

RESOLUTION NO. 01-11788

A RESOLUTION ADOPTING A POLICY  
APPLICABLE TO CUSTOMER-OWNED  
GENERATION INTERCONNECTING TO THE  
DISTRICT'S ELECTRIC SYSTEM

FACTUAL BACKGROUND AND REASONS FOR ACTION

The Public Utilities Regulatory Policies Act (PURPA), 16 USCA Section 2601 et seq; requires a utility to (1) allow connection; and (2) buy the power produced by qualifying facilities. This law applies primarily to small geothermal and cogeneration projects and facilities operated with biomass or renewable resources. Projects producing power by the use of oil, natural gas and coal do not qualify. The Federal Power Act (FPA), 16 USC Section 824j, requires transmitting utilities to deliver power generated by independent power producers over the utility's electric system for sales of energy to third parties. The District must comply with federal requirements.

It is the District's responsibility to set the interconnection standards and requirements to ensure its electric system is safe and reliable and to only allow interconnections that will not harm the utility or its customers. The District cannot put its system at risk by connecting these power producers. In addition to technical standards for interconnecting independent power producers, there are other standards that must be considered including, but not limited to: insurance; indemnity provisions; maintenance; communication and dispatch protocols; provisions for safety of District workers; energization issues and outages.

Customers interconnecting their generation should be required to pay all costs associated with the interconnections and delivery of power. All costs incurred by the District associated with the interconnection and sales of power should be the responsibility of the power producer and shall be allocable to the producer and not paid by the utility's existing retail or wholesale customers.

In order to accommodate the interconnection and power purchase issues noted above, District staff has developed policies, agreements and interconnection standards that govern connection of customer-owned generation to the District's system and delivering the power generated by these producers.

The attached proposed policy includes one power marketing option for customers interconnecting generation to the District's electric system that are not PURPA qualified facilities: transmit power utilizing the District's system and services to sell power to third parties outside the District's service territory.

District staff has developed the following documents pertaining to connection of the customer-owned generation:

- ◆ Chelan County PUD Policy For Customer-Owned Generation
- ◆ Application For Inter-Connection of Customer-Owned Generation
- ◆ System Impact Study Agreement
- ◆ Customer-Owned Generation Interconnection Agreement
- ◆ Power Delivery Agreement
- ◆ Generating Facility Planning Requirements
- ◆ Interconnection Requirements for Customer-Owned Generating Facility Connected to District's Distribution System
- ◆ Interconnection Requirements for Customer-Owned Generating Facility Connected to District's High Voltage System

Copies of the above documents will be on file at District Headquarters in Wenatchee. The proposed Policy For Customer-Owned Generation is attached as Exhibit A. The Policy sets forth general requirements and obligations for the interconnections and distribution of power.

These policies, agreements and requirements are necessary for the District to ensure that customers who desire to connect generation to the District's system fully and clearly understand the requirements and costs associated with connecting to the District's system. Furthermore, the policies, agreements and requirements clearly define how the District will calculate charges for services rendered. These policies, agreements and requirements are necessary for the District to ensure that customers connecting generation to the District's system and the District's other customers receive fair and equitable treatment and existing customers do not bear any costs associated with customer-owned generation.

Staff recommends the Commission adopt a Policy for Customer-Owned Generation, attached as Exhibit A, and authorize the General Manager to execute such agreements as appropriate in compliance with this Policy. The General Manager has received a staff report on the above mentioned Policy and other agreements and requirements and concurs that a Policy should be adopted.

### **ACTION**

**IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY as follows:**

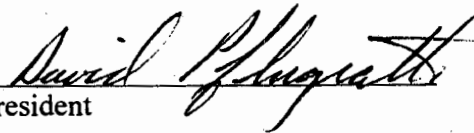
**Section 1.** The Board determines it is in the best interests of the District to establish policies, agreements and requirements for connecting customer-owned generation to the District's electric system that allows the customer with non-PURPA qualified facilities to transmit power across the District's system for sales by the customer to third parties.

Section 2. The Board, having been presented with the details of the policies, agreements and requirements, determines that the same are reasonable.

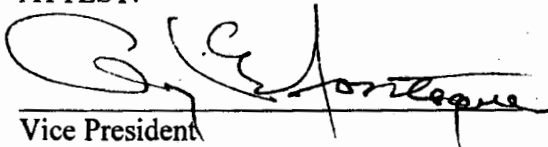
Section 3. The Board hereby adopts the Policy For Customer-Owned Generation attached as Exhibit A that allows customers owning non-PURPA qualified generation to transmit power for sale to third parties under the stated terms and conditions.

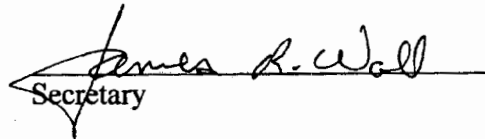
Section 4. The Board hereby authorizes the General Manager to enter into all agreements conforming to the Policy For Customer-Owned Generation.

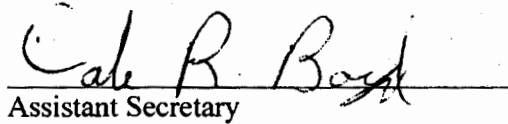
DATED this 21st day of May 2001.

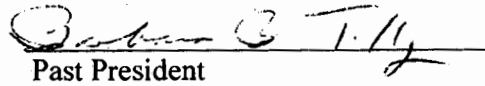
  
\_\_\_\_\_  
President

ATTEST:

  
\_\_\_\_\_  
Vice President

  
\_\_\_\_\_  
Secretary

  
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Assistant Secretary

  
\_\_\_\_\_  
Past President

Seal

Exhibit A to Resolution No. 01-11788  
Adopted May 21, 2001

**POLICY FOR CUSTOMER-OWNED GENERATION  
WITHIN CHELAN COUNTY PUD**

**I. Overview**

The District will interconnect and offer services to interconnecting, Customer-Owned, generation according to the provisions of this policy. Owners of interconnecting, qualified, generation of 25 Kw or less may elect to participate in the District's net metering policy for 25 Kw and under qualifying generation.

All costs associated with interconnecting Customer-Owned generation shall be the responsibility of the Customer.

**II. Steps**

The steps required for an interconnecting Customer-Owned generation are as follows:

1. Customer must submit a completed Application For Interconnection of Customer Owned Generation for generation interconnection.
2. Customer and the District must execute a System Impact Study Agreement. The Customer is required to advance the applicable fee to initiate the agreement. A fee of \$5,000 is required for a distribution level connection study and a fee of \$10,000 is required for a high voltage connection study. The District's engineers will evaluate the proposed interconnection and determine requirements according to the Applicable Engineering Criteria within the time specified in the System Impact Study Agreement. Applicable Engineering Criteria is detailed below.
3. The Customer must confer with the District's engineers on the System Impact Study findings by the District's engineers.
4. The District's engineers will present a Customer-Owned Generation Interconnection Agreement to be executed by the District and the Customer after the Customer has received the System Impact Study requirements. Provided, however, only one generation interconnection agreement may be in effect for any given substation.
5. The Customer and District shall execute a Power Delivery Agreement in conformance with this Policy.
6. The agreements shall provide for the District's ability to terminate the interconnection and power delivery arrangement after one year.

The Applicable Engineering Criteria prescribe the technical interconnection, protection, and metering requirements for any Customer-Owned Generation as adopted by District Engineering Services. The requirements are set forth in the following documents:

1. Generating Facility Planning Requirements;
2. Interconnection Requirements for Customer-Owned Generating Facility Connected to District Distribution System; and
3. Interconnection Requirements for Customer-Owned Generating Facility Connected to District High Voltage System.

Exhibit A to Resolution No. 01-11788  
Adopted May 21, 2001

**III. Chelan County PUD Power Marketing Services For Customer-Owned Generation**

**A. Customer-Owned Generation Scheduled by District**

This option is available for any Customer-Owned generation which is interconnected with the District's electric system (exclusive of the Stehkin system) according to either the District's Interconnection Requirements For Distribution System or Interconnection Requirements for High Voltage System.

This option is available only for Customer-Owned generation capable of generation in blocks of whole Megawatts.

Under this option, whole Megawatts of Customer-Owned generation is delivered to a purchaser designated by the customer under firm schedules. The customer is directly responsible for the costs associated with all services necessary to effectuate the delivery of power to the desired purchaser. The District will not take title to the energy at any time.

**1. Concept:**

- a. Generation output is scheduled out of the District's system according to schedules submitted as preschedules from the Customer.
- b. The District is an intermediary for the delivery of "firm" power from the Customer-Owned generation within the District to a given Purchasing/Selling Entity. The District does not take ownership of this power.
- c. The District records the generation output for each hour of each day and the variances of generation within those hours.
- d. The District bills the customer for the services it provides on a monthly basis.
- e. The District is not involved in facilitating financial arrangements between the customer and its purchasers.
- f. The Customer must retain the services of a Scheduling Coordinator (SC) for purposes of tagging, transmission arrangements and possibly marketing and billing.
- g. The Customer must obtain reserves for fully backing the sales transactions.
- h. The District must have the right and capability to implement these reserves as required to support the schedules of Customer-Owned energy.

**2. Customer-Owner and Customer's SC Responsibilities:**

- a. By 8:00 AM of the applicable preschedule day, provide the District with the desired schedule, adjacent control area, ultimate control area, Purchasing Entity, and all applicable transmission accounts.
- b. By 2:00 PM electronically submit the WSCC E-Tag.
- c. Provide reserves for implementation as required to support the firm sale.
- d. Submit real-time schedule changes and associated WSCC E-Tags according to WSCC criteria.
- e. Agree to purchase District services necessary to support the transactions.

**3. District Services Required to Support Scheduling of Customer-Owned Generation to Off-System Parties:**

Each of the following services is provided on a project by project basis. For billing purposes, these services will not be combined for Customer-Owners with multiple generation projects.

- a. **Load Following Service:** The charge for this service is based on a kilowatt billing demand which is a weighted average of the hourly load following provided in the billing period. The highest one minute generation minus the lowest one minute generation for each hour will establish the load following kilowatt for each hour. The weighted average load following demand for any billing period will be calculated using a weighting factor of 2 (two) on the HLH hours and load following demands and a weighting factor of 1 (one)

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on LLH hours and load following demands. The charge per kilowatt for this service will be the effective Rate Schedule 4 Load Following charge.

- b. **Energy Imbalance Service:** Deviations from the scheduled amounts will be calculated on an hourly basis. High Load Hours (HLH) (currently 6:00 AM through 10:00 PM or as may be redefined in the Dow Jones Mid-Columbia Firm Index), and Light Load Hours (LLH), all other hours, will be kept track of separately. **Positive** deviation results when the actual generation is less than scheduled generation and a net energy requirement being placed on the District to support the customer's generation. **Negative** deviation results when actual generation exceeds the scheduled generation.
- i) For deviations +/- 3% of the generation schedule for any hour, there is no additional charge. Energy over or under will be accumulated in an account. When the account balance reaches a full positive or negative Megawatt hour, that amount will be cleared with an applicable LLH schedule.
  - ii) For deviations outside the +/- 3% of the generation schedule for any hour, using the above definitions for positive and negative deviations, the following charges apply:
    - Positive:** 2 times the appropriate Dow Jones High load or Light Load Index
    - Negative:** Energy will be accumulated in an account and cleared with whole megawatt schedules by the District. Provided however, such accumulations are deemed to be zero for any hour the District's Rocky Reach project is spilling due to high or unusable flow. Customer will receive a revenue credit consistent with the A.4.b.(i) calculation for an energy Payment.
- c. **Scheduling Service:** This service is exclusive of E-Tagging services. Control area schedules are necessary to implement any desired delivery of power outside the District's system. The district will accept legitimate schedules and tags, incorporate them into its scheduling systems, and accomplish the necessary control area check-out procedures. The charge for this service is \$40 per preschedule and \$40 for each hour of each modification of an existing schedule (which may be zero for any hour) after the preschedule period has closed.
- d. **Voltage control:** The charge for voltage control shall be the charge specified in the District's Rate Schedule 4 for metered KVARH. The charge will be applied to all positive reactive power delivered by the District in support of the generation. The metering used to measure KVARH shall be set to register only positive reactive power. No charge shall be applied for positive reactive power delivered to the District by the generation.
- e. **Distribution To Network:** This charge will be determined for each separate customer receiving service under this schedule based on a "dedicated facilities" methodology. This charge recovers a portion of the District's capital investment to deliver through the District's substations, lines, meters, and poles, and other equipment to the customer's facilities as well as meter reading and other associated costs. Costs associated with the District's High Voltage Network are not included in this calculation. In general, this determination will be made in conjunction with the System Impact Study.
- f. **Network Access:** This service provides for delivery from the District's internal distribution system to the District's High Voltage Network and the interconnections with other control areas and transmission systems. The charges for this service shall be those specified in the District's Rate Schedule 4. This Rate Schedule 4 provides for Firm and Non Firm services. The firm service is for non-interruptible service except in the case of uncontrollable. Non-firm network service may be curtailed by the District for load control and stability, serving a higher service level network customer, or any other economic reason the District deems appropriate.
- g. **Losses:** Losses within the District's system will not be charged. The Customer is responsible for transmission losses required by transmission providers and other control areas in the Customer's delivery schedules. Under this option, the District will not be providing any services related to losses external to the District's system. If a scheduling

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of losses is feasible and this is the desire of the Customer and the recipient, the District would schedule the losses transaction consistent with the services described above.

h. **Reserves:** Reserves are in the form of both spinning (on line generators) and ready (available within 10 minutes) reserves required to be held by the District to maintain system integrity in the event of a loss of load, a generating resource, or line outage. Such reserves are required to be held by the Western System Coordinating Council Guidelines. If the customer obtains appropriate reserves, delivery schedules shall not be interrupted unless the District is asked to adjust its interchange schedules under a lawful directive. Adjustments would be applied pro-rata to all affected customers if the District determines that such allocation is possible. Interruptions or under-performance of the Customer's generation and facilities (Events) may require the District to implement the customer's reserves to maintain the customer's firm schedules. Services required to maintain the Customer's schedule prior to the satisfactory implementation of reserves over a period not to exceed the end of the hour following the hour within which the Event began, will be accounted for load following and energy imbalance and any other applicable service as described above. For Events where reserves can not be satisfactorily implemented by the District by the end of the hour following the hour within which the Event began, the Customer's schedule shall be curtailed according to WSCC guidelines and requirements.

**B. Customer-Owned Generation Scheduled by District, Optional Services**

1. **Tagging Services:** District will prepare and transmit E-Tags in support of the Customer-Owner's schedules. The Customer-Owner's Scheduling Coordinator will provide all required information not later than 12:00 PM of the preschedule day for a preschedule E-Tag and not later than 45 min prior to the hour of implementation for E-Tags to be implemented with real time (same day) procedures.

Fees: \$25 per E-Tag, prechedule.  
\$75 per E-Tag, same day

2. **Scheduling Coordinator Services:** The District will arrange all necessary electric grid transactions necessary to schedule the customer's generation to the counter party to the transaction. Charges for this service will include all direct charges (i.e. transmission fees and losses) and a service charge of \$500 per month plus \$100 per transaction with a counter party. A single transaction may be a set of hourly schedules for a given day or such a schedule, exactly repeating, for any number of consecutive days in a month. Utilization of this service requires utilization of the Tagging Services.