

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Least Cost Planning Rulemaking, WAC 480-100-238
Least Cost Planning Rulemaking, WAC 480-90-238
Chapter 480-107 WAC Rulemaking

Docket No. UE-030311
Docket No. UG-030312
Docket No. UE-030423

Comments by the Cogeneration Coalition of Washington

The Cogeneration Coalition of Washington¹ (CCW) hereby provides comments on the proposed rulemaking on solicitations and QF procurement.

I. Introduction

CCW proposes revisions to the proposed regulations on procurement in four areas: 1) to clarify the satisfaction of PURPA obligations through this solicitation process, 2) to use the results of the latest least cost plan to determine the terms and conditions of the next solicitation, 3) to base the avoided cost calculations on the utility's least cost plan, not on an RFP, and 4) to better define the costs of interconnection that are the responsibility of the generator.

II. Satisfaction of PURPA obligations

PURPA requires a utility to purchase the output of a Qualifying Facility. The regulations should be clarified to make clear that the utility has that obligation regardless of the outcome of the RFP. If a QF participates in the RFP but does not have the winning bid, the utility has not satisfied its obligation under PURPA with regard to that QF.

The results of an RFP can be used to determine the avoided cost for a purchase from a QF. But that would be true only if the RFP sought the same

¹ **Error! Main Document Only.**CCW represents the cogeneration and customer interests of March Point Cogeneration Company, Sumas Energy Company and Tenaska Ferndale Cogeneration.

type of resource as the QF is providing. Bids for peaking energy cannot be used as the avoided cost for a contract with a QF supplying baseload capacity and energy.

To make this clear, the last sentence in WAC 480-107-001 which reads:

Purchase of electric power under these rules satisfies an electric utility's obligation to purchase power from qualifying facilities under section 210 of PURPA.

should be replaced with:

The utility obligation to purchase under 18 CFR §292.303 is not limited by these rules, but the obligation may be satisfied if the utility contracts with a qualifying facility pursuant to these rules.

III. Tying Least Cost Plan to RFP

The least cost plan (LCP) determines the resource requirements of the utility. The terms and conditions of any subsequent RFP should be based on that LCP.

First, there is no need for an RFP unless the LCP shows a supply deficit.

WAC 480-107-015 should be revised to state:

(2) Timing of the solicitation process.
(a) An electric utility must submit to the commission a proposed request for proposals and accompanying documentation no later than ninety days after the utility's integrated resource plan is due to be filed with the commission, if such plan shows a deficit in supply at any time in the next four years.

The resource deficits indicated by the least cost plan should then dictate the terms of the RFP. If, for instance, the least cost plan shows a need for 100 MW of peaking energy, then the RFP should request bids for that type and block of energy.

The LCP should determine the size of the block. However, if a utility needs 500 MW of baseload resources, it should have the flexibility to request bids in 100 MW blocks, so that it can diversify suppliers and geographic delivery. WAC 480-107-025 should be revised to read:

(1) Based on the requirements identified by the utility's latest LCP, the RFP must specify the resource block, the initial estimate of long-term avoided cost schedule as calculated in WAC 480-107-055, Avoided cost schedule, and any additional information necessary for potential bidders to make a complete bid.

(2) The RFP must identify a resource block consisting of reasonable fractions of the overall amount and duration of power the electric utility is soliciting through the bidding process based on the requirements identified by the utility's latest LCP. The RFP must document that the size of the resource block is consistent with the range of estimated new resource needs identified in the utility's integrated resource plan. The RFP may specify a zero-megawatt resource block only if the integrated resource plan demonstrates that the utility does not need additional capacity within three years.

IV. Avoided costs should be based on the least cost plan.

The proposed regulations in WAC 480-107-055(2) require the utility's tentative avoided costs calculated within 12 months of an RFP to be based on the results of that RFP. There are two problems with that approach. First, the prior RFP may have been unproductive. The regulations indicate that the utility does not need to accept any of the bids. The bids may have been noncompetitive for any number of reasons, and therefore do not accurately reflect prevailing costs in the market. Such bidding would not establish relevant avoided costs.

Second, the RFP may have sought bids for one type of resource while the new resource to which the avoided cost may apply is a completely different resource.

The initial estimate of avoided costs, regardless of when it is produced, should be based on the best information available. This should include the LCP as the better indication of the utility's needs and of its best projections of costs for various resource types.

WAC 480-107-055 should be revised to eliminate subsection (2) and to revise subsection (3):

(2) [(3)] Avoided cost schedules ~~filed more than 12 months after an RFP~~ will be based on estimates included in the utility's current integrated resource plan filed pursuant to WAC 480-100-238 and the results of the most recent bidding process. The electric utility must file documentation supporting its estimated avoided cost schedule.

V. Definition of interconnection costs

WAC 480-107-125 requires the generator to pay "any costs of interconnection," but that provision may deal too briefly with a fairly complex issue. The provision should include both a more precise definition of the costs included and some more detail as to ultimate cost responsibility.

It is important to have a specific definition of Interconnection Facilities and a differentiation between the facilities necessary to physically interconnect to the grid and the facilities attributable to network upgrades. Although generators are generally required to pay the costs of facilities necessary to physically interconnect them to the utility's system, they are generally entitled to refunds or

credits for the cost of any system or network upgrades that they advance.²

FERC has generally drawn that line identifying network upgrades “at or beyond” the point of interconnection.³

For instance, FERC’s Order 2003⁴ includes this definition of Interconnection Facilities:

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 Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades.⁵

As the above discussion indicates, FERC has issued a comprehensive rule, Order 2003, governing generator interconnections. In compliance, each public utility has revised its Open Access Tariff to incorporate the provisions of Order 2003. Although this regulation proposed by the WUTC seems focused on the interconnection of wholesale generators, we should note that interconnection of other generators may be governed in whole or part by state-jurisdictional rules and tariffs. It may be sufficient to replace WAC 480-107-125 with a provision that states:

Any costs of interconnection shall be paid or advanced as required by FERC Order 2003, and by any other applicable law and tariff.

² Order 2003, Large Generator Interconnection Agreement, Sec. 11.1 – 11.3, p. 48.
³ *Nevada Power Company*, Dkt. No. ER02-1913-005, 111 FERC ¶61,161 (May 6, 2005); see, also, *Duke Energy Hinds, LLC v. Entergy Services, Inc.*, 102 FERC ¶ 61,068 (2003), *reh’g pending*.
⁴ 104 FERC ¶61,103 (July 24, 2003).
⁵ Order 2003, Appendix C, p. 5.

Alternatively and more comprehensively, the regulation could be revised to include a definition of Interconnection Facilities, and a provision differentiating the cost responsibility for the customer's interconnection facilities from the responsibility for network upgrades.

VI. Conclusion

The regulations must reflect the mandates of PURPA regarding procurement from Qualifying Facilities. In addition, the regulations should reflect the realistic needs of the utility and the forces of the market. Revisions should be made to the regulations governing the contents of the RFP so that it is determined by the utility's least cost plan, and its projections of its needs. Revisions should also be made to the regulations governing the initial estimate of avoided costs so that they reflect both accurate samples of markets through RFPs and the utility's best projection of its anticipated costs. Finally, the regulations should be revised to more fully describe the respective obligations of the parties with regard to interconnection costs.

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Respectfully submitted,

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