aware that two parties have already testified that the administrative costs of exact calculation on case by case basis would be burdensome. If the Commission is apprehensive about the lack of precision of the FERC OATT, it could calculate the avoided transmission line losses for a QF at the lower generation cost level. The Commission could ratio down the line losses to reflect the difference between average generation costs and the QF's contract rate. This could be a temporary measure that could be adjusted upwards if the Commission finds that the full FERC OATT loss factor is appropriate. Granting this request will not harm ratepayers and will provide important revenue assurance to renewable resource developers that are currently negotiating with PacifiCorp.

If the Commission can not provide the requested relief, Wasatch Wind requests that the Commission explicitly state that a QF may request a revision of its contract to include avoided transmission losses when and if the issue is resolved in a subsequent proceeding. QFs should be allowed full compensation for any avoided line losses it provides to the system and its ratepayers.

Wasatch Wind also requests reconsideration of the Commission's decision to disallow intermittent resources the opportunity to recover avoided transmission capital costs. Wasatch Wind believes that this will be a real concern when the proxy plant is a Company-built wind resource. In such a case transmission capital costs for the Company-built project will be paid by ratepayers. Currently the QF is responsible for transmission capital costs and interconnections associated with its project yet based on the Commission's decision QFs will be unable to receive credit for these avoided transmission costs. Furthermore, the Commission must reconsider its decision or the Company will have an unfair advantage in the RFP process when its transmission capital costs are not included in its bid. This will most certainly violate ratepayer neutrality. We request that the Commission allow the opportunity for intermittent QFs to receive avoided transmission capital costs when such costs have been explicitly paid by ratepayers for the proxy resource.

S/ Richard S. Collins
Representing Wasatch Wind