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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Glen Canyon Solar A, LLC and Glen Canyon Solar B, LLC's Request for Agency Action to Adjudicate Rights and Obligations under PURPA, Schedule 38 and Power Purchase Agreements with Rocky Mountain Power	Docket No. 17-035-36

GLEN CANYON SOLAR'S REQUEST FOR AGENCY ACTION

I. INTRODUCTION

Pursuant to Utah Code § 63G-4-201 and Utah Admin. Code R746-1-104(2), Applicants Glen Canyon Solar A, LLC and Glen Canyon Solar B, LLC (collectively, "**Glen Canyon Solar**" or "**Applicants**") respectfully request agency action by the Public Service Commission of Utah ("**Commission**") to adjudicate existing disputes as to the rights and obligations of Glen Canyon Solar and PacifiCorp, acting in its merchant function and doing business in Utah as Rocky Mountain Power ("**RMP**"), under federal and state PURPA laws[1] governing qualifying facilities ("**QF**") and under RMP's Schedule 38, in the context of two QF Power Purchase Agreements

[1] Public Utilities Regulatory Policies Act of 1978, U.S.C.§ 824-a-3; Utah Code § 54-12-2.

between RMP and the Applicants ("**GC PPAs**") currently before the Commission for approval,[2] and the QF resources ("**GC Resources**") described in the GC PPAs.

Specifically, as discussed in more detail below, Glen Canyon Solar asks the Commission to determine that, in order to properly discharge its PURPA and Schedule 38 obligations with respect to the GC Resources, RMP must:

1. Utilize all of its existing network transmission right and resources, including planning and operational redispatch options, to avoid unnecessary and uneconomic Network Upgrades.

2. Submit a timely and appropriate transmission service request pursuant to Schedule 38, Section I.B.8.e, for the GC Resources that requests that studies done by PacifiCorp's transmission function ("**PacTrans**") include studies and analyses of all available planning and operational redispatch options designed to avoid uneconomic Network Upgrades.

3. Submit a timely and appropriate request that PacTrans perform interconnection studies for the GC Resources in a manner consistent with transmission studies that assume resource redispatch.

4. Utilize and request studies of operational redispatch options consistent with the redispatch of resources assumed in setting avoided cost prices in the GC PPAs.

[2] *See* Docket Nos. 17-035-26 and -28. This Request for Agency Action has no bearing on the Commission's consideration or approval of the GC PPAs. However, resolution of the issues presented in this Request for Agency Action is critical to completion of the projects contemplated in the GC PPAs while avoiding unnecessary and uneconomic transmission system network upgrades.

5. Avoid imprudent actions or failures to act that might trigger unnecessary, uneconomic Network Upgrades, the costs of which could fall on PacifiCorp and its customers under applicable regulations and precedent.

6. Avoid unlawful discrimination by utilizing available operational dispatch options for the GC Resources.

II. JURISDICTION

The Commission has jurisdiction over this Request for Agency Action under Utah's Public Utilities Code, Utah Code § 54-4-1, et seq. The Commission is "vested with power and jurisdiction to supervise and regulate every public utility in this state, and to supervise all of the business of every such public utility in this state, and to do all things, whether herein specifically designated or in addition thereto, which are necessary or convenient in the exercise of such power and jurisdiction . . . ."[3] In addition, the Commission has authority to determine and order "just, reasonable, or sufficient rates, fares, tolls, rentals, charges, classifications, rules, regulations, practices, or contracts."[4] In furtherance thereof, the Commission may: "conduct an investigation" if "necessary to secure compliance with this title or with an order of the commission;" if it "is in the public interest;" or if it may affect "any schedule, classification, rate, price, charge, fare, toll, rental, rule, regulation, service, or facility of any public utility."[5]

Moreover, under Utah Code § 54-12-2(2), the Commission is required to "establish reasonable rates, terms, and conditions for the purchase or sale of electricity or electrical generating capacity, or both, between a purchasing utility and a qualifying power producer," and

[3] Utah Code § 54-4-1.
[4] *Id*., § 54-4-4.
[5] *Id*., § 54-4-2(1).

to establish procedures by which QFs can sell power to purchasing utilities. The Commission is authorized to "adopt further rules which encourage the development of small power production and generation facilities.[6] Pursuant to this authority, the Commission approved RMP's Schedule 38, which specifies the procedures for QF power purchase and interconnection agreements. RMP is required to follow the Schedule 38 procedures and the Commission is empowered to enforce them.

III. FACTUAL BACKGROUND[7]

QF Interconnection Service and Transmission Service Process Background

1. Two complicated and interrelated processes governed by the PacifiCorp Open Access Transmission Tariff ("**OATT**"), FERC Electric Tariff Volume No. 11, Updated February 13, 2017, are involved in adding a large QF to the PacTrans system: an interconnection request ("**Interconnection Request**"), which is focused on the interconnection and the interconnection customer (the QF); and a transmission service request ("**TSR")**, which is focused on transmission and the transmission customer (RMP).

2. Section IV of the OATT governs an Interconnection Request. It contemplates studies of a new generation resource as either or both of an energy resource or a network resource. As requested and appropriate, PacTrans must participate in scoping meetings and prepare interconnection studies, which may include an initial feasibility study, a system impact study ("**SIS**") and/or a facilities study, relating to the requested interconnection. The studies of

[6] *Id*.
[7] These background facts are offered to illustrate the nature of the issues as to which Commission adjudication is needed. Applicants will offer factual and expert testimony and briefs in support of its facts and arguments at the appropriate times, consistent with the schedule approved by the Commission in this docket.

an energy resource focus on the cost of facilities required to interconnect the QF ("**Interconnection Costs**"). Studies for a network resource include analysis of Interconnection Costs, as well as an initial analysis of network transmission facility upgrades ("**Network Upgrades**")[8] that may be necessary to support the firm transmission service that the transmission customer—RMP—will later request through a TSR for the QF Resource to become a designated network resource ("**DNR**") under RMP's network operating agreement with PacTrans.

3. The TSR process is governed by Section III of the OATT. The TSR process is separate and distinct from Interconnection Request process, although the studies performed and the results of the Interconnection Request process inform the TSR process. The TSR process includes additional studies, including a transmission SIS. As discussed below, as part of the TSR process, the transmission customer—RMP—can direct PacTrans to study various options.

4. Of particular relevance here, RMP, as the transmission customer submitting a TSR, is authorized to direct PacTrans to study potential options and impacts of various forms of

[8] "Interconnection Facilities" and "Network Upgrades" are distinct; both terms are defined in Section 36 of the OATT. "Interconnection Facilities" include "all facilities and equipment between the Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Generating Facility to the Transmission Provider's Transmission System. *Interconnection Facilities are sole use facilities and shall not include . . . Network Upgrades*." (OATT § 36, "Interconnection Facilities" (emphasis added)). "Network Upgrades" are "the additions, modifications, and upgrades to the Transmission Provider's Transmission System required *at or beyond the point at which the Interconnection Facilities connect to the Transmission Provider's Transmission System* to accommodate the interconnection of the Large Generating Facility to the Transmission Provider's Transmission System. (OATT § 36, "Network Upgrades" (emphasis added)). *See also Nevada Power Company*, 113 FERC. ¶ 61,007, 61,014-16 (FERC 2005) (finding that "[t]he network begins at the point where the interconnection facilities connect to the transmission system, not somewhere beyond that point." "Due to the integrated nature of the transmission grid, upgrades at or beyond the point where a customer connects to the grid benefit all users of that grid. Thus, we have rejected the direct assignment of grid facilities [costs] at or beyond the point where a customer connects to the grid").

planning and operational redispatch ("**Redispatch**") available under its network operating agreement with PacTrans and Section 32.3 of the OATT[9] to avoid unnecessary Network Upgrades when a QF is added as a DNR at an interconnection point with no remaining available transmission capacity ("**ATC**"). These redispatch options allow PacTrans and RMP to operate resources such that the QF can be designated as a network resource and RMP can purchase the QF's full output and transmit it to load, while at the same time avoiding the need to construct certain Network Upgrades. In other words, the Redispatch protocols allow a utility to fulfill its PURPA obligations to the QF, while also satisfying the customer indifference standard by ensuring that customers will not pay for unnecessary and uneconomic Network Upgrades.

Glen Canyon Solar's QF Resources

5. In early 2015, sPower, began development efforts for a 380 megawatt ("**MW**") solar facility in Kane County, Utah, in the Four Corners area, including initiation of discussions with RMP regarding the purchase of energy from the project and with PacTrans regarding interconnection of the project into PacTrans' Sigurd-to-Glen Canyon 230 kV transmission line ("**Sigurd-GC Line**").

6. After sPower was informed by PacTrans in an Interconnection Request scoping meeting that the Sigurd-GC Line has a total line capacity of less than 380 MW, sPower downsized its project to 240 MW and asked PacTrans to prepare an interconnection SIS for the non-QF project, with an option to later convert to QF projects.

7. The interconnection SIS prepared by PacTrans for the 240 MW non-QF project estimated approximately $15 million of Interconnection Costs. In addition, it estimated costs of

[9] RMP's Redispatch rights and options are described in detail in paragraphs 15-22, below.

nearly $400 million for significant Network Upgrades that would be required for firm network transmission service for the output of the non-QF resource.

8. In response, sPower withdrew its 240 MW request and its subsidiary, Glen Canyon Solar, submitted new interconnection and QF pricing requests. Initially, Glen Canyon Solar submitted requests for a combined total capacity of 136 MW, but they were later revised down to 95 MW in light of avoided cost pricing information from RMP which confirmed that RMP owns 95 MW of firm network transmission rights on the Sigurd-GC Line that can be used by RMP to transmit and utilize energy from the GC Resources ("**GC Energy**") without curtailment.[10]

9. The Total Transfer Capacity ("**TTC**") of the Sigurd-GC Line is 300 MW south to north,[11] the path is fully subscribed and there is no remaining ATC.[12] RMP holds 95 MW of long-term firm network integration transmission service rights on this path. That is, of the 300 MW of TTC, RMP has 95 MW of firm network transmission rights on the path.[13] RMP's 95 MW of transmission rights are sufficient to allow RMP to transmit, from the point of

[10] The avoided cost pricing provided by RMP for the 136 MW proposal indicated that transmission constraints would require curtailment for deliveries exceeding 95 MW as a result of RMP's limited transmission rights on the path.

[11] TTC represents the megawatts of electric energy that can be moved or transferred reliably from one area to another through transmission lines (or paths) between those areas. See OATT, Attachment C, P. 261.

[12] ATC is a measure of a transmission path's remaining transfer capability for incremental commercial activity above and beyond already committed uses. *See* OATT, Attachment C, P. 260. PacTrans is responsible for making ATC available in a fair and non-discriminatory manner under its OATT.

[13] Of the remaining 205 MW of TTC on the Path, 190 MW are allocated to the Western Area Power Administration's Colorado River Storage Project, with the remaining 15 MW reserved for a transmission reliability margin.

interconnection of the GC Resources to RMP's load, all of the GC Energy. Indeed, the GC Resources were sized to match exactly RMP's available rights.

10. The GC PPAs were executed on or before May 1, 2017. Under Schedule 38, RMP is required to submit a TSR for the GC Resources within seven days of the date the PPAs are executed or otherwise as early as practicable based on applicable procedures in the OATT.[14] RMP's existing 95 MW of transmission rights on the relevant path, particularly when coupled with available Redispatch options (RMP's relevant existing network transmission rights and Redispatch options are collectively referred to herein as the "**Existing RMP Transmission Rights**"), match precisely the capacity of the GC Resources. Assuming RMP submits appropriate study requests, most or all of the extensive, costly Network Upgrades reflected in the interconnection SIS for the larger non-QF project should not be needed for the QF GC Resources.

11. Glen Canyon Solar has requested a new interconnection SIS from PacTrans for the 95 MW QF GC Resources; the reports have not yet been completed. Glen Canyon Solar has asked PacTrans to confirm that the interconnection SIS for the GC Resources will reflect the assumption that RMP will use Existing RMP Transmission Rights, allowing avoidance of most or all of the Network Upgrades reflected in the interconnection SIS for the larger, non-QF project. PacTrans has indicated that it will do so, but only if RMP provides written confirmation that it will use Existing RMP Transmission Rights for the GC Resources and that Redispatch options should be studied and used.

[14] RMP Schedule 38, § II.B, at Sheet 38.10.

12. Glen Canyon Solar has asked RMP on several occasions to provide the written confirmations requested by PacTrans, but RMP has refused to do so, claiming that it has no obligation to use Existing RMP Transmission Rights or to request studies using Redispatch for the GC Resources. It is not clear whether a TSR, and particularly an appropriate TSR that requests a study of Redispatch options, has been submitted by RMP to PacTrans.[15]

13. The TSR process required by Schedule 38 is a critical step in the QF process, in that it provides the specific mechanism through which RMP can request studies of all available transmission options for adding a QF DNR at a location with limited or no ATC while avoiding unnecessary and uneconomic Network Upgrades.

14. It is also critical for RMP to request that PacTrans' interconnection studies for the GC Resources reflect the same Redispatch assumptions used in the TSR studies (and the avoided cost studies, as discussed in paragraphs 23-29, below). In other words, if the TSR studies indicate that uneconomic upgrades can be avoided through Redispatch, the interconnection studies must also reflect consistent avoidance of uneconomic upgrades.

Redispatch Options

15. Under Section 32.3 of the OATT, transmission customers have the right to utilize various Redispatch options to accommodate a new network resource even in the absence of ATC. That section provides, in relevant part:

[15] TSR reservations reflected in the PacifiCorp Transmission Open Access Same-Time Information System (OASIS) on June 7, 2017 indicate that the status of a TSR for the GC Resources is "Withdrawn." In any event, to Applicants' knowledge, RMP has not backed away from its refusal to use Available RMP Transmission Rights or to request studies of available Redispatch options, even if DNR status for the GC Resources cannot otherwise be obtained without triggering the need for uneconomic Network Upgrades.

> Upon receipt of an executed System Impact Study Agreement, the Transmission Provider will use due diligence to complete the required System Impact Study within a sixty (60) day period. The System Impact Study shall identify (1) any system constraints, identified with specificity by transmission element or flowgate, (2) ***redispatch options (when requested by an Eligible Customer)*** including, to the extent possible, an estimate of the cost of redispatch….[16]

16. On December 24, 2014, PacifiCorp filed for FERC acceptance ("**FERC NOA Filing**")[17] a proposed amendment ("**NOA Amendment**") to the Network Operating Agreement (as amended, the "**NOA**") between PacTrans and RMP. The FERC NOA Filing sought confirmation that, under the NOA Amendment, PacTrans could, consistent with the Redispatch options contemplated by Section 32.3 of the OATT, "grant additional Designated Network Resource ("DNR") applications on behalf of [RMP] **in order to enable firm delivery from QFs even in the absence of [ATC]**," so long as RMP agreed to operate within identified system limits.[18] The FERC NOA Filing cited a need for additional flexibility for managing RMP's other network resources in order to secure DNR status from PacTrans for QF projects in constrained areas so as to avoid "the construction of uneconomic Network Upgrades."[19]

17. The circumstances addressed in the FERC NOA Filing and NOA Amendment regarding QF purchases at a point with no ATC are precisely the circumstances faced by RMP with respect to the GC Resources.

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[16] OATT, § 32.3, P. 111 (emphasis added).
[17] Relevant portions of the FERC NOA Filing, including an attachment showing in redline the proposed and accepted amendments to the NOA, are attached hereto as Exhibit 1.
[18] FERC NOA Filing at 1 (emphasis added).
[19] *Id*. at 3 (citing difficulties that arise given (1) PacifiCorp's "obligation under PURPA to purchase, and make firm transmission arrangements for, QF power," (2) FERC precedent that could be read to preclude PacifiCorp from granting DNR status to a QF "where there is zero ATC," and (3) "FERC policies that obligate a transmission provider to build transmission to accommodate firm transmission service requests, including new DNR requests, in constrained areas").

18. PacifiCorp's stated purpose in requesting approval of the NOA Amendment was to confirm that RMP could "meet its PURPA must-take obligations by providing firm transmission service to deliver QFs, while at the same time avoiding the need to undertake potentially uneconomic transmission expansions."[20]

19. The FERC NOA Filing, PacifiCorp represented that the referenced operational Redispatch is appropriately characterized as a "form" of the "planning redispatch" contemplated by Section 32.3 of the OATT.[21] It explained that this variant of planning redispatch "involves an individual network customer [RMP] agreeing to operate within certain limits because there is insufficient capacity to accommodate all of the DNRs without limitation."[22]

20. The FERC NOA Filing explained that, while the traditional form of planning redispatch creates additional ATC through altered flows, under the operational variant of Redispatch RMP will operate its network resources within certain operational limits in constrained areas, and is "more akin to replacement or alternate resources."[23] The filing noted that this form of Redispatch is nevertheless properly characterized as a form of "planning redispatch," because "both approaches favor the efficient redispatch of resources over time-consuming and expensive network upgrades."[24] PacifiCorp also noted that this form of Redispatch remained "within the current OATT construct and study processes."[25]

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[20] *Id*. at 2.
[21] *Id.* at 8 ("PacifiCorp believes it is appropriate to characterize the proposed operational practice as a form of planning redispatch.").
[22] *Id*.
[23] *Id*.
[24] *Id*.
[25] *Id.* at 8 n.25.

21. FERC accepted the Amended NOA and, in a May 21, 2015 order (the "**FERC NOA Order**"),[26] confirmed that the NOA would "allow [PacifiCorp] to accommodate QF requests in constrained areas without building uneconomic upgrades,"[27] while also limiting the impact on other network customers "by requiring [RMP] to operate its portfolio of designated network resources within its network rights and within transmission system limits."[28]

22. The FERC NOA Order also confirmed that "[FERC] precedent requires electric utilities, such as PacifiCorp, to deliver a QF's power on a firm basis and prohibits the curtailment of QF resources" except under very narrow circumstances not applicable here.[29] It further confirmed that, absent the availability of Redispatch, PacTrans and its transmission customers would be required to pay for Network Upgrades needed to accommodate QF energy.[30]

RMP's Avoided Cost Pricing Model

23. The Commission has approved the use by RMP of an in-house generation dispatch model called the Generation and Regulation Initiative Decision Tool ("**GRID"**) in calculating avoided costs for larger QF projects ("**QF Model**"). To develop avoided cost pricing, the QF Model relies on two GRID studies performed by RMP, a "base case" and a "QF project

[26] PacifiCorp Proposed Network Operating Agreement Amendment, Docket No. ER-15-741-000, ER15-741-001, 151 FERC ¶ 61,170, Order Accepting Proposed Network Operating Agreement Amendment (May 21, 2015). The FERC NOA Order is attached hereto as Exhibit 2.
[27] FERC NOA Order at 3.
[28] *Id*. at 9.
[29] *Id*. at 8.
[30] *Id*. at 9 (noting that PacifiCorp's use of operational Redispatch "would, at the same time, also allow its customers to avoid paying for network upgrades when the network upgrades are not justified by economic or reliability needs."). *See also* FERC NOA Filing at 4 (in which PacifiCorp acknowledged: "However, where the transmission system is constrained, and constraints cannot be relieved by planning redispatch, the OATT and FERC's transmission pricing policies obligate a transmission provider to build network upgrades to accommodate firm transmission service requests **and roll the cost of those network upgrades into rate base.**" (emphasis added)).

case," which builds on the base case assumptions with the addition of modeling inputs reflecting the new QF resource. By comparing the net present value revenue requirement of the two model runs, RMP determines the system value of the incremental QF energy, accounting for RMP's transmission rights and limitations and the QF's operating characteristics, location, hourly generation pattern, and resource needs, as identified in RMP's most recent IRP, and as periodically updated, among other factors. This calculated value, or avoided cost, is the price offered to a QF.

24. Transfer capabilities between transmission "bubbles" are inputs to the QF Model that reflect RMP's transmission capacity rights and constraints. To the extent transmission or operational constraints restrict the ability of a QF to deliver its full generation output to RMP customer loads—thereby avoiding generation or purchases from other RMP resources—the model curtails QF generation. As an extreme example, if a QF project is located in an area with operational or transmission constraints that will not allow the delivery of any QF output, all QF generation would be curtailed, resulting in the avoidance of no RMP resources and reducing the avoided cost price to zero. The QF Model ensures that avoided cost prices for a QF are no higher than the costs the utility actually expects to avoid, consistent with transmission and operational constraints and with PURPA's economic indifference standard.

25. The QF Model runs for the GC Resources assumed 95 MW of transmission capability south to north on the link between the Glen Canyon and Utah South transmission bubbles, at which point other available transmission links provide access to other parts of the RMP system. The QF Model's 95 MW of assumed transmission capability represents the 95 MW of Existing RMP Transmission Rights.

26. To accurately reflect RMP's ability to serve customer load with GC Energy, the QF Model runs for the GC Resources economically redispatched other RMP generation resources and adjusted sales and purchases, subject to modeling constraints. The QF Model runs for the GC Resources thus resulted in redispatch—or backing down of purchases or generation—of other available system resources, including front office transactions and generation at Hunter, Huntington, Currant Creek and Lake Side, among others. The displacement of generation or purchases from these resources forms the basis for the avoided cost pricing offered to Glen Canyon Solar.

27. RMP's QF Model conforms with key requirements of PURPA. It considers QF resources as "must take" generation, consistent with the utility's obligation to purchase QF energy on a firm basis. It also satisfies the PURPA obligation of customer indifference, as QF pricing is set at precisely the level of costs that the model indicates can be avoided by RMP. Furthermore, the GRID model is consistent with the PURPA requirement that the public utility, and not the QF, is responsible for delivering and using QF energy beyond the point of interconnection, by assuming the use of the 95 MW of Existing RMP Transmission Rights—effectively treating the QF project as a DNR whose dispatch is prioritized in front of non-QF DNRs.

28. RMP's avoided cost pricing runs for the GC Resources are also consistent with the Redispatch Options of the NOA, which allow firm receipt and use of QF resources even without ATC at a delivery point. Since there is no remaining ATC on the relevant path, the GC Resources illustrate precisely why the use of Redispatch as contemplated in the NOA Amendment is prudent and necessary, as it alleviates the need for RMP, and by extension its

ratepayers, to fund expensive, uneconomic Network Upgrades, while also satisfying RMP's PURPA obligations.

29. The redispatch of other available resources reflected in the QF Model for the GC QFs should also be reflected in any studies conducted for these QFs. By contrast, such redispatch assumptions would not be reflected in studies for a non-QF resource. Despite the clear distinction between QF and non-QF resources seeking network transmission service, RMP is attempting to force PacTrans to prepare studies for the QF GC Resources without any consideration of the Redispatch of resources assumed in the QF Model and permitted under the OATT and the NOA, and that is necessary for RMP to satisfy its PURPA obligations. Indeed, RMP has gone so far as to predict that the studies for the GC Resources will show a need for costly Network Upgrades, and to indicate that RMP wishes to directly assign these costs to Applicants as part of Interconnection Costs.[31] It is clearly inconsistent with Schedule 38, the OATT, the NOA, and FERC precedent for QF resource studies to be conducted under the same assumptions (e.g. no Redispatch) as for non-QF resources, or for Network Upgrade costs to be assigned to a QF as part of Interconnection Costs.

[31] *See* Docket No. 17-035-25 (in which RMP incorrectly claims that the Network Upgrades identified for a non-QF resource are representative of Network Upgrades for a QF resource, and asks the Commission to "clarify" that Network Upgrade costs are "interconnection costs" directly assignable to QFs).

IV. REQUEST FOR AGENCY ACTION

A. TO PROPERLY DISCHARGE ITS PURPA AND SCHEDULE 38 OBLIGATIONS WITH RESPECT TO THE GC RESOURCES, RMP MUST UTILIZE ALL OF ITS EXISTING NETWORK TRANSMISSION RIGHTS, INCLUDING PLANNING AND OPERATIONAL REDISPATCH OPTIONS, TO AVOID UNNECESSARY AND UNECONOMIC NETWORK UPGRADES.

In light of the 95 MW of Existing RMP Transmission Rights identified in the avoided cost model runs for the Glen Canyon QF Resources, no Network Upgrades should be required for RMP to receive and transmit the GC Resources to load.[32] Under Schedule 38, interconnection and transmission requests for QF projects exceeding 20 MW, including both of the GC Resources, are processed pursuant to the OATT.[33] Section 32.3 of the OATT authorizes RMP, as the transmission customer, to request analyses of all available Redispatch options to accommodate a new QF network resource, even in the absence of ATC, to avoid triggering the need for uneconomic Network Upgrades.[34]

RMP's NOA specifically permits the use of both planning and operational Redispatch to avoid uneconomic Network Upgrades. Indeed, the NOA Amendment was specifically targeted at the very circumstances presented by the GC Resources—where lack of ATC might otherwise require uneconomic Network Upgrades to secure DNR designation from PacTrans for a QF resource. These Redispatch options are available precisely to allow RMP to satisfy its PURPA obligations to purchase and deliver QF output on a firm basis while also maintaining customer

[32] As noted above, the fact that the GC Resources exactly match the size of the Existing RMP Transmission Rights is not coincidental. Glen Canyon Solar downsized the GC Project in order to match those rights.

[33] Schedule 38, § II.B., at Sheet 38.10 ("For interconnections greater than twenty (20) megawatts, the Company will process the interconnection application through PacifiCorp Transmission Services generally following the procedures … described in the Company's Open Access Transmission Tariff").

[34] OATT, § 32.3, P. 111.

indifference. RMP cannot properly discharge its PURPA or Schedule 38 obligations without requesting studies of, and then using, available Redispatch options.

RMP must request analyses of all available Redispatch options in any PacTrans studies for the GC Resources because, as explained in more detail below, (1) RMP is obligated to provide firm transmission service to deliver the GC Energy to load; (2) the OATT, the NOA, and FERC precedent require the costs of Network Upgrades be borne by the transmission customer—RMP—and not the QF; (3) the use of available Redispatch options is anticipated to avoid the need for Network Upgrades; and (4) the GC PPAs include avoided cost prices that fully reflect the financial impacts of the operational redispatch of RMP's resources.

1. PURPA Obligates RMP to Provide Firm Transmission Service to Deliver QF Output to Load.

Clear PURPA and FERC precedent require public utilities to purchase and deliver QF output on a firm basis (i.e., the utility may not curtail QF output except under very limited operational or emergency circumstances).[35] Indeed, "[FERC] has specifically held that: (1) the QF's obligation to the purchasing utility is limited to delivering energy to the point of interconnection …; and (2) the QF is not required to obtain transmission service, either for itself or on behalf of the purchasing utility in order to deliver its energy from the point of interconnection with the purchasing utility to the purchasing utility's load."[36]

As the purchasing utility, RMP is obligated to secure transmission service necessary to deliver a QF's output to load or otherwise manage that output in accordance with PURPA and

[35] *See e.g. Pioneer Wind Park I, LLC*, 145 FERC ¶ 61,215, at P. 38 (2013) ("*Pioneer Wind Park*"); *Entergy Servs. Inc.*, 137 FERC ¶ 61,199 at PP. 52-58 (2011).
[36] *Pioneer Wind Park*, at P. 38 (2013).

FERC precedent.[37] As specified in Schedule 38, the OATT provides the procedures that RMP must follow to designate a QF over 20 MW as a network resource.[38] RMP, as a network customer, has existing transmission rights on the PacTrans system and can and must utilize those rights in requesting designation of a QF resource as a new DNR in order to deliver the QF's output to load.[39]

A request by RMP for DNR designation of a QF resource triggers a system impact study by PacTrans to identify:

> (a) Any system constraints, identified with specificity by transmission element or flowgate;
>
> (b) Redispatch options (when requested by an Eligible Customer [RMP]) including, to the extent possible, an estimate of the cost of redispatch;
>
> (c) Available options for installation of automatic devices to curtail service (when requested by an Eligible Customer [RMP]); and
>
> (d) Additional Direct Assignment Facilities or Network Upgrades required to provide the requested service.[40]

For a network customer like RMP, a study of Redispatch options "shall (1) identify all resources located within the Transmission Provider's Control Area that can significantly

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[37] *Pioneer Wind Park I, LLC*, at P. 38 n.73 (noting that "PacifiCorp will be the transmission customer, taking delivery of the QF's output at the point of interconnection . . . and with the resulting responsibility to transmit [the QF's] output from the point of interconnection . . . across PacifiCorp's transmission system to PacifiCorp's loads."). *See also* FERC NOA Filing at 4 (admitting that "PURPA obligates a utility to purchase, and make firm transmission arrangements for, a QF's power.").

[38] Schedule 38, § II.B. *See also* OATT, Attachment N, Large Generator Interconnection Agreement, Section 4.1.2.2 (Transmission Delivery Service Implications).

[39] *See e.g.* OATT, Section 30.2, Designation of New Network Resource.

[40] OATT, Section 32.3, System Impact Study Procedures.

contribute toward relieving the system constraint and (2) provide a measurement of each resource's impact on the system constraint."[41] If PacTrans has information about whether any resource outside its control area could relieve the constraint, it must also identify those resources in the SIS.[42]

2. Existing Protocols Allow RMP to Fulfill its PURPA Obligations Without Triggering Unnecessary and Uneconomic Network Upgrades.

As a transmission network customer, RMP is required to operate its network resources pursuant to its NOA.[43] To the extent ATC is unavailable and transmission constraints cannot be relieved through planning redispatch, the NOA provides an operational redispatch option that allows RMP to Redispatch other network resources to make transmission capacity available to deliver QF energy to load on a firm basis.[44]

In requesting FERC approval of the NOA Amendment, PacifiCorp explained that the amendment was necessary to allow RMP, as the network transmission customer for QF resources, to decline to execute an agreement for Network Upgrades *but still receive a DNR designation* by managing the new DNR (e.g. the GC Resources), along with the rest of its DNRs, within all relevant limitations.[45] FERC approved the NOA Amendment as consistent with PURPA because it "obligate[s] [RMP] to curtail the schedules of [RMP's] non-QFs before the schedules of any QFs during normal operating conditions,"[46] while also allowing PacifiCorp's transmission customers—including RMP—to avoid paying for uneconomic Network

[41] *Id*.
[42] *Id*.
[43] OATT, Section 35.2, Network Operating Agreement.
[44] NOA Amendment, Section 8 (attached to the FERC NOA Filing included as Exhibit 1 to these Comments).
[45] FERC NOA Order at ¶¶ 5-6.
[46] *Id*., ¶ 27.

Upgrades.[47] In other words, the NOA allows RMP to meet is PURPA must-take obligations and provide firm transmission service for QF energy, while at the same time satisfying PURPA's customer indifference mandate.[48]

In filings with the Commission in another docket, RMP has asserted that the NOA is not intended to avoid Network Upgrades for QF resources.[49] This claim is disingenuous and is directly contradicted by PacifiCorp's representations to FERC in requesting approval of the NOA Amendment. In the FERC NOA Filing, PacifiCorp represented that the NOA Amendment was specifically intended to allow it to satisfy its PURPA obligations by securing DNR status for QFs through the use of Redispatch options even in the absence of ATC.[50] The OATT, the FERC NOA filing and the NOA Amendment all make it clear that RMP must utilize available planning

[47] *Id*., ¶ 28.
[48] *Id*., ¶ 28 (noting that the NOA Amendment would "allow [RMP's] customers to avoid paying for network upgrades when the network upgrades are not justified by economic or reliability needs.").
[49] *See In the Matter of PacifiCorp d/b/a Rocky Mountain Power's Request for a Declaratory Ruling Regarding Allocation of Interconnection Costs Under the Public Utility Regulatory Policies Act*, Docket No. 17-035-25, Request for Declaratory Ruling at 24 n.54 (asserting that NOA redispatch protocol merely permits RMP, acting as transmission customer, to "manage transmission constraints" by allowing it to back down its own resources to avoid transmission upgrades and that the protocol "is not intended as a tool for QFs to avoid upgrades required for interconnection service").
[50] *See* FERC NOA Filing at 1 ("The instant NOA amendment proposes a narrow, customer-specific operational solution to enable PacifiCorp to continue fulfilling its Public Utility Regulatory Policies Act of 1978 ('PURPA') mandatory purchase obligation and complying with the Commission's open access policies when qualifying facilities ('QF') are constructed in constrained areas of PacifiCorp's transmission system."); *id.* at 2 ("[T]he NOA Amendment simply allows PacifiCorp to meet its PURPA must-take obligations by providing firm transmission service to deliver QFs, while at the same time avoiding the need to undertake potentially uneconomic transmission expansions."); *id*. at 7 (stating that the NOA Amendment would permit PacifiCorp to avoid transmission service network upgrades because it would "provide [PacTrans] the ability to grant additional DNRs even where there is zero ATC available, and provide [RMP] the option to manage its DNRs within existing transmission system limits").

and operational Redispatch options in order to meet its PURPA obligations and avoid the cost of unnecessary Network Upgrades.

3. Network Upgrades Costs Are Not Interconnection Costs And Network Upgrade Costs Cannot Lawfully Be Assigned To Utah QFs As Interconnection Costs.

Beyond the fact that the OATT and NOA should eliminate the need for construction of any significant Network Upgrades for the GC Resources, under the OATT and FERC precedent, the costs of any Network Upgrades required for a public utility to utilize QF energy are borne by transmission customers—including RMP. Including network upgrades costs as "Interconnection Costs" or assigning such costs to a QF would violate governing laws and precedent.[51]

RMP's Schedule 38 requires that interconnection and transmission arrangements for QFs larger than 20 MW must be processed under the OATT.[52] The OATT, in turn, assigns Interconnection Costs to the interconnection customer—the QF—and Network Upgrade costs, subject to credits and refunds available under the OATT, to network customers—RMP.[53] The

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[51] Pursuant to Utah Admin. Code R746-312-10(2)(g)(v), Interconnection Costs and distribution system upgrade costs for a Utah QF of 20 MW or less that connects to a distribution system can be assigned to the QF. No applicable comparable regulations exist for larger Utah QFs connecting to a transmission system.

[52] Schedule 38, § II.B., at Sheet 38.10.

[53] *See e.g.* OATT, Sections 32.3 and 32.4; OATT Attachment N, Large Generator Interconnection Agreement, Section 4.1.2.2, Transmission Delivery Service Implications ("The provision of Network Integration Transmission Service or firm Point-to-Point Transmission Service may require additional studies and the construction of additional upgrades. Because such studies and upgrades would be associated with a request for delivery service under the Tariff, cost responsibility for the studies and upgrades would be in accordance with FERC's policy for pricing transmission delivery services"); *see also* FERC Order 2003, 104 FERC ¶ 61,103 at P. 21 ("[FERC's] interconnection cases have drawn the distinction between Interconnection Facilities and Network Upgrades. Interconnection Facilities are found between the Interconnection Customer's Generating Facility and the Transmission Provider's Transmission System. [FERC] has developed a simple test for distinguishing Interconnection Facilities from Network Upgrades: Network Upgrades include only facilities at or beyond the point where the

clear distinction drawn by the OATT and FERC between Interconnection Costs and Network upgrade costs[54] is particularly important when, as here, the interconnection customer is not also the transmission customer. Because RMP—not the QF—is the transmission customer, Network Upgrades required to deliver the interconnecting QF's output to load are paid for by RMP, subject to reimbursement according to FERC policy (e.g. on a dollar-for-dollar basis, as credits against payments for transmission services that would otherwise be paid for by RMP).[55]

Here, however, the GC Resources were specifically sized to avoid curtailment and Network Upgrades—both to avoid the need for anyone to pay unnecessary upgrade costs, and because the QF Model would have reflected no incremental avoided cost value for energy in excess of the Existing RMP Transmission Rights. RMP need only follow existing rules and procedures for interconnecting a large QF by submitting appropriate requests for studies that include Redispatch options and designation of the GC Resources as DNRs. By managing RMP's other DNRs in the manner assumed in setting avoided cost prices for the GC Resources, the entire output of the GC Resources can be transmitted by RMP to its load without triggering the

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Interconnection Customer's Generating Facility interconnects to the Transmission Provider's Transmission System. [FERC] has made clear that Interconnection Agreements are evaluated by [FERC] according to the just and reasonable standard. Most improvements to the Transmission System, including Network Upgrades, benefit all transmission customers, but the determination of who benefits from such Network Upgrades is often made by a nonindependent transmission provider, who is an interested party. In such cases, [FERC] has found that it is just and reasonable for the Interconnection Customer to pay for Interconnection Facilities but not for Network Upgrades. Agreements between the Parties to classify Interconnection Facilities as Network Upgrades, or to otherwise directly assign the costs of Network Upgrades to the Interconnection Customer, have not been found to be just and reasonable and have been rejected by [FERC].").

[54] *See e.g.* OATT, Part IV, Section 36, Interconnection Facilities ("Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades.").

[55] See e.g. FERC Order 2003 at P. 22.

need for unnecessary and uneconomic Network Upgrades, the cost of which would be rolled into transmission rates and be borne by RMP or its customers.

4. Avoided Cost Prices in the GC PPAs Reflect All Financial Impacts Of Resource Redispatch As Needed For The GC Resources.

Avoided cost prices included in the GC PPAs reflect all financial impacts to RMP of operational resource redispatch as needed for RMP to utilize the GC Energy and, consistent with PURPA, maintain the customer indifference standard. Avoided cost prices are adjusted accordingly when modeling constraints prevent QF Energy from serving load or prevent other resources from being backed down, or redispatched. The QF Model is self-correcting in that avoided cost prices are reduced, potentially to zero, for a QF project located in a transmission constrained area. The QF Model thus ensures that avoided cost prices are no higher than the costs the utility expects to avoid as a result of the incremental generation from the QF project, maintaining customer indifference.

The 95 MW of transmission capability reflected in the QF Model runs for the GC Resources represents the Existing RMP Transmission Rights, and associated modeling results confirm that RMP can utilize GC Energy with its existing network transmission rights. The resource redispatch modeled in GRID exemplifies the very Redispatch contemplated in the NOA Amendment. Having assumed redispatch of resources in setting avoided cost prices, RMP must now request consistent studies from PacTrans based on the use of Existing RMP Transmission Rights that include Redispatch.

The same transmission rights and assumptions—including redispatch—used in setting avoided cost prices for the GC Resources must also be utilized in studies by PacTrans and in connection with obtaining DNR status for the GC Resources. They must also be used in real

time for RMP to efficiently dispatch resources and realize the modeled savings. It is inconsistent with PURPA to determine avoided cost prices assuming resource redispatch but then refuse to utilize Redispatch when submitting a TSR. Failure by RMP to ask PacTrans to study Redispatch options could lead to the purported need for significant Network Upgrades that could be avoided through the Redispatch of resources assumed when RMP calculated avoided cost prices for the GC Resources.

The OATT, the NOA, Schedule 38 and the QF Model all assume and require the satisfaction of RMP's PURPA obligations to QFs and customers through the use of Existing RMP Transmission Rights, including Redispatch, for QF projects. In connection with its TSR for the GC Resources, RMP must request a consistent TSR SIS and interconnection SIS that reflect all available Redispatch options. Failure to do so would be highly imprudent and, under applicable OATT and FERC precedent, result in costly Network Upgrades, the cost of which would be passed back to RMP and, but for the potential availability of regulatory orders disallowing recovery of imprudently incurred costs, be borne by PacifiCorp's customers, including RMP ratepayers.

B. THE COMMISSION SHOULD DIRECT RMP TO TIMELY NOTIFY PACTRANS THAT RMP WILL UTILIZE EXISTING RMP TRANSMISSION RIGHTS, INCLUDING REDISPATCH, AND TO REQUEST CONSISTENT INTERCONNECTION AND TRANSMISSION STUDIES FOR THE GC RESOURCES TO AVOID UNNECESSARY NETWORK UPGRADES.

Glen Canyon Solar respectfully asks the Commission to find that RMP is required to use Existing RMP Transmission Rights, including Redispatch options, in purchasing and transmitting GC Energy. RMP should thus be directed to submit appropriate requests to PacTrans for studies that assume the use of available Redispatch options. The very purpose of

the NOA Amendment—to avoid uneconomic Network Upgrades for QFs in areas with limited ATC—would be thwarted by any failure of RMP to do so. FERC found the NOA Amendment to be consistent with RMP's PURPA obligations because it "allows [PacifiCorp's] customers to avoid paying for network upgrades when the network upgrades are not justified by economic or reliability needs."[56] RMP must utilize the rights and procedures contemplated by Schedule 38, Section 32.3 of the OATT, the Amended NOA and PURPA.

Because uneconomic Network Upgrades associated with the GC PPAs can be avoided through Redispatch, RMP must notify PacTrans of its intent to do so and of its request for studies that assume the use of Redispatch. Otherwise, RMP will deliberately trigger PacTrans reports that will likely require avoidable and uneconomic Network Upgrades, with the apparent hope that those costs can be assigned to the GC Resources as Interconnection Costs. Doing so would not only be highly imprudent and improper—particularly given OATT and FERC requirements that impose such costs on PacifiCorp and its customers—but would also violate RMP's PURPA and Schedule 38 obligations.[57]

The Commission has jurisdiction over RMP and its compliance with PURPA and Schedule 38. Glen Canyon Solar respectfully asks the Commission to direct RMP, in securing network transmission rights for the GC Resources, to utilize Existing RMP Transmission Rights, including all available Redispatch options permitted by the NOA, and to request interconnection and transmission studies reflecting such use.

[56] FERC NOA Order at 8-9.
[57] Similarly, the use by RMP of Redispatch for some QF PPAs but not the GC PPAs would result in inappropriate discrimination.

V. CONCLUSION

Schedule 38, the NOA, PURPA and the QF Model all confirm the ability and obligation of RMP to utilize Existing RMP Transmission Rights, including those rights made available through Redispatch, for the GC Resources, to avoid unnecessary and uneconomic Network Upgrades. RMP can satisfy its PURPA obligations to purchase QF energy on a firm basis while maintaining ratepayer indifference only through the use of Existing RMP Transmission Rights, including Redispatch, in connection with the GC Resources.

Glen Canyon Solar respectfully asks the Commission to (1) set a scheduling conference in this docket as soon as practicable; (2) adjudicate existing disputes between RMP and Applicant relating to each party's rights and obligations under PURPA and Schedule 38 as discussed above; and (3) enter the findings and orders requested in the Introduction, above.

DATED this 7th day of June 2017.

Respectfully submitted

HATCH, JAMES & DODGE, P.C.

By: 

Gary A. Dodge
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Certificate of Service
Docket No. 17-035-36

I hereby certify that a true and correct copy of the foregoing was served by email this 7th day of June 2017 on the following:

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/s/

Exhibit 1

[FERC NOA Filing, Including Attachment Showing NOA Amendment]

PACIFICORP

Pacific Power |
Rocky Mountain Power
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December 24, 2014

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

RE: *PacifiCorp*
Network Operating Agreement Amendment, Docket No. ER15-___-000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA")[1] and Part 35 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") Rules of Practice and Procedure,[2] PacifiCorp hereby submits a proposed amendment to the Network Operating Agreement ("NOA") between PacifiCorp Transmission and PacifiCorp Energy.[3] PacifiCorp respectfully requests an effective date of 60 days after the date of filing, or February 22, 2015.

I. Executive Summary

The instant NOA amendment proposes a narrow, customer-specific operational solution to enable PacifiCorp to continue fulfilling its Public Utility Regulatory Policies Act of 1978 ("PURPA") mandatory purchase obligation and complying with the Commission's open access policies when qualifying facilities ("QF") are constructed in constrained areas of PacifiCorp's transmission system. In particular, the NOA amendment would allow PacifiCorp Transmission to grant additional Designated Network Resource ("DNR") applications on behalf of PacifiCorp Energy in order to enable firm delivery from QFs even in the absence of Available Transfer Capability ("ATC"), provided that PacifiCorp Energy agrees to operate its portfolio of DNRs in the affected area within system reliability limits defined by PacifiCorp Transmission and curtail QF power last, even if that is out of economic merit order. PacifiCorp Transmission could grant such DNRs under two specific circumstances: (1) to provide a

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1 16 U.S.C. § 824d.

2 18 C.F.R. Part 35 (2014).

3 The NOA between PacifiCorp Transmission and PacifiCorp Energy is currently on file with the Commission and designated as PacifiCorp Service Agreement No. 504. *PacifiCorp*, Docket No. ER08-1424, Letter Order, dated Oct. 16, 2008.

longer-term measure until network upgrades are identified pursuant to PacifiCorp's Open Access Transmission Tariff ("OATT"), including the normal OATT Attachment K process; and (2) to provide an interim measure while previously-identified network upgrades are still being constructed.

Importantly, the proposed NOA amendment does not affect the transmission capacity reserved for any other existing PacifiCorp Transmission customer. Indeed, PacifiCorp is not proposing any modifications to its OATT, including, but not limited to, the interconnection process, the transmission service reservation process, or the transmission planning process. Rather, the NOA amendment simply allows PacifiCorp to meet its PURPA must-take obligations by providing firm transmission service to deliver QFs, while at the same time avoiding the need to undertake potentially uneconomic transmission expansions. For all of the foregoing reasons, which are discussed in more detail herein, PacifiCorp believes the proposed amendment is just and reasonable and should be approved.

II. Background

A. FERC-Approved Methodologies for Planning and Reserving Capacity for Network Customers and Determining ATC

PacifiCorp provides transmission service pursuant to its OATT, which contains Commission-approved methodologies for planning and reserving capacity for its network customers and for determining ATC. Nothing proposed herein would change those methodologies. Moreover, the NOA amendment would not diminish the transmission capacity reserved for service to any existing transmission customers. PacifiCorp will continue to plan, reserve transmission capacity, and determine ATC for its network customers, as well as serve firm their designated network loads using their DNRs in accordance with Order No. 888,[4] Order No. 890[5] and PacifiCorp's FERC-approved OATT.[6] This ensures that PacifiCorp reserves capacity equal to, but not in excess of, the

[4] *See Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, 61 Fed. Reg. 21,540 (May 10, 1996), FERC Stats. & Regs. ¶ 31,036 (1996) ("Order No. 888"), *order on reh'g*, Order No. 888-A, 62 Fed. Reg. 12,274 (Mar. 14, 1997), FERC Stats. & Regs. ¶ 31,048 (1997) ("Order No. 888-A"), *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

[5] *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009), *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

[6] *See, e.g.*, PacifiCorp OATT, Attachment C.

amount necessary to reliably serve network load.[7] PacifiCorp will also continue to identify and plan for necessary transmission system upgrades pursuant to its Order No. 1000-compliant OATT Attachment K process.[8]

The proposed operational protocol is consistent with and does not change any of these FERC-approved methodologies or any other aspect of the PacifiCorp OATT.

B. Implementation of PURPA Must-Take Obligation in Constrained Areas

When QFs site projects in constrained areas, the intersection between the utility's PURPA must-take requirement and the Commission's open access policies requires the utility to navigate:

1. **Firm transmission arrangements for QFs.** FERC regulations and precedent that state a utility has an obligation under PURPA to purchase, and make firm transmission arrangements for, QF power, as well as to keep customers indifferent to such QF purchases.
2. **Limitations on granting DNR status.** FERC precedent that does not appear to support the granting of additional DNRs where there is zero ATC; and
3. **Constructing network upgrades to accommodate new DNRs.** FERC policies that obligate a transmission provider to build transmission to accommodate firm transmission service requests, including new DNR requests, in constrained areas.

As discussed in more detail below, these requirements collectively have the potential to require the construction of uneconomic network upgrades that are needed solely to accommodate the QF power sited in the constrained area, rather than to maintain compliance with reliability requirements (including load service) or to achieve improvements where upgrades are economically justified – traditionally the primary drivers of the open access transmission planning process.[9] In addition, there is a separate but related issue of how to provide firm transmission for the QF during any interim periods when transmission upgrades have been previously identified in accordance with PacifiCorp's OATT and Commission-approved transmission planning process and are in the process of being constructed.

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[7] *See, e.g.*, Order No. 888 at p. 31,754 (addressing whether and how to set limits on the amount of network resources a customer can designate, ultimately limiting it to the resources a customer owns or commits to purchase, and noting that a transmission customer would have "an incentive not to oversubscribe its capacity requirements because the cost of excessive reserve margins will be prohibitive," which would protect the utility from having to incur costs that are out of proportion to the customer's load).

[8] PacifiCorp OATT, Attachment K; *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 76 Fed. Reg. 49,842 (Aug. 11, 2011), FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

[9] PacifiCorp recognizes that there are other considerations in the transmission planning process, but believes that reliable load service and economic considerations are the drivers most relevant to the instant proposal.

1. Firm Transmission Arrangements for QFs

PURPA obligates a utility to purchase, and make firm transmission arrangements for, a QF's power,[10] and to keep customers indifferent to such QF purchases.[11] PacifiCorp Energy has historically made these firm transmission arrangements by designating QF power purchase agreements ("PPA") as Network Resources under its Network Integration Transmission Service Agreement ("NITSA") with PacifiCorp Transmission. However, where the transmission system is constrained, and constraints cannot be relieved by planning redispatch, the OATT and FERC's transmission pricing policies obligate a transmission provider to build network upgrades to accommodate firm transmission service requests[12] and roll the cost of those network upgrades into rate base.[13]

2. Limitations on Granting DNR Status

Furthermore, Commission precedent does not appear to support the granting of new DNR requests where there is zero ATC.[14] In *Madison Gas & Electric v. Wisconsin Power & Light Company*, the Commission examined, among other issues, whether the transmission provider had acted inappropriately by granting its own merchant's request to designate a new network resource without first evaluating whether ATC was available to meet the request. The transmission provider defended its actions, arguing that "any network customer may designate network resources without regard to the amount of ATC, and that requests for network service (an initial service request or a change in a network resource for an existing service) cannot be rejected on the ground that there is no ATC."[15]

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[10] *See, e.g.*, 18 C.F.R. § 292.303 (discussing a utility's obligation to interconnect with and purchase power from QFs); *Pioneer Wind Park I, LLC*, 145 FERC ¶ 61,215 at P 38 (2013) ("*Pioneer*") (stating, for example, that the proposed curtailment provision "treats Pioneer Wind as if it is the transmission customer and it curtails Pioneer Wind as if it were a non-firm, secondary network service transmission customer that can be curtailed by PacifiCorp before any existing PacifiCorp Network Resource that was designated as a Network Resource prior to execution of the PPA between Pioneer Wind and PacifiCorp.") (emphasis added). The Commission has also stated that, once QF energy is purchased, it is the utility's responsibility to "deliver that energy to its load (or otherwise manage the energy)." *See, e.g.*, *Entergy*, 137 FERC ¶ 61,199 at P 52 (2011); *Exelon Wind*, 140 FERC ¶ 61,152 at P 50 (2012) (emphasis added). The Commission has not expanded on this statement other than to state what utilities cannot do (*e.g.*, utilities cannot treat QF purchases subordinate to tariff considerations and/or curtail QF output along with non-firm service).

[11] *See, e.g.*, 18 C.F.R. § 292.304 (a)(1)-(2) (stating that rates for QF purchases must "[b]e just and reasonable to the electric consumer of the electric utility and in the public interest; and [n]ot discriminate against qualifying cogeneration and small power production facilities. Nothing in this subpart requires any electric utility to pay more than the avoided costs for purchases.").

[12] *See, e.g.*, OATT Sections 32.3 and 32.4. These sections are discussed in more detail below.

[13] *See, e.g., Inquiry Concerning the Commission's Pricing Policy for Transmission Services Provided by Public Utilities Under the Federal Power Act*, FERC Stats. & Regs. ¶ 31,005 (1994), *clarified*, 71 FERC ¶ 61,195 (1995) (FERC's Transmission Pricing Policy).

[14] *Madison Gas & Elec. Co v. Wisc. Power & Light Co.*, 80 FERC ¶ 61,331 at 62,103-04 (1997).

[15] *Id*. at 62,103-04.

The Commission disagreed, finding that the transmission provider had confused the restrictions placed on network customers in placing requests for network service with the procedures that a transmission provider must use to evaluate its ability to provide the requested service.[16] While a customer does not need to consider ATC when deciding whether to submit a request, the Commission concluded that the determination of ATC is most certainly an element of the transmission provider's evaluation of and response to the request.[17] To that end, the Commission stated:

> When a network service application (initial or proposed modification) is received, the transmission provider must evaluate ATC and determine if it is adequate to meet the request. This analysis would properly consider whether any pending reservations were conditional. If there is adequate ATC (as was the case here once the [MG&E] conditional reservation was canceled), the request should be granted. If there is inadequate ATC, the transmission provider would perform a system study to determine what changes to the transmission grid would be required to provide the requested service. Until sufficient ATC is available to meet the request, the application could not be granted. However, we note that the resource could be used as a substitute resource, accessible to the network customer on an as available basis with a priority above all other nonfirm transmission services.[18]

Thus, a potential conflict between federal obligations arises because, on the one hand, PURPA requires a utility to purchase QF power and make firm transmission arrangements (*e.g.*, DNR status) to deliver it, even if the QF has chosen to site in a constrained area. On the other hand, Commission open access policy and precedent do not appear to support the granting of new DNRs until sufficient ATC is available to meet the request. As discussed in the next section, this appears to put the utility in the position of having to construct network upgrades in order to accommodate the PURPA-required QF firm transmission service, even if the utility would not have otherwise constructed those upgrades – certainly not for load service, reliability or because they were cost-justified.[19]

3. Constructing Network Upgrades to Accommodate New DNRs

If a DNR request is pursued where constraints are present, the OATT essentially provides two options: (1) study whether the constraints can be resolved using planning redispatch; or (2) upgrade the system to relieve the constraints.[20] The OATT does not contemplate an option under which a network customer can decline to execute a Facilities

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16 *Id*.

17 *Id*.

18 *Id* at 62,103-04. (emphasis added).

19 Indeed, simply using the QF resource "as a substitute resource, accessible to the network customer on an as available basis" (*i.e.*, secondary network service) would be inconsistent with FERC precedent that bars utilities from curtailing QFs as if they are non-firm, secondary network service transmission customers. *See Pioneer*, 145 FERC at P 38.

20 OATT Section 32.3 and 32.4.

Study Agreement but still receive a network resource designation and simply manage that new DNR along with the rest of its DNRs within its existing capacity limitations.

To that end, if planning redispatch does not resolve the constraints and the System Impact Study ("SIS") indicates that upgrades are needed to accommodate that transmission service request, OATT Section 32.4 states that PacifiCorp Transmission must tender a Facilities Study Agreement to the customer, and that "For a service request to remain a Completed Application, the Eligible Customer shall execute the Facilities Study Agreement and return it…within fifteen (15) days. If the Eligible Customer elects not to execute the Facilities Study Agreement, its Application shall be deemed withdrawn and its deposit shall be returned with interest."[21]

Building significant network upgrades that are solely to accommodate QFs and not otherwise necessary for load service or reliability nor cost-justified would seem to conflict with the PURPA customer indifference mandate, as well as run counter to FERC long-term transmission planning policies noted above. The following section describes the proposed NOA amendment, which is designed to address this conflict.

III. Proposed NOA Amendment

A number of QF resources have indicated a desire to interconnect with PacifiCorp in areas where the transmission system is constrained or has the potential to become constrained. The NOA amendment proposes a narrow, customer-specific operational solution to apply in such areas,[22] while still allowing PacifiCorp to fulfill its PURPA mandatory purchase obligation and comply with open access policies.

In particular, the new NOA provision would give PacifiCorp Transmission the right to grant additional DNR applications (QF and non-QF) in constrained areas without the construction of uneconomic network upgrades or during the interim period while approved upgrades are developed, provided that PacifiCorp Energy (as the network customer) agrees to operate its DNRs within its network rights under its NITSA and system limits defined by PacifiCorp Transmission and curtail QF power last, even if that is out of economic merit order. These proposed provisions have been developed within the construct of existing OATT study processes and concepts, *i.e.*, the existing OATT planning redispatch option.

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[21] OATT Section 32.4 (emphasis added).

[22] Transmission providers and transmission customers have flexibility with respect to the terms and conditions they decide to include in their NOA. To that end, FERC recognized in Order No. 888-A that the NOA "is expected to be a highly detailed agreement between the transmission provider and network customer that establishes the integration of the network customer within the transmission provider's transmission system. Due to the unique characteristics of network customers' systems and the level of customer-specific information and arrangements required under a network operating agreement, it is likely that each network operating agreement will be different for each customer. Accordingly, the Commission does not believe it appropriate to mandate a particular form of network operating agreement for inclusion in the *pro forma* tariff." Order No. 888-A at 30,325.

The amendment language begins by stating that where an SIS indicates that (1) upgrades are needed to relieve system constraints and accommodate PacifiCorp Energy's request to designate a new Network Resource, and (2) the delivery of QF power has caused or contributed to those system constraints, then PacifiCorp Energy can choose from two standard OATT options: (1) planning redispatch or (2) a facilities study and construction of upgrades. The proposed NOA amendment falls under the planning redispatch option.

To that end, the new NOA provision would provide PacifiCorp Transmission the ability to grant additional DNRs even where there is zero ATC available, and provide PacifiCorp Energy the option to manage its DNRs within existing transmission system limits, under two different circumstances: (1) as an interim measure while network upgrades are being constructed; and (2) as a longer-term measure where no upgrades will be constructed for purposes of accommodating the QF request(s), but may later be identified as necessary by PacifiCorp Transmission pursuant to its OATT, including in the normal Attachment K process. More specifically:

- **Section 8.1(a) - Interim planning redispatch while facilities are being constructed.** Section 8.1(a) of the NOA amendment addresses circumstances where network upgrades were previously identified as necessary pursuant to the OATT, including the Attachment K planning process, and are currently being pursued. In order to remain fully consistent with the existing OATT construct, that same section also gives PacifiCorp Energy the option to enter into a Facilities Study Agreement if the necessary upgrades have not been previously identified, and PacifiCorp Energy would like those upgrades studied and constructed. In either case, this section contemplates upgrades being constructed, and addresses the treatment of new requests and resource management in the interim.

- **Section 8.1(b) - Longer-term planning redispatch.** Section 8.1(b) addresses circumstances where network upgrades have not been previously identified pursuant to the OATT, including the Attachment K planning process, and the treatment of new requests and resource management where there is no current plan to construct upgrades.

Importantly, in either case – whether an interim or longer-term plan – the amendment would allow PacifiCorp Transmission to grant DNR applications even if there is zero ATC, so long as PacifiCorp Energy agrees to operate within identified system limits unless and until upgrades are built and constraints are relieved. Also, under either option 8.1(a) or 8.1(b), PacifiCorp will prioritize its scheduled dispatch of its DNRs in the constrained area so that schedules of non-QF resources will be limited before any QF PPA schedules as necessary to maintain identified transmission limits. This provision ensures that QFs will remain protected and PacifiCorp will remain in

compliance with its PURPA obligations to purchase and make firm delivery arrangements for QF power.[23]

Other network customers will also remain protected under the proposed protocol, as it will only address PacifiCorp Energy's network service. Indeed, PacifiCorp will continue to comply with all of the FERC-approved methodologies for planning and reserving capacity for network customers and determining ATC noted above. Importantly, the proposal will not affect any other network customer's network allocation, and all network loads will continue to be served on a firm basis. Only PacifiCorp Energy's DNRs will be subject to the proposed operating protocol, unless another network customer requests similar treatment.

PacifiCorp believes it is appropriate to characterize the proposed operational practice as a form of planning redispatch. Traditional planning redispatch contemplates a transmission provider studying whether existing resources could be delivered firm in a different manner, *i.e.*, through a redispatch that alters flows and creates additional ATC for a new service request to also be delivered on a firm basis.[24] The proposed NOA amendment involves an individual network customer (PacifiCorp Energy) agreeing to operate within certain limits because there is insufficient capacity to accommodate all of the DNRs without limitation. Thus, the DNRs in that constrained area would be more akin to replacement or alternate resources, rather than resources that can be delivered firm through a redispatch that alters flows and creates additional ATC. However, both approaches favor the efficient redispatch of resources over time-consuming and expensive network upgrades, and for that reason, PacifiCorp believes it would be appropriate to characterize its proposed resource management as a form of planning redispatch.[25]

Finally, the proposed NOA amendment includes provisions that: (1) address certain considerations that can be taken into account for the prioritizing of non-QF DNRs; and (2) clarify that the NOA planning redispatch procedures will apply during normal operating conditions, not system emergency conditions. With regard to the first, the NOA amendment notes that PacifiCorp Energy can take additional contractual obligations into account in prioritizing the planning redispatch of its non-PURPA DNRs. This language is intended to address PacifiCorp Energy's ability to consider, for example,

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[23] As noted above, the Commission has also stated that once QF energy is purchased, it is the utility's responsibility to "deliver that energy to its load (or otherwise manage the energy)." *See, e.g.*, *Entergy*, 137 FERC ¶ 61,199 at P 52 (2011); *Exelon Wind*, 140 FERC ¶ 61,152 at P 50 (2012) (emphasis added). While the Commission has not expanded on this statement other than to state what utilities cannot do (*e.g.*, utilities cannot treat QF purchases subordinate to tariff considerations and/or curtail QF output along with non-firm service), PacifiCorp believes that its proposed NOA amendment is consistent with this statement.

[24] *See, e.g.*, Order No. 890 at P 901 ("Planning redispatch is a product that Order No. 888 required transmission providers to use, in certain circumstances, to create additional transmission capacity to accommodate a request for firm transmission service.").

[25] Doing so also offers the benefit of keeping the proposal within the current OATT construct and study processes.

contractual liquidated damages provisions, when making decisions about the priority of non-QF DNRs.

With regard to the second, the NOA amendment makes it clear that the new planning redispatch procedures are different than the Reliability Redispatch Procedures discussed in Section 8.2 of the NOA, or the system emergency operations discussed in Section 307 of FERC's PURPA regulations.[26] In other words, the operations described in the NOA amendment apply during *normal* operating conditions. System emergency conditions have separate and distinct rules, including the right to curtail QF power on a nondiscriminatory basis to the extent it is contributing to the emergency – something not contemplated or addressed by this NOA amendment.[27]

IV. Communications

All communications and correspondence regarding this filing should be forwarded to the following persons:

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V. Effective Date

Consistent with 18 C.F.R. § 35.3(a)(1), PacifiCorp respectfully requests an effective date of 60 days after date of filing.

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[26] 18 C.F.R. § 292.307.

[27] Nothing in this filing or the proposed NOA amendment modifies the ability of PacifiCorp Transmission to curtail the output of a QF, in accordance with the interconnection agreement and the Commission's regulations applicable in a system emergency. The Commission's regulations define "system emergency" as "a condition on a utility's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property." 18 C.F.R. § 292.101(b)(4). In this limited emergency situation, PacifiCorp would have the right to discontinue purchases from QFs if such purchases would contribute to the system emergency. 18 C.F.R. § 292.307.

VI. Documents Submitted with this Filing; Request for Waiver

PacifiCorp is submitting the NOA amendment changes in eTariff format in accordance with the requirements of Order No. 714.[28] In addition to this transmittal letter, PacifiCorp is submitting a clean copy of the amended NOA (Exhibit A) and a redline copy of the amended NOA (Exhibit B).

To the extent necessary, PacifiCorp also respectfully requests waiver of any of the requirements in Part 35 of the Commission's regulations which have not been fulfilled by this filing.

VII. Conclusion

For the foregoing reasons, PacifiCorp respectfully requests that the Commission accept the proposed NOA amendment.

Respectfully Submitted,

/s/ Karen J. Kruse
Karen J. Kruse

Attorney for PacifiCorp

[28] *Electronic Tariff Filings*, Order No. 714, 124 FERC ¶ 61,270 (2008).

EXHIBIT B

Redline Copy of Amended NOA

PacifiCorp

NETWORK OPERATING AGREEMENT

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PACIFICORP

Network Operating Agreement
between

PacifiCorp, on behalf of its transmission function

and

PacifiCorp Energy, the merchant function of PacifiCorp

This Network Operating Agreement ("NOA"), dated as of _12/24/2014_ ~~July 24, 2008~~, is entered into by and between PacifiCorp, on behalf of its transmission function ("Transmission Provider"), and PacifiCorp Energy, the merchant function of PacifiCorp ("Network Customer"), referred to herein individually as "Party" and collectively as "Parties".

WHEREAS, Network Customer has requested and Transmission Provider has agreed to provide Network Integration Transmission Service under Part III of PacifiCorp's Open Access Transmission Tariff ("Tariff"), as it may be amended from time to time; and

WHEREAS, Network Customer and Transmission Provider have entered into a Network Integration Transmission Service Agreement ("NITSA") originally dated August 13, 1997 and revised from time to time thereafter; and

WHEREAS, the Parties wish to define the terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Part III of the Tariff.

NOW, THEREFORE, in consideration of the foregoing premises and of the benefits to be obtained from the covenants herein, Transmission Provider and Network Customer agree as follows:

Section 1. Purpose

This Agreement shall provide for the Parties to:

(i) operate and maintain equipment necessary for integrating the Network Customer within the Transmission Provider's Transmission System (including, but not limited to, remote terminal units, metering, communications equipment, and relaying equipment);

(ii) transfer data between the Transmission Provider and the Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside the Transmission Provider's Transmission System, Network Loads, interchange schedules,

unit outputs for redispatch required under Section 33, voltage schedules, loss factors and other real time data);

(iii) use software programs required for data links and constraint dispatching;

(iv) exchange data on forecasted loads and resources necessary for longterm planning; and

(v) address any other technical and operational considerations required for implementation of Part III of the Tariff, including scheduling protocols.

This Agreement shall recognize that the Network Customer shall either (i) operate as a Balancing Area under applicable guidelines of the North American Electric Reliability Corporation ("NERC"), and the Regional Reliability Organization the Western Electricity Coordinating Council ("WECC") (ii) satisfy its Balancing Area requirements, including all necessary Ancillary Services, by making arrangements with the Transmission Provider, (iii) satisfy its Balancing Area requirements, including all necessary Ancillary Services, by making alternative comparable arrangements with another entity, consistent with Good Utility Practice, which satisfies the applicable reliability guidelines of the NERC/WECC, or (iv) satisfy its Balancing Area requirements by self-providing all necessary Ancillary Services consistent with Transmission Provider requirements. The Transmission Provider shall not unreasonably refuse to accept contractual arrangements with another entity for Ancillary Services.

Section 2. Incorporation

The provisions of Part I (Common Service Provisions) and Part III (Network Integration Transmission Service) of the Tariff are incorporated herein by this reference. In the event of an actual direct conflict between any provision of this NOA and any provision of Part I or Part III of the Tariff, with respect to a matter governed by such Parts, the terms of the Tariff shall control to the extent of such conflict.

Section 3. Definitions

Capitalized terms used in this NOA shall have those definitions as contained in the Tariff, including all schedules and attachments to the Tariff and to this NOA.

Definitions other than those currently contained in the OATT or as defined by NERC and NAESB are as follows:

Data Links — A means of communications to move real time information from a substation or load point to the PacifiCorp balancing authority operations center. Examples of acceptable communications are microwave paths, leased lines, and certain radio equipment. All proposed systems and methodologies must be approved by Transmission Provider and consistent with the systems or media in use. Data Links may include Inter-Balancing Area Communication Protocol ("ICCP"), Electronic Information Data Exchange ("EIDE"), or other accepted industry methods.

Point(s) of Interconnection ("POI"): The point(s) where the load or Network Customer's conductors or those of their respective agents meet the PacifiCorp system (point-of-ownership change).

Data Acquisition or Communication and Control Equipment: All equipment, hardware, software, and telecommunications utilized to transfer information from load substations as Points of Interconnection and generation stations as Points of Interconnection to the Transmission Provider for managing the reliability of the interconnected network system.

Metering Equipment: Metering devices including potential and current transformers utilized to measure the flow of energy from the network to loads or from resources into the network.

Network Integration Transmission Service Agreement ("NITSA"): The agreement between the Transmission provider and the Network Customer for network service under Tariff.

Points of Interconnection: All load points and generation resource points as identified in the NITSA and applicable Exhibits.

Protective Equipment: All equipment utilized to protect the electrical network from transient and permanent faults including primary and back-up systems. Equipment and settings between the PacifiCorp system and Network Customer owned systems shall be studied, defined, and coordinated during the interconnection process. Any subsequent event that indicates mis-operation shall be jointly studied and modified as required to meet NERC, WECC, and industry practice.

Regional Reliability Coordinator: The entity responsible to NERC for managing the reliability of the regional network. At the present time, this entity is WECC. The Reliability Coordinator ("RC") is responsible for continually monitoring and analyzing the Western Interconnected System. They access real-time data and provide information to Balancing Authorities ("BA"), Transmission Operators ("TOP") and other entities.

Section 4. Term of Service

4.1 Term:

The requirements of this NOA shall commence on the date first written above and shall continue in effect for the life of the NITSA; except that if Network Customer maintains points of interconnection between its facilities and those of the Transmission Provider's electric system following the expiration or termination of the NITSA, this NOA shall remain effective until such points of interconnection are no longer in service or a replacement agreement governing such interconnection is executed and effective between the Parties. In no event shall this NOA terminate without a filing of and acceptance of a notice of termination with FERC. The filing of a notice of termination is the responsibility of the Transmission Provider.

Section 5. Interconnection Provisions

5.1 Points of Interconnection:

This NOA shall be applicable to system operations associated with the Points of Interconnection between the Transmission Provider and the Network Customer identified in the NITSA and applicable Exhibits.

5.2 Ownership of Facilities:

Each Party shall own and operate any electric facilities installed on its respective side of the Points of Interconnection, as defined in the NITSA.

5.3 Voltage Change:

Transmission Provider may in the future, consistent with regional planning efforts, and in its sole discretion change the voltage on its side at the Point(s) of Interconnection. Transmission Provider shall inform Network Customer of such changes as far in advance as is practical. Network Customer shall respond to Transmission Provider within 30 days of receipt of Transmission Provider's notice in order to: (1) inform Transmission Provider that Network Customer agrees to make the required modifications to its Electric System to maintain voltage compatibility at the Point of Interconnection, at Network Customer's own expense and before the effective date of the change, or (2) inform Transmission Provider that Network Customer intends to terminate the Point(s) of Interconnection. Network Customer may request a study from the Transmission Provider to change the voltage on its side of the Points of Interconnection.

Section 6. Operational Requirements

Parties acknowledge that this Section 6 is general in nature and that the Transmission Provider's specific technical and reliability related operating requirements for the interconnected system and Points of Interconnection as defined in the NITSA, current at the time of the execution of this NOA, are posted on the Transmission Provider's OASIS web site. In some instances, the parties recognize that procedures and operating requirements reflect third party interests, particularly for joint ownership arrangements and these may not all be posted on OASIS. Further, Parties acknowledge that such technical operating requirements may change from time to time. When practical, the Transmission Provider shall consult in advance with Network Customers regarding such changes. Time for implementation shall be provided if the Network Customer must complete certain actions on its side of the Points of Interconnection. Such changes shall be posted on the website and all Network Customers shall receive notice as provided in Section 15.

6.1 Standard of Operation:

Network Customer shall design, construct, operate and maintain its Electric System that is interconnected to the Transmission Provider, including any additions or modifications thereto, in accordance with:

a) Good Utility Practice;
b) all applicable reliability standards established by NERC, NAESB, WECC or any other national or regional reliability standard-setting body, as approved by FERC, and as modified from time to time;
c) Transmission Provider's *Interconnection and Operating Requirements* as posted on the Transmission Provider's OASIS and as they may be modified from time to time;
d) any of Transmission Provider's Grid Operating Procedures, as are specifically provided to the Network Customer and as may be modified from time to time, that are applicable to or may have an effect on the Network Customer's service and;
e) such design, construction, operation and maintenance shall be performed in a manner that prevents the Network Customer's electric system from adversely affecting Transmission Provider's electric system.

6.2 Integration and Protective Equipment Requirements:

Network Customer shall purchase, install, upgrade, operate, maintain and replace all Data Acquisition Equipment, Metering Equipment, Protective Equipment, data lines and/or communications services and any other associated equipment under its control, and software necessary for Network Customer to integrate into the Transmission Provider's transmission system in accordance with:

1) Good Utility Practice,
2) Transmission Provider's *Interconnection and Operating Requirements,* and
3) all applicable operating and protective requirements promulgated by NERC or WECC (including, but not limited to, Balancing Authority functions), and as are approved by FERC.

Such protective equipment may include, but is not limited to, installation, operation and maintenance of under-frequency relaying equipment, load shedding equipment and voltage reduction equipment.

Prior to installation and use of such equipment and software, Network Customer shall submit to the Transmission Provider for review and approval related documents and specifications as may be required to ensure conformance with Good Utility Practice. Such submission of information shall allow for sufficient time for review and approval and such approval by the Transmission Provider shall not be unreasonably withheld.

6.3 Computer Modifications:

For equipment under Network Customer's control, Network Customer shall be responsible for implementing any computer modifications or changes required to its own computer system as necessary to implement the provisions of the Tariff, this NOA and

the Transmission Provider's technical operating requirements, initially and as they may change from time to time. Any such modifications on Transmission Provider's computer systems to accommodate the Network Customer shall be at the Network Customer's expense. Transmission Provider shall provide advance notice of computer system changes sufficient to allow Network Customer to plan and implement required changes.

6.4 Metering:

For equipment under Network Customer's control, Network Customer's Network Load shall be metered on an hourly integrated basis in accordance with Transmission Provider's standards and requirements. Meters shall be maintained by the Parties in accordance with maintenance of Metering, Communications and Control Equipment below. (Section 10.5)

6.5 System Data Requirements:

For equipment under Network Customer's control, Network Customer shall provide or cause to be provided to Transmission Provider, via established Data Links, such data and operating information as necessary for Transmission Provider to provide service under the Tariff and to ensure system security and reliability, consistent with NERC, NAESB and WECC requirements as approved by FERC and as may be modified from time to time.

For equipment under Transmission Provider's control, Transmission Provider shall provide or cause to be provided to Network Customer, via established Data Links, such data and operating information as necessary for Network Customer to ensure system security and reliability, consistent with NERC, NAESB, and WECC requirements as approved by FERC and as may be modified from time to time.

Transfer data requirements must include: operational characteristics of Network Resources, generation schedules for remotely located network resources outside the Transmission Provider's Transmission System, interchange schedules for all purchases and sales not otherwise provided by electronic etag, unit outputs for redispatch required under Section 33, voltage schedules, loss factors, and other real time data. Such information may also include, loads, line flows, voltages, breaker status, and disconnect switch status.

The Transmission Provider and Network Customer shall share real time system data through the use of *ICCP, EIDE, or other applicable* software programs required for data links and constraint dispatching.

The Transmission Provider and Network Customer shall exchange data for forecasted loads and resources necessary for long-term planning as defined in Section 11.

6.6 Outage of Data Link:

Whenever an outage of a Data Link occurs, the Party responsible for the component that has failed shall use best efforts to correct the problem and minimize the outage time. If, as a result of an outage of the Data Link for which Network Customer is responsible, Network Customer receives services from Transmission Provider and Transmission Provider shall charge Network Customer for such services at the higher of Transmission Provider's actual cost or the rate specified in the Tariff for identical services if provided on a prearranged-basis.

6.7 Generation:

Network Customer's generation interconnected with Transmission Provider's electric system shall be operated in accordance with an effective generation interconnection agreement between Transmission Provider and the Network Customer. In the absence of an interconnection agreement for grandfathered generation (generation facilities that were interconnected to the Transmission Provider's system before implementation of FERC Order Nos. 2003, 2003—A, 2003—B, and 2003-C), the terms of the current FERC pro-forma LGIA shall apply.

6.8 Designated Network Resources (refer to section 30.4 of the Tariff)

Network Customer shall operate its designated Network Resources located in the Network Customer's or Transmission Provider's Balancing Area such that the output of those facilities is equal to its designated Network Load, plus non-firm sales delivered pursuant to Part II of the Tariff, plus losses. This limitation shall not apply to changes in the operation of a Transmission Customer's Network Resources at the request of the Transmission Provider to respond to an emergency or other unforeseen condition which may impair or degrade the reliability of the Transmission System or in satisfying Network Customer Redispatch Obligations.

Transmission Provider or its designated Balancing Authority shall provide advance notification in accordance with posted business practices of all transmission facility planned outages that would impact the operation and dispatching of designated Network Resources.

6.9 Undesignations for Off-System Sales

To the extent that a Resource has been designated as a Network Resource, the resource must be available to serve the Network Customer's designated Network Load on a non-interruptible basis. Network Customers that have designated a resource (whether owned or contracted) as a Network Resource, have the option to temporarily undesignate such Network Resource in whole or in part on a short-term basis under the applicable posted business practice and under the terms of the Tariff.

6.10 Reactive Requirements

Network Customer shall have sufficient reactive compensation and control to meet the power factor requirements specified in the Transmission Providers *Specifications and Operating Requirements.* Such power factor range shall be adhered to at each Point of Interconnection except for momentary deviations or with Transmission Provider's written consent. If Network Customer does not provide the necessary reactive compensation and control to comply with such power factor requirements, Transmission Provider shall provide notice of such deficiency to the Network Customer. Upon receipt of such notice, Network Customer shall within 30 days file a corrective plan. If such plan is unacceptable to the Transmission Provider or the Network Customer fails to implement the plan in a timely manner, the Transmission Provider shall have the unilateral right to install the equipment necessary to meet these standards at Network Customer's expense.

6.11 Network Customer Obligations Regarding Balancing Authority Requirements

Network Customer shall either (1) operate as a Balancing Authority under applicable guidelines of NERC and/or the WECC, (2) satisfy its Balancing Area requirements, including all necessary Ancillary Services, by making arrangements with the Transmission Provider, (3) satisfy its Balancing Area requirements, including all necessary Ancillary Services, by self-supply or by making alternative comparable arrangements with another entity, consistent with Good Utility Practice, and which complies with all applicable reliability and commercial business practice requirements of PacifiCorp, NERC, and/or WECC or (4) satisfy its Balancing Area requirements by self-providing all necessary Ancillary Services consistent with Transmission Provider requirements. To the extent that the Network Customer elects option (3), the Network Customer shall complete the ancillary service self-supply or third-party supply certification process according to the applicable PacifiCorp business practice.

6.12 Notice of System or Equipment Changes:

A Party proposing to make changes to its facilities, systems or operating procedures that will have an operational or cost impact on or require new or modified facilities to be constructed or installed by the other Party shall provide notice and details of the proposed change sufficient to allow for coordinated planning and execution of the changes. Such changes include but are not limited to voltage change (see Section 4.2), addition or retirement of generation resources, accommodation of load growth, and changes to applicable reliability requirements, commercial business and communication standards and operating procedures.

6.13 Daily Operations Forecast:

Network Customer shall provide to the Transmission Provider its daily network resource plan including, but not limited to, available units, status of units, generation schedule for each hour, units in reserve (spinning and non-spinning), scheduled unit outages for the day, fuel nomination for loaded and reserve network resources for the day. Network Customer shall provide all forecast information as defined by the applicable PacifiCorp business practice.

6.14 E-Tagging:

Network Customer agrees to the use of electronic tagging (E-Tag) for paths internal to the PacifiCorp balancing authority areas which may be constrained and require scheduling per the Balancing Authority's requirements. Parties agree to work in good faith toward the expanded use of E-Tagging on internal constrained paths for scheduling designated Network Resources to Network Load. The Network Customer shall follow E-Tagging requirements according to the applicable PacifiCorp business practice.

Section 7. Emergency System Operations

7.1 Definition:

Emergency Condition shall have the meaning as defined in Section 1.33 of the Tariff.

7.2 Obligation to Notify of Forced Generation Outage:

Network Customer shall immediately notify Transmission Provider at the time when any unscheduled or forced outages occur and again when such unscheduled or forced outages end. Network Customer shall notify and coordinate with Transmission Provider before re-synchronizing the Network Resource, transmission line or substation.

7.3 Remedial Actions:

Transmission Provider shall, in its sole judgment, determine appropriate remedial actions to be taken under Emergency Conditions. Such actions to protect life, equipment and the security of its electrical system must comply with NERC and/or WECC reliability requirements or any directive of the Regional Reliability Coordinator. If under Emergency Conditions the Transmission Provider issues instructions to Network Customer, Network Customer shall comply with such orders immediately. Actions that may be taken or ordered by the Transmission Provider include but are not limited to any one or a combination of the following:

a) Redispatch as provided for in Section 33.2 of the Tariff. Redispatch procedures are described in Section 7 below.
b) Load shedding as provided for in Section 33.6 of the Tariff. Load shedding, if required to maintain system reliability, will be done on a pro-rata basis for obligations of each firm user (Network Customer, Point-to-Point, Legacy Customer). Obligations will be calculated based upon each customer's assigned firm transmission rights across the congested path in proportion to the amount of curtailment needed. Example: a firm customer with 50% of the transmission rights on a path will be assigned 50% of the required load curtailment as required to maintain system reliability.
c) Curtailments of scheduled deliveries as provided for in Sections 33.4 and 33.5 of the Tariff and described further in Section 8 below.

Transmission Provider may propose and implement remedial action schemes as a means of addressing constraints and maximizing transmission capacity on the network and/or to accommodate new generation sources. Remedial action schemes may require real time curtailment of a Network Customer's resources, however Network Customer must agree to expansion of remedial action schemes impacting any designated network resources. Existing remedial action schemes are identified in Appendix B. Tripping characteristics, set points, and status of remedial action schemes impacting Network Customer's resource(s) shall be provided to Network Customer, upon request, via Data Links.

7.4 Transmission Provider May Interrupt:

If Network Customer does not take appropriate corrective actions immediately, Transmission Provider may interrupt Network Integration Transmission Service until appropriate corrective action is taken by Network Customer.

7.5 Network Customer May Review:

If Transmission Provider issues instructions to the Network Customer or takes corrective actions, Network Customer or delegated representative may review such instructions and/or actions and the conditions predicating such instructions and/or actions after the Emergency System Operations have concluded to the extent necessary to confirm conformance with Tariff.

Section 8. ~~Reliability~~ Redispatch Procedures

8.1 Planning Redispatch Procedures

Where (1) a System Impact Study indicates that additions or upgrades to the Transmission System are needed to relieve system constraints and accommodate Network Customer's request to designate a new Network Resource, and (2) Network Customer request(s) for Network Resource designation of Public Utility Regulatory Policies Act of 1978 ("PURPA") must-take power purchase agreement(s) have caused or contributed to the system constraints, Transmission Provider shall provide Network Customer with the following options:

(a) In accordance with Facilities Study Procedures in Tariff Section 32.4, Network Customer may execute a Facilities Study Agreement, in which case Transmission Provider shall perform the Facilities Study and identify, among other things, the time required to complete facility construction and initiate the requested designation. In the alternative, to the extent Transmission Provider has already identified necessary additions or upgrades in accordance with its Tariff, including the Tariff Attachment K Transmission Planning Process, and those additions or upgrades would also relieve constraints sufficient to accommodate the Network Customer's request to designate a new Network Resource, no Facilities Study Agreement is necessary. In either case, Transmission Provider shall grant Network Customer's designated Network Resource application, provided that Network Customer agrees that its schedules will not exceed the transmission limits identified by Transmission Provider in the constrained area until facility construction is completed and sufficient transmission capacity is available to accommodate all of the designated Network Resources without limitation; or

(b) In accordance with System Impact Study Procedures in Tariff Section 32.3, Transmission Provider may offer, as a planning redispatch option, to grant Network Customer's designated Network Resource application, provided that Network Customer agrees that its schedules will not exceed the transmission limits identified by Transmission Provider in the constrained area. This planning redispatch arrangement would be in effect unless and until:

(1) Network Customer requests a Facilities Study Agreement, in which case Transmission Provider shall perform the Facilities Study and identify, among other things, the time required to complete facility construction and initiate the requested designation in accordance with Tariff Section 32.4.

In that case, Network Customer must continue to maintain schedules within the transmission limits identified by Transmission Provider in the constrained area until facility construction is completed and sufficient transmission capacity is available to accommodate all of the designated Network Resources without limitation; or

(2) Transmission Provider determines that Network Upgrades are necessary in accordance with its Tariff, including the Tariff Attachment K Transmission Planning Process, the identified Network Upgrades are constructed, and sufficient transmission capacity is available to accommodate all of the designated Network Resources without limitation.

Under either option 8.1(a) or 8.1(b), Network Customer will prioritize its scheduled dispatch of the designated Network Resources in the constrained area such that schedules of non-PURPA must-take resources will be limited before the schedules of any PURPA must-take resources, to the extent feasible in accordance with Good Utility Practice, in order to allow PURPA must-take power to flow while still maintaining schedules within any transmission limits identified by the Transmission Provider in the constrained area. The Network Customer may take additional contractual obligations into account in prioritizing the planning redispatch of the non-PURPA designated Network Resources.

Nothing in this Section 8.1 is intended to address the Reliability Redispatch Procedures discussed in Section 8.2 below, or the system emergency operations discussed in Section 18 C.F.R. § 292.307 of FERC's regulations.

8.2 Reliability Redispatch Procedures

8.2.1 Transmission Provider May Redispatch For Reliability Purposes

If Transmission Provider determines, following Good Utility Practice, that reliability redispatching of the designated Network Resources including establishing minimum operating levels of Network Resources, i.e., "must run" resources, to relieve an existing or potential transmission constraint is the most effective way to ensure reliable system operation, Transmission Provider shall redispatch designated Network Customer's and/or any third-party Network Resources, on a least-cost basis, without regard to the ownership of such resources. Transmission Provider may order reliability redispatch service from any generation designated as a Network Resource. Network Customer shall comply immediately with reliability redispatch orders from the Transmission Provider, the Balancing Authority, or the Reliability Coordinator.

8.2.2 Network Customer to Provide Certain Data:

Network Customer shall submit regularly (but at least annually on January 1 of each year), verifiable incremental and decremental cost data for its designated Network Resources. These costs shall be used (along with similar resource costs of Transmission Provider's other network customers) as the basis for least-cost redispatch decisions. Network Customer shall notify Transmission Provider of significant changes in its generation costs on a timely basis.

Transmission Provider shall implement least-cost redispatch consistent with its existing contractual obligations and its current practices and procedures as amended from time to time.

8.2.3 Recording of Network Customer's Costs:

The Transmission Provider reserves its right to bill or credit Network Customers a proportional share of the total reliability redispatch costs based on its then current load ratio share. To the extent the Transmission Provider elects to bill or credit Network Customers a proportional share of the total reliability redispatch costs, the Transmission Provider shall record in a separate account costs incurred by Network Customers based on the submitted incremental and decremental costs at the time of redispatch and shall have the right to audit Network Customer's cost data.

8.2.4 Reliability Redispatch Procedures

Reliability Redispatch shall follow the Reliability Redispatch Business Practice as currently posted on Transmission Provider's OASIS site.

8.2.5 Network Customer May Review:

If Transmission Provider issues reliability redispatch orders to the Network Customer or bills the Network Customer for reliability redispatch costs, Network Customer or delegated representative may review such orders and/or billing and the conditions predicating such orders and/or billing after the Reliability Redispatch Procedures have concluded to the extent necessary to confirm conformance with Tariff.

Section 9. Curtailments

9.1 Definition:

Curtailment shall have the meaning as defined in the Tariff at Section 1.8.

9.2 Curtailment Procedures:

If after curtailment of all non-firm transmission schedules, a transmission constraint on the Transmission Provider's Transmission System cannot be relieved through the implementation of reliability redispatch as described in Section 8 and the Transmission Provider determines that Curtailments of firm scheduled deliveries are necessary to maintain the safety, reliability and integrity of its system, the Transmission Provider shall Curtail such schedules as it deems necessary in accordance with the Tariff and applicable business practices. To the extent practicable and consistent with Good Utility Practice, Curtailments to firm services shall be made on a non-discriminatory basis, to all firm Network, Legacy Customer load schedules, and Point-To-Point schedules. Curtailments will be calculated on a load share basis using each customer's assigned capacity rights on the path. Capacity rights will be granted and updated annually based upon accepted Load and Resource submittals. Network Customer shall comply immediately with reliability curtailment orders from the Transmission Provider, the Balancing Authority, or the Reliability Coordinator.

9.3 Stranded Loads:

Loads which have the potential to become stranded on adjacent transmission provider systems shall be managed according to business practices, including **"E-Tagging Load that may be Stranded on External Transmission Systems during Planned Outages and Emergency Conditions".**

9.4 Network Customer May Review:

If Transmission Provider issues reliability curtailment orders to the Network Customer, Network Customer or delegated representative may review such orders and the conditions predicating such orders after the reliability curtailments have concluded to the extent necessary to confirm conformance with Tariff

Section 10. Coordination of Facilities Maintenance

10.1 Maintenance Requests:

Not later than each January 1st, Network Customer shall submit to the Transmission Provider its planned maintenance schedule for facilities at its points of delivery and network resources identified in the Network Customer's NITSA for the upcoming calendar year. Such schedule shall contain maintenance requirements for the Network Customer's generating resources, transmission equipment, substation equipment, Data Link equipment, Data Acquisition equipment, Protective Equipment and any other equipment for which maintenance must be scheduled for reliability or economic reasons. Such requests shall contain information sufficiently detailed as is reasonably required by the Transmission Provider to enable effective planning.

10.2 Review and Approval:

Transmission Provider shall review, consolidate, and modify, in consultation with Network Customer(s) and as necessary to maintain system reliability, all submitted planned maintenance requests. Once approved by the Transmission Provider, the Transmission Provider's annual system maintenance plan shall be effective for the upcoming calendar year and shall be made available on Transmission Provider's OASIS. Network Customer's maintenance information shall be kept confidential.

10.3 Maintenance Plan Modifications:

Network Customer may request, at any time, changes to the approved maintenance plan. Requested modifications shall be evaluated by the Transmission Provider for impacts on system reliability and operations and on other users of the system. Requested modifications shall not be unreasonably withheld. Any modification approved by the Transmission Provider shall be incorporated into the annual transmission system maintenance plan and shall be updated on the Transmission Provider's OASIS. Market sensitive information provided by the Network Customer shall be held confidential, consistent with the obligation to update the

posted maintenance plan, except to the limited extent information is required to be posted on PacifiCorp's OASIS in response to a request for transmission or ancillary service.

10.4 Clearance to begin work:

Network Customer shall use best efforts to provide to Transmission Provider the minimum notices as identified in the appropriate business practices, including, **"Outage Planning and Notification Requirements."** The Network Customer shall request planned transmission line outages in advance of the start of work on approved maintenance items on its system contained in the currently approved maintenance plan. If notice is not timely received, the Transmission Provider has the right to decline the outage, but shall not unreasonably do so.

Transmission Provider shall provide notice to Transmission Customers according to posted business practice timelines that maintenance work planned by the Transmission Provider will take place. Outage postings, planned and forced, shall be provided on the OASIS website and through other public methods as may be developed to provide Network Customers with the most timely information available.

Network Customers may comment on planned and posted outages, consistent with PacifiCorp business practices, particularly when planned outages impact the Network Customers costs or contractual and regulatory obligations. The Transmission Provider shall consider comments, but reserves the right to proceed with any planned or emergency outage.

10.5 Maintenance of Metering, Communications and Control Equipment:

Network Customer shall at Transmission Provider's request (not more than once every two years), and at its own expense, test, calibrate, verify and validate the Metering Equipment, Data Acquisition Equipment and other equipment or software used to determine Network Load. Transmission Provider shall have the right to inspect any tests, calibrations, verifications and validations of the Metering Equipment, Data Acquisition Equipment and other equipment or metering software used to determine the Network Load. Upon Transmission Provider's request, Network Customer shall provide Transmission Provider a copy of the installation, test and calibration records of the Metering Equipment, Data Acquisition Equipment and other equipment or software. Transmission Provider shall, at Network Customer's expense, have the right to monitor the factory acceptance test, the field acceptance test, and the installation of any Metering Equipment, data acquisition equipment, and other equipment or software used to determine the Network Load.

The Transmission Provider shall provide load data or aggregate load data in its possession to the Network Customer upon request. The Network Customer shall be obligated to provide the telecommunications and data link required for data transfer and shall be required to pay all costs associated with the provision of meter data provided by the Transmission Provider which is not otherwise publicly available. The Transmission Provider will have the sole authority to evaluate requests for data and decline these requests if access to third party information is at risk, or the provision of such data imposes any liability upon the Transmission Provider.

10.6 Coordination of Transmission Maintenance:

Transmission Provider shall coordinate the transmission maintenance and outage schedules for all Network Customers and post the impacts on OASIS. These postings and notifications shall be in accordance with Northwest Power Pool Operating Manual section H and the appropriate business practices. Market sensitive information provided by the Network Customer shall be held confidential, consistent with the obligation to update the posted maintenance plan, except to the limited extent information is required to be posted on PacifiCorp's OASIS in response to a request for transmission or ancillary service.

Section 11. Network Operating Committee

11.1 Network Operating Committee:

As described in Section 35.3 of the Tariff, there shall be established a Network Operating Committee which shall meet on a regular basis but no less than once each calendar year.

11.2 Responsibilities:

The Network Operating Committee shall act in an advisory capacity in coordinating operating criteria for the Parties' respective obligations under this NOA.

11.3 Membership

Network Operating Committee membership shall consist of two designated members each from the Network Customer and the Transmission Provider.

Section 12. Technical Data Requirements: Ten Year Load and Resource Forecast of Load, Resource and Transmission Facility Expansion Forecasts

The Parties acknowledge that, in order to economically and reliably plan expansions or other changes to its system in a timely manner, and to respond to regulatory reporting requirements, the Transmission Provider requires certain forecasts of Network Customer's load, resources (including additions and retirements) and any planned changes to Network Customer's transmission facilities. Such annual forecast updates shall be consistent with Section 31.6 of the Tariff and NERC and/or WECC requirements.

12.1 Ten Year Load and Resource Forecast Template:

Each year by October 1, the Transmission Provider shall provide a template of the Ten Year Load and Resource Forecast to the Network Customer. The template shall be in an electronic format and shall provide the Network Customer a means of notifying the Transmission Provider of relevant information relating to Network Load Forecast, Network Resource Availability Forecasts, Resource Additions and retirements, and Expansions of and Upgrades to Network Customer's Transmission Facilities. The time period for the Ten Year Load and Resource Forecast and subsequent Transmission Provider study shall be the ten year period

commencing on January 1 of the calendar year following the submission of the template to the Network Customer.

12.2 Network Load Forecast (refer to Section 29.2(iv) and (v) of the Tariff):

Network Customer shall provide Transmission Provider by January 1 of each year, or earlier to meet any WECC or NERC data requirements, Network Customer's forecast of expected Network Load for the ten calendar years commencing on January 1 of the current calendar year. This forecast shall provide the Network Customer's best estimate of its non-coincident peak Network Load at each existing substation bus as specified in Exhibit D in the NITS expressed in kilowatts for each month. Such forecast shall be made using prudent forecasting techniques available and generally deemed acceptable in the electric utility industry. In addition, any amount of the above described Network Load Forecast that is interruptible shall also be quantified at each substation bus expressed in kilowatts for the summer and winter seasons. Network Customer shall inform Transmission Provider as soon as significant changes are known, of any material changes to Network Customer's Load Forecast.

12.3 Network Resource Availability Forecast (refer to Section 29.2(vi) of the Tariff):

Transmission Provider shall provide the Network Customer sufficient information to determine the applicable reserve obligations and applicable real power losses by October 1 of each year to be used in the subsequent January Network Resource forecast. Network Customer shall provide to Transmission Provider by January 1 of each year Network Customer's forecast of expected Network Resources for each year of the ten calendar years commencing on January 1 of the current calendar year. This forecast shall provide the Network Customer's best estimate of its planned Network Resource availability forecast at each injection point expressed in kilowatts for each month. Network Customer shall also provide its estimates of unplanned outages, operating reserve obligations, and units designated for reserves over the forecast period. The total amount of the Network Customer's Network Resource Forecast, less reserve obligations shall equal or exceed the total amount of the Network Customer's yearly Network Load Forecast plus applicable real power losses on the Transmission Provider's system. The Network Resource Availability Forecast shall also include all applicable information as detailed in Section 29.2(vi) of the Tariff, including, but not limited to all planned resource outages, including off-line and on-line dates. Such forecast shall be made using prudent forecasting techniques available and generally deemed acceptable in the electric utility industry. Network Customer shall inform Transmission Provider as soon as significant changes are known, of any material changes to Network Customer's Resource Availability Forecast.

12.4 Resource Additions:

To the extent that a Network Customer's existing designated Network Resources are insufficient, it may be necessary for a Network Customer to include in its Network Resource Availability Forecast new resources or expansions to existing Network Resources. Network Customers shall identify the interconnection point, fuel source, and capacity of all future resources. Such inclusion is encouraged and required for long range system planning, however, submittal within the Network Resource Availability Forecast does not constitute a service request for generation interconnection (see Parts IV and V of the Tariff), for the designation of

new Network Resources (see Section 30.2 of the Tariff), or for the termination of Network Resources (see Section 30.3 of the Tariff).
Network Customer must make a request for interconnection of and transmission services for a new network resource and/or capacity additions or reductions at existing resource sites according to Tariff provisions listed above. PacifiCorp shall allocate network transmission capacity, as required to accommodate resources, subsequent to each annual L&R study process.

12.5 Expansions of and Upgrades to Network Customer's Transmission Facilities (refer to Section 29.2(vii) of the Tariff):

Network Customer shall provide or cause to be provided to the Transmission Provider by January 1 of each year, plans of any expansions of or upgrades to its owned transmission facilities (lines, transformers, reactive equipment, etc.) for each of the subsequent 10 calendar years commencing on January 1 of the next calendar year. To the extent that a Network Customer's transmission system is operated by an affiliated transmission provider subject to the Commission's rules relating to Open Access Transmission Service and Standards of Conduct, the Network Customer shall cause its affiliated transmission provider to provide the Transmission Provider with such information that shall be kept confidential.

12.6 Transmission Provider's System-Wide Plan:

The Transmission Provider shall review the load, resources, and transmission facility expansion forecasts of all Network Customers and utilize the combined forecasts to conduct system planning and expansion studies constant with the Tariff Attachment K obligations. Network Customers shall be notified of the Transmission Provider's study results and system-wide plan according to Attachment K public review of plans. Such result may include a total or partial approval of the Network Customer's Ten Year Load and Resource Forecast. Approval of any amounts during any time periods that exceed the amounts previously approved for those time periods in the previous ten year load and resource forecast may be withheld or conditioned upon the timing and pricing requirements associated with new construction requirements. Once a Transmission Customer's forecast submissions are unconditionally approved by the Transmission Provider, it shall represent Transmission Provider's minimum obligation and maximum liability to serve Network Customer's forecasted loads from Network Resources and shall be effective until the next Ten Year Load and Resource Forecast is approved.

12.7 Load Growth and New Network Load:

Network Load growth at existing Points of Delivery and Network Load growth expected to be served at new Points of Delivery shall be included in the Network Customers Network Load Forecast. However, submittal within the Network Load Forecast does not constitute a service request for the designation of new Network Load (see Section 30.2 of the Tariff), or for the termination of Network Resources (see Section 31 of the Tariff). Network Customer must make a request for transmission service for new Network Load according to Tariff provision listed above. New Network Load requiring the submittal of a Completed Application shall be defined in the business practice titled, "**NETWORK LOAD AND RESOURCE ADDITIONS AND**

CHANGES." The Transmission Provider shall review the Completed Application in accordance with the applicable Tariff provisions.

12.8 Planning and Construction:

When preparing submittals of Ten Year Load and Resource Forecast information, the Network Customer should consider the following construction timeline estimates: (1) Load or resource additions requiring a substation expansion or addition require a minimum of 2 years notice to allow time for necessary permitting, design, procurement, and construction, and (2) Load or resource additions requiring a new transmission line require a minimum of 5 years notice to allow time for necessary permitting, design, procurement, and construction. The Transmission Provider reserves the right to refuse un-timely requests for service, to condition any approval of service, or to place remedial action requirements on such new loads or resources added to the system pending system upgrades necessary to accommodate new loads and resource additions in a reliable manner.

12.9 Unplanned Resource or Load Changes:

To the extent that the Network Customer obtains information that its most recent submittals of Ten Year Load and Resource Forecast information are inaccurate enough to cause construction of unnecessary facilities, Network Customer shall submit new information to Transmission Provider. Transmission Provider shall make reasonable efforts to supply Network Customer partial or unconditional approval.

Section 13. Record Keeping and Confidentiality Requirement

Each Party shall maintain operating records in accordance with Good Utility Practice. Each Party shall have reasonable access to such operating records kept by the other Party that reasonably relate to interconnected operation of the Parties' Electric Systems; *provided that* if requested to do so by the other Party, the Party requesting such records shall be required to keep such records confidential to the extent permitted by applicable law. A Party may condition release of such records to the other Party on the Parties' entry into a confidentiality agreement reasonably designed to protect the confidentiality of such records. Transmission Provider recognizes that such Network Customer-specific information may be market sensitive and shall protect the confidentiality of such information to the extent permitted by applicable law, except to the limited extent information is required to be posted on PacifiCorp's OASIS in response to a request for transmission or ancillary service. Such records shall include, but not be limited to, operating logs, scheduled transfers through each Point of Interconnection, line loadings, voltages and reactive power.

Section 14. Force Majeure

Events constituting Force Majeure shall be determined as specified in the Tariff. Neither Transmission Provider nor the Network Customer shall be considered in default as to any obligation under this NOA if prevented from fulfilling the obligation due to an event of Force

Majeure. However, a Party whose performance under this NOA is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this NOA.

Section 15. Notices

Any written notices to be given to Transmission Provider under this NOA shall be directed to:

PacifiCorp Transmission Services
ATTENTION: Transmission Account Manager
825 NE Multnomah Street, Suite 1600 LCT
Portland, Oregon 97232

Any written notices to be given to Network Customer under this NOA shall be directed to:

All matters:

PacifiCorp Energy
ATTENTION: Director, Marketing and Trading Contracts
825 NE Multnomah Street, Suite 600 LCT
Portland, Oregon 97232

Invoices and billing concerns:

PacifiCorp Energy
ATTENTION: Energy Trading Back Office
825 NE Multnomah Street, Suite 700 LCT
Portland, Oregon 97232

Matters involving this NOA:

PacifiCorp Energy
ATTENTION: Director, Marketing and Trading Contracts
825 NE Multnomah Street, Suite 600 LCT
Portland, Oregon 97232

Section 16. Applicable Law

The Parties in the performance of their obligations hereunder shall conform to all applicable laws, rules and regulations and, to the extent their obligations are subject to the jurisdiction of state or federal agencies, shall be subject to orders of such agencies. This NOA shall be construed in accordance with the laws of the state of Oregon except to the extent preempted by the Federal Power Act or other federal law.

Section 17. Waiver

Any waiver at any time by either Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with this NOA shall not be considered a waiver with respect to any subsequent default of such matter.

Section 18. Successors and Assigns

This NOA shall inure to the benefit of, and be binding upon, the Parties and their respective successors and assigns, and may be assigned by either Party with prior written consent of the other Party, for which written consent shall not be unreasonably withheld; *provided that* such consent shall not be required (1) for any assignment that arises by reason of a deed of trust, mortgage, indenture or security agreement granted or executed by a Party or (2) in the case of an assignment to a successor in the ownership of all or a significant portion of either Party's Electric System by reason of a merger, consolidation, reorganization, sale, spin-off or foreclosure. Any successor to or transferee or assignee of the rights or obligations of a Party, whether by voluntary transfer, judicial sale, foreclosure sale or otherwise, shall be subject to all terms and conditions of this NOA to the same extent as though such successor, transferee or assignee were an original Party.

Section 19. Indemnification and Liability

19.1 Indemnity

Subject to the limitations imposed by the remainder of this Section 18, each Party hereby agrees to indemnify and hold the other Party, and the other Party's employees, agents, or contractors, harmless from any direct loss or damage and from any liability on account of personal injury, death or property damage, or claims for personal injury, death, or property damage of any nature whatsoever and by whomsoever made, but only to the extent the foregoing directly arise out of the gross negligence or the Intentional Misconduct of the indemnifying Party, or its employees, agents or contractors, with respect to the indemnifying Party's obligations arising under this NOA.

19.2 Exemptions

Except for its Intentional Misconduct or gross negligence or with respect to breach of this NOA, and only to the extent not otherwise limited herein, no Party, nor its directors or members of its governing board, officers, employees or agents, shall be liable to the other Party for any loss, damage, claim, cost, charge or expense arising from or related to the Parties' obligations under this NOA.

19.3 Electrical Disturbances

Each Party shall be responsible for protecting its Electric System from possible damage by reason of Electrical Disturbances or faults caused by the operation, faulty operation or non-operation of the other Party's Electric System. Except to the extent caused by its own Intentional

Misconduct, neither Party, nor its directors or members of its governing board, officers, employees or agents, shall be liable (directly, via indemnity or otherwise) to the other Party for any loss, damage, claim, cost, charge or expense arising from or related to an Electrical Disturbance.

19.4 No Liability for Interruption or Curtailment of Power Flow

Neither Party, nor its directors or members of its governing board, officers, employees or agents, shall be liable (directly, via indemnity or otherwise) to the other Party for any loss, damage, claim, cost, charge or expense arising from or related to the interruption or curtailment of power flows through a Point of Interconnection.

19.5 Consequential Damages

Notwithstanding any of the foregoing in this Section 18, or any other provision of this NOA to the contrary, and to the full extent not prohibited by law, under no circumstances shall a Party be liable to another Party (directly, via indemnity or otherwise) for any consequential, exemplary, punitive, special, indirect or incidental damages or economic losses arising out of any claim, demand or action brought with respect to this NOA, whether couched in terms of contract, tort, strict liability or otherwise.

Section 20. No Dedication of Facilities

Any undertaking by one Party to the other Party under any provision of this NOA is rendered strictly as an accommodation and does not constitute the provision of a public utility service or the dedication of all or any portion of either Party's Electric System or other facilities to the other Party, the public or any third party.

Section 21. Effect of Section Headings

Section headings appearing in this NOA are inserted for convenience of reference only and shall not be construed to be interpretations of the text of this NOA.

Section 22. Disputes

Disputes arising out of this NOA shall be resolved pursuant to the applicable paragraphs of Section 12 of the Tariff.

IN WITNESS WHEREOF, the parties hereto have caused this NOA to be executed by their duly authorized officers as of the date first written above.

PACIFICORP, on behalf of its transmission function

By:	~~*/s/ K Houston*~~ */s/ Rick Vail*
Printed Name:	~~Kenneth Houston~~ Rick Vail
Title:	~~Director,~~ VP - Transmission
Date:	~~July 9, 2008~~ 12/24/2014

NETWORK CUSTOMER

By:	*/s/ John Apperson*
Printed Name:	John Apperson
Title:	Trading Director
Date:	~~24 July 2008~~ 23 Dec 2014

Exhibit 2

[FERC NOA Order]

151 FERC ¶ 61,170
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Philip D. Moeller, Cheryl A. LaFleur,
Tony Clark, and Colette D. Honorable.

PacifiCorp Docket Nos. ER15-741-000
ER15-741-001

ORDER ACCEPTING PROPOSED NETWORK OPERATING AGREEMENT AMENDMENT

(Issued May 21, 2015)

1. In this order, we accept PacifiCorp's proposed amendment to the Network Operating Agreement (Network Operating Agreement) between PacifiCorp and its merchant function, PacifiCorp Energy, to be effective February 22, 2015, as requested.

I. Background

2. On December 24, 2014, PacifiCorp filed the proposed amendment to the Network Operating Agreement pursuant to section 205 of the Federal Power Act (FPA).[1] PacifiCorp states that there is a potential conflict between the Commission's policies regarding the designation of network resources and the obligations imposed by the Public Utility Regulatory Policies Act (PURPA)[2] regarding qualifying facility (QF) power.[3] PacifiCorp notes that the Commission's precedent in *Madison Gas & Electric Company v. Wisconsin Power & Light Company*[4] does not appear to allow a transmission provider to grant new designated network resource requests unless there is sufficient available transfer capability (ATC) to meet that request.[5] In *Madison*, the Commission also noted

[1] 16 U.S.C. § 824d (2012).

[2] 16 U.S.C. § 824a-3 (2012).

[3] PacifiCorp December 24 Filing at 5.

[4] *Madison Gas & Elec. Co v. Wisc. Power & Light Co*., 80 FERC ¶ 61,331 (1997) (*Madison*).

[5] PacifiCorp December 24 Filing at 4 (citing *Madison*, 80 FERC at 62,103-04).

that a resource could be designated as a substitute "as-available" resource with priority above all non-firm transmission if there is no ATC.[6]

3. PacifiCorp further explains that PURPA requires a utility to purchase, and make firm transmission arrangements for, a QF's power, and to keep customers indifferent to such QF purchases.[7] PacifiCorp states that PacifiCorp Energy has historically made these firm transmission arrangements by designating QF power purchase agreements as network resources. PacifiCorp asserts that, when the transmission system is constrained, and constraints cannot be relieved by using planning redispatch, it is required to construct network upgrades to accommodate firm transmission service requests.

4. PacifiCorp states that this appears to put it in the position of having to construct network upgrades that are not justified by economic or reliability reasons.[8] Specifically, PacifiCorp explains that, because PURPA requires a utility to purchase QF power and make firm transmission arrangements to deliver it even if the QF has chosen to site in a constrained area, but Commission precedent does not allow the designation of a new network resource until sufficient ATC is available, a utility is in the position of having to construct network upgrades to accommodate the PURPA-required QF firm transmission service, even if the utility would not have otherwise constructed those upgrades for economic or reliability reasons.

5. PacifiCorp argues that building these upgrades that are solely to accommodate QFs, and not otherwise cost-justified or necessary for load service or reliability, could run contrary to the Commission's long-term planning policies and to the mandate that customers should be kept indifferent to QF purchases (i.e. they pay no more than the avoided cost).[9]

II. PacifiCorp Filing

6. PacifiCorp asserts that the proposed amendment to the Network Operating Agreement is designed to address this conflict. The proposed amendment would allow PacifiCorp to grant additional designated network resource applications on behalf of PacifiCorp Energy in order to enable firm delivery from QFs even if there is no ATC, provided that PacifiCorp Energy agrees to operate its portfolio of designated network

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[6] *Madison*, 80 FERC at 62,103-04.

[7] PacifiCorp December 24 Filing at 4.

[8] *Id.* at 5.

[9] *Id.* at 6.

resources in the affected area within system reliability limits and curtail QF power last, even if that is out of economic merit order.[10] PacifiCorp's proposed amendment would allow the designation of network resources in two circumstances: (1) as an interim measure while previously-identified network upgrades are being constructed; and (2) as a longer-term measure where no upgrades will be constructed for purposes of accommodating the QF request(s). PacifiCorp states that the proposed amendment provisions have been developed within the construct of the existing Open Access Transmission Tariff (OATT) planning redispatch option.[11]

7. PacifiCorp believes that it is appropriate to characterize the proposed operational practice as a form of planning redispatch.[12] PacifiCorp states that the practice under its proposed amendment is distinguished from current OATT processes because, while traditional planning redispatch contemplates delivering designated resources in a different manner, the proposed Network Operating Agreement amendment involves a network customer (in this case, PacifiCorp Energy) agreeing to operate its network resources within certain limits because there is insufficient capacity to accommodate all of the designated network resources without limitation.[13] PacifiCorp argues that this amendment will allow it to accommodate QF requests in constrained areas without building uneconomic upgrades.[14]

8. PacifiCorp asserts that other network customers will remain protected under the proposed protocol because it will only address PacifiCorp Energy's network service. PacifiCorp maintains that the proposal will not affect any other network customer's network allocation, and that all network loads will continue to be served on a firm basis. PacifiCorp states that only PacifiCorp Energy's designated network resources will be subject to the proposed operating protocol, unless another network customer requests similar treatment.[15]

9. PacifiCorp states that the proposed Network Operating Agreement amendment includes provisions that: (1) address certain considerations that can be taken into account

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[10] *Id.* at 1.

[11] *Id.* at 6.

[12] *Id.* at 8.

[13] *Id.*

[14] *Id.* at 2.

[15] *Id.* at 8.

for the prioritizing of non-QF designated network resources; and (2) clarify that the Network Operating Agreement planning redispatch procedures will apply during normal operating conditions, not system emergency conditions. PacifiCorp states that, with regard to the first, the proposed Network Operating Agreement amendment notes that PacifiCorp Energy can take additional contractual obligations into account in prioritizing the planning redispatch of its non-PURPA designated network resources. PacifiCorp states that, with regard to the second, the proposed Network Operating Agreement amendment makes it clear that the new planning redispatch procedures are different than the Reliability Redispatch Procedures discussed in Section 8.2 of the Network Operating Agreement, or the system emergency operations discussed in section 307 of the Commission's PURPA regulations.[16]

III. Notice of Filing and Responsive Pleadings

10. Notice of PacifiCorp's December 24, 2014 filing was published in the *Federal Register*, 80 Fed. Reg. 217 (2015), with interventions and protests due on or before January 14, 2015. None was filed.

11. On February 20, 2015, the Commission staff issued a letter notifying PacifiCorp that its filing was deficient. On March 23, 2015, PacifiCorp submitted a filing in response to the February 20, 2015 deficiency letter. Notice of PacifiCorp's March 23, 2015 filing was published in the *Federal Register*, 80 Fed. Reg. 16,669 (2015), with interventions and protests due on or before April 13, 2015. Utah Associated Municipal Power Systems (UAMPS) filed a timely motion to intervene and protest. On April 28, 2015, PacifiCorp filed a motion for leave to answer and answer to the UAMPS protest.

A. Deficiency Letter and Response

12. The deficiency letter asked four questions. First, PacifiCorp was asked to identify the transmission paths on which PacifiCorp Energy's schedules will not exceed the transmission limits prescribed by PacifiCorp and how the limits would be prescribed. In response, PacifiCorp states that its amendment is not limited to a particular line or area of PacifiCorp's system; rather, the amended Network Operating Agreement would apply in any area of PacifiCorp's system where QFs have caused or contributed to transmission constraints that limit PacifiCorp's ability to fully accommodate designated network resource requests. PacifiCorp explains that transmission limits would be prescribed in accordance with PacifiCorp's OATT Attachment C, which sets forth PacifiCorp's ATC methodology.[17]

[16] *Id.* at 8-9.

[17] PacifiCorp March 23 Filing at 3.

13. Second, PacifiCorp was asked to provide the amount of must-take QF power that PacifiCorp is currently contractually obligated to deliver, the amount of pending QF interconnection requests, and the transmission paths associated with this generation. In response, PacifiCorp identified the amount of QF generation in each state. With regard to specific transmission path information, PacifiCorp states that the amendment proposal is not limited to a particular line or area of PacifiCorp's system, but notes that in Utah there is a current need to implement the amendment because there has been an influx of QF requests and there is limited ATC.[18]

14. Third, PacifiCorp was asked to explain its statement that only PacifiCorp Energy would be subject to the proposed operating protocol, unless another network customer requests similar treatment, and asked how honoring such other customer requests would comply with the Commission's regulations. In response, PacifiCorp states that offering this treatment to other network customers is consistent with the Commission's open access policies. PacifiCorp explains that, if another customer requested a similar amendment to its network operating agreement, PacifiCorp would file a request for approval of the amendment pursuant to section 205 of the FPA, just as it has done with the proposed amendment in this case.[19]

15. Fourth, PacifiCorp was asked to clarify the long term solution to the constraints that PacifiCorp believes the proposed amendment addresses. In response, PacifiCorp states that it does not envision its proposal as an interim measure. PacifiCorp asserts that the first option of the proposed Network Operating Agreement amendment is an interim measure to be used until upgrades that have already been identified are constructed, but that the second option is intended to have an indefinite timeline. PacifiCorp explains that, in either case, requests for designation of network resources could be granted immediately, despite the fact that network upgrades have not yet been completed or identified pursuant to the OATT.[20]

B. Protest

16. UAMPS states that it is an interlocal association and a political subdivision of the State of Utah that provides power pooling, scheduling, resource management, and other electric services to its members, consisting of 44 municipal and other public power systems in eight western states.[21] UAMPS explains that it is a PacifiCorp transmission

[18] *Id.* at 4.

[19] *Id.* at 5.

[20] *Id.* at 6.

[21] UAMPS Protest at 2.

customer. UAMPS argues that PacifiCorp's proposed amendment to the Network Operating Agreement should be rejected, or at the least suspended and set for hearing.[22]

17. UAMPS argues that, if any other network customer can request a similar amendment to its network operating agreement, then the amendment should be proposed in PacifiCorp's generally applicable OATT.[23] UAMPS asserts that neither Order No. 888[24] nor PacifiCorp's OATT appears to qualify PacifiCorp's obligation to construct additional capacity when a request for network service requires such construction (and redispatch cannot create sufficient ATC to accommodate the request) on PacifiCorp's unilateral determination that the additions are cost-justified.[25]

18. UAMPS questions PacifiCorp's assertion that the proposed amendment will not impair transmission service for existing customers. UAMPS notes that, under the amendment, PacifiCorp Energy must curtail other resources if necessary to accommodate its PURPA deliveries without violating system reliability limits. UAMPS asserts that this will alter the amount of generation input on the transmission system for multiple generators, which will alter flows on the system and potentially create new constraints and affect other customers' transmission service use in real time operations.[26]

19. UAMPS argues that PacifiCorp has not committed to make any adjustments to its planning models in light of the proposed amendment, which makes it possible that a new designated network resource could be denied while a PacifiCorp QF designated network

[22] *Id.* at 11.

[23] *Id.* at 3.

[24] *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

[25] UAMPS Protest at 4.

[26] *Id.* at 4-5.

resource would be granted. UAMPS asserts that this could have a chilling effect on the addition of new designated network resources in the PacifiCorp footprint.[27]

20. UAMPS also contends that the proposed amendment should not be accepted without more complete cost justification. UAMPS states that there is no data in PacifiCorp's filing comparing the potential costs of PacifiCorp's proposed redispatch practice under the amendment to the costs of construction of additional facilities to accommodate the desires of PacifiCorp's merchant function.[28]

C. PacifiCorp Answer

21. PacifiCorp argues that the proposed customer-specific Network Operating Agreement is the appropriate place for the proposed language, not the generally applicable OATT. PacifiCorp asserts that PacifiCorp Energy is the only customer whose PURPA mandatory purchase obligation is likely to trigger the need for unnecessary upgrades and notes that, if UAMPS or any other network customer believes it has particular operational needs that would justify a similar redispatch protocol, PacifiCorp would welcome a discussion regarding incorporating a similar amendment to that customer's network operating agreement.[29]

22. PacifiCorp asserts that economic considerations are one of the primary factors to be considered in transmission planning.[30] PacifiCorp argues that UAMPS does not understand the circumstances under which PacifiCorp will not construct a network upgrade under the proposed amendment. PacifiCorp states that it is not upon PacifiCorp's unilateral determination that an upgrade is or is not cost justified; rather, it is when a QF chooses to site its project in a constrained area and the transmission studies performed in accordance with the OATT process demonstrate that there is insufficient ATC to accommodate the request.[31]

23. In response to UAMPS' concerns that PacifiCorp's curtailment practices pursuant to the proposed amendment could affect other customers' transmission service, PacifiCorp asserts that the proposal will not affect any other network customer's network

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[27] *Id.* at 5-6.

[28] *Id.* at 7.

[29] PacifiCorp Answer at 3-4.

[30] *Id.* at 4-5.

[31] *Id.* at 6.

allocation, all network loads will continue to be served on a firm basis, and the physical transmission entitlements of other transmission customers will be preserved.[32]

24. PacifiCorp states that it did not provide a comparison of the costs of PacifiCorp's proposed redispatch to the costs of construction of additional facilities because no such comparison can be made with certainty at this time. PacifiCorp explains that it does not know exactly whether, when, and where the Network Operating Agreement amendment protocol will be used, as that depends almost exclusively on where QFs choose to site their projects, whether those projects remain viable and eventually come online, and whether allowing the QF power to flow in a particular constrained area will indeed require other resources to be backed down. With regard to the potential cost of construction of network upgrades, PacifiCorp contends that this amount also necessarily depends on the same QF-driven factors and the specific additional facilities necessary to accommodate those QF requests.[33]

IV. Discussion

A. Procedural Matters

25. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motion to intervene serves to make UAMPS a party to this proceeding.

26. Rule 213(a)(2) of the Commission's Rule of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept PacifiCorp's answer because it has provided information that assisted us in our decision-making process.

B. Substantive Matters

27. We will accept PacifiCorp's proposed amendment to the Network Operating Agreement, to be effective February 22, 2015, as requested. We find that PacifiCorp's proposed amendment is consistent with PURPA. As PacifiCorp acknowledges, Commission precedent requires electric utilities, such as PacifiCorp, to deliver a QF's power on a firm basis and prohibits the curtailment of QF resources except under two very narrow circumstances: (1) system emergencies; and (2) extreme light loading

[32] *Id.* at 8-9.

[33] *Id.* at 11-12.

conditions.[34] PacifiCorp's proposed amendment complies with these requirements because it would obligate PacifiCorp Energy to curtail the schedules of non-QFs before the schedules of any QFs during normal operating conditions.[35]

28. PacifiCorp's proposed amendment would, at the same time, also allow its customers to avoid paying for network upgrades when the network upgrades are not justified by economic or reliability needs. In addition, PacifiCorp appropriately proposes to limit the impact of the additional designation of network resources on the generation of other network customers by requiring PacifiCorp Energy to operate its portfolio of designated network resources within its network rights and within transmission system limits.[36] Moreover, PacifiCorp represents that the proposed amendment does not affect the transmission capacity reserved for any other existing PacifiCorp transmission customer or any other network customer's network allocation, and that all network loads will continue to be served on a firm basis.[37] While the proposed amendment departs from the *Madison* precedent that new designated network resource requests cannot be granted unless there is sufficient ATC, we believe that this departure is justified under the specific circumstances here, given PacifiCorp's commitments that the proposed amendment will not affect the transmission service received by other customers and PacifiCorp Energy's obligation to operate its entire portfolio of designated network resources within its existing network rights.

29. We are not persuaded by UAMPS' arguments that the proposed amendment to the Network Operating Agreement should be rejected or set for trial-type, evidentiary hearing. PacifiCorp Energy commits to operating its network resources within its existing transmission rights. Therefore, the additional designation of network resources

[34] *See* PacifiCorp Answer at 7-8 (citing *Pioneer Wind Park I, LLC*, 145 FERC ¶ 61,215, at P 38 (2013) ("The Commission has specifically held that…the purchasing utility cannot curtail the QF's energy as if the QF were taking non-firm transmission service on the purchasing utility's system"); 18 C.F.R. § 292.307(b) ("During any system emergency, an electric utility may discontinue: (1) Purchases from a qualifying facility if such purchases would contribute to such emergency"); 18 C.F.R. § 292.304(f); *Entergy Servs., Inc.*, 137 FERC ¶ 61,199, at P 55 (2011) ("In Order No. 69, which implemented section [292.]304(f), the Commission stated that that section was intended to deal with a certain condition which can occur during light loading periods…Section [292.]304(f)…applies only to such low loading scenarios")).

[35] *See* PacifiCorp December 24 Filing at 9; PacifiCorp Answer at 7-8.

[36] *See* PacifiCorp December 24 Filing at 6.

[37] *Id.* at 2, 8.

pursuant to the proposed amendment should not impact ATC or impair the transmission rights of other customers. To the extent generation will be curtailed to accommodate these additional network resources, it will be the generation of PacifiCorp Energy, not the generation of any third party, that will be curtailed. We also disagree with UAMPS that the proposed amendment must be included in PacifiCorp's OATT. PacifiCorp has made it clear that any network customer requesting similar terms would be accommodated through an amendment to its network operating agreement. Finally, we disagree with UAMPS that PacifiCorp's proposal must be supported with a more complete cost justification. Any showing in this regard would be hypothetical, speculative, and not necessary to show that this proposal is just and reasonable.

The Commission orders:

PacifiCorp's proposed Network Operating Agreement amendment is hereby accepted, effective February 22, 2015, as requested, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.