

143 FERC ¶ 61,169  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Philip D. Moeller, John R. Norris,  
Cheryl A. LaFleur, and Tony Clark.

PacifiCorp

Docket No. ER13-1180-000

ORDER CONDITIONALLY ACCEPTING IN PART AND REJECTING IN PART  
AGREEMENT

(Issued May 24, 2013)

1. In this order, we conditionally accept in part and reject in part a Project Construction Agreement (Construction Agreement), effective March 29, 2013 as requested, between PacifiCorp and its affiliate, PacifiCorp Energy, that addresses the decommissioning activities related to PacifiCorp Energy's 172 MW thermal generating unit in Carbon County, Utah (Carbon Facility). As discussed below, we will require PacifiCorp to revise the Construction Agreement to allocate to PacifiCorp Energy only those costs that represent typical decommissioning activities (e.g., activities that pertain only to the removal of equipment at the Carbon Facility).<sup>1</sup>

**I. Background**

2. On June 29, 2012, PacifiCorp submitted to the Commission a proposed revision to Article 2.5 of its Standard Large Generator Interconnection Agreement (LGIA), Attachment N, Appendix 6, under its Open Access Transmission Tariff (OATT), to clarify cost allocation issues related to the disconnection of a generating facility. PacifiCorp proposed to include language requiring terminating parties to bear all costs associated with disconnection, including those necessary to maintain system reliability. On November 20, 2012, the Commission denied PacifiCorp's proposed revision.<sup>2</sup> The Commission rejected the proposed generic one-size-fits-all approach to this issue and

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<sup>1</sup> Designated as PacifiCorp Rate Schedule FERC No. 693.

<sup>2</sup> *PacifiCorp*, 141 FERC ¶ 61,140, at P 12 (2012).

found that such requests should be reviewed on a case-by-case basis, both for LGIAs and for interconnection agreements that pre-date Order No. 2003.<sup>3</sup>

3. Consistent with the required case-by-case approach, on March 28, 2013, as supplemented on April 10, 2013, PacifiCorp filed the Construction Agreement. Under the terms of the Construction Agreement, PacifiCorp agrees to perform, and PacifiCorp Energy agrees to pay for, modifications to PacifiCorp's transmission system resulting from PacifiCorp Energy's request to disconnect the Carbon Facility, including modifications that are necessary to maintain system reliability following disconnection.

4. PacifiCorp proposes to directly assign costs to PacifiCorp Energy for modifications that PacifiCorp states are needed to maintain the current transmission system reliability once the Carbon Facility is decommissioned. PacifiCorp states that assigning the costs of the transmission system modifications directly to PacifiCorp Energy is just and reasonable because the modifications do not provide a benefit to other users of the transmission system. PacifiCorp asserts that the modifications merely maintain the *status quo* reliability of its system, and will not improve or otherwise benefit the integrated grid or its transmission customers. According to PacifiCorp, with the Carbon Facility on line, the system is reliable and no system investments are needed to maintain reliability.<sup>4</sup>

5. PacifiCorp maintains that the modifications required in light of the Carbon Facility decommissioning are more like interconnection facilities than network upgrades. PacifiCorp asserts that Commission policy has long held that the cost of interconnection facilities, as sole use facilities that benefit only the interconnection customer, should be directly assigned to the interconnection customer. Using this reasoning, PacifiCorp argues that PacifiCorp Energy's decision to decommission the Carbon Facility will require investments that should be directly assigned to PacifiCorp Energy because such expenditures are designed to maintain system reliability, and not to improve it or to otherwise benefit the integrated grid. In PacifiCorp's estimation, because the modifications will not provide a benefit to other users of its transmission system, other users should not be responsible for costs that were driven by one customer's decision to decommission its interconnected facility.<sup>5</sup>

6. PacifiCorp states that it completed two decommissioning studies for the Carbon Facility. PacifiCorp notes that the first study estimated the costs to be \$79 million. However, PacifiCorp states that some of the network upgrades associated with the first

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<sup>3</sup> *Id.*

<sup>4</sup> PacifiCorp Filing at 2.

<sup>5</sup> *Id.*

study were determined to be unnecessary, and it therefore conducted a second study with a narrower scope, focusing only on modifications needed to maintain the current transmission system reliability once the Carbon Facility is decommissioned. This study, which estimated costs to be \$43,640,751, also assumed that all costs associated with the decommissioning project should be directly assigned to the disconnecting generator.<sup>6</sup> PacifiCorp notes that the executed Construction Agreement reflects the scope and cost of the second study.<sup>7</sup>

7. In addition, PacifiCorp requests waiver of the Commission's prior notice and filing requirements so as to permit a March 29, 2013, effective date for the Construction Agreement. It argues that there is good cause to grant this waiver as the filing is uncontested, does not change rates, and is needed to achieve an April 15, 2015 decommissioning date, which meets an Environmental Protection Agency deadline for Mercury and Air Toxics Standards.<sup>8</sup>

## **II. Notice of Filing**

8. Notice of PacifiCorp's March 28, 2013 filing was published in the *Federal Register*, 78 Fed. Reg. 20903 (2013), with interventions and protests due on or before April 18, 2013, and notice of PacifiCorp's supplemental filing was published in the *Federal Register*, 78 Fed. Reg. 23244 (2013), with interventions and protests due on or before May 1, 2013. None was filed.

## **III. Discussion**

9. We will conditionally accept in part and reject in part the Construction Agreement. We will conditionally accept PacifiCorp's allocation of the costs incurred to effectuate disconnection, but disagree with its proposal to allocate the costs associated with system reliability. In Order No. 2003, the Commission determined that the costs required to effectuate the disconnection of the generating facility from the transmission provider's transmission system must be borne by the terminating party, unless the disconnection is the result of a default by the other party. That language is also present in Article 2.5 of the *pro forma* LGIA. In Order No. 2003-A, the Commission declined to grant a request that Article 2.5 be revised to make the disconnecting generator responsible for *all* costs of

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<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 5.

disconnection under *all* circumstances, specifically finding that no rationale had been provided for including the cost of site restoration in disconnection costs.<sup>9</sup>

10. We find that a portion of the costs allocated to PacifiCorp Energy under the Construction Agreement are in fact necessary to effectuate disconnection; that is, these costs are necessary to physically or operationally remove the generating facility and associated interconnection equipment and facilities. However, we also find that PacifiCorp's interpretation that it is appropriate to allocate the cost of maintaining reliability to PacifiCorp Energy, as a disconnection cost, contradicts Commission policy.

11. PacifiCorp contends that the system modifications should be considered as interconnection facilities, rather than network upgrades, and therefore allocated to the disconnecting party. PacifiCorp's conclusion relies on its assertion that the transmission equipment is maintaining *status quo* reliability and therefore providing no benefits to the remaining transmission customers. PacifiCorp appears to assume that, once a generator interconnects, the services that the generator provides are a baseline that the transmission system has a right to expect to be maintained at the expense of the generator. However, that is not what the Commission intended when it referred to "all costs required to effectuate such disconnection" in Order No. 2003. A generator is no more obligated to replace its reactive power capacity or to finance improvements necessary to control flow effects of its disconnection than it would be obligated to replace its real power capacity. When the Carbon Facility is disconnected, the upgrades in question do not maintain the *status quo*, but in fact improve the reliability of the transmission system, therefore providing a benefit to the remaining transmission customers.

12. Accordingly, based on the record we have before us, we will conditionally accept in part and reject in part PacifiCorp's proposed assignment of costs to PacifiCorp Energy related to the disconnection of the Carbon Facility. In its filing letter, PacifiCorp provides a breakdown of costs associated with the scope of work to be performed to effectuate the disconnection of the Carbon Facility, based on the second study it conducted which focused on modifications needed to maintain current system reliability once the Carbon Facility is decommissioned.<sup>10</sup> The executed Construction Agreement includes a more granular breakdown of work items to be performed; however, it does not

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<sup>9</sup> *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146, at PP 319-321 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230 (2008).

<sup>10</sup> PacifiCorp Filing at 4, 5.

include specific costs for each work item.<sup>11</sup> Using the summary of work to be performed which PacifiCorp included in the Construction Agreement, an addendum to this order (Appendix A) has been attached to identify which work items are conditionally accepted, and which are rejected, for recovery from this disconnecting customer.

13. The work items we will approve for recovery represent typical decommissioning activities related to the removal of the Carbon Facility. These work items will be conditionally accepted, subject to PacifiCorp submitting a revised cost estimate in its compliance filing, discussed further below. These activities include disconnecting certain equipment that facilitated the interconnection of the Carbon Facility to PacifiCorp's transmission system, removing equipment owned by PacifiCorp Energy at PacifiCorp's substations, and removing communication equipment directly associated with the Carbon Facility.

14. Additionally, Appendix A also identifies work items that we will reject, with prejudice, because they exceed the scope of decommissioning activities needed to remove the Carbon Facility from PacifiCorp's transmission system. These include, generally, the installment of new transmission equipment, such as static VAR compensators and phase-shifting transformers, and upgrades to fiber communication hardware to better communicate with the new equipment. Specifically, we will reject all transmission equipment, *e.g.*, SVCs, circuit breakers, and capacitors, that PacifiCorp is proposing to install at the Mathington and Upalco Substations. This equipment does not facilitate the disconnection of the Carbon Facility and is used solely for improving the reliability of the transmission system. As discussed above, this equipment benefits the remaining transmission customers and should be allocated to those customers in a different proceeding. We also will reject those items related to improved fiber communications systems and the resultant removal of the previous microwave communication systems. The new communications systems are only needed as a result of the transmission system upgrades related to the installation of SVCs and phase shifting transformers. As we have determined that these items are not appropriately categorized as disconnection costs, the communication equipment used to support those items is also not appropriately categorized as disconnection costs.

15. Lastly, we will reject six work items identified in Appendix A that were mentioned in the Construction Agreement, but which were not explained or supported in PacifiCorp's filing. For the work items in this group, our rejection is without prejudice to PacifiCorp providing additional information in this proceeding to support its requested recovery of costs related to these items. If PacifiCorp wishes to provide additional information in support of these items to have them considered in this proceeding, as

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<sup>11</sup> See Exhibit A (Carbon Decommissioning Project Requirements Summary) to the Construction Agreement.

opposed to seeking to justify them in a subsequent section 205 filing, it must do so within 30 days of the date of this order.

16. As to PacifiCorp's request for waiver of the Commission's prior notice requirements, we find that the PacifiCorp has shown good cause to grant this waiver. Therefore, we will grant the requested waiver, pursuant to section 35.11 of the Commission's regulations (18 C.F.R. § 35.11), and will conditionally accept PacifiCorp's Construction Agreement for filing, effective March 29, 2013, as requested.<sup>12</sup>

17. In addition, we will direct PacifiCorp to make a compliance filing revising the Construction Agreement in accordance with these findings. As part of the compliance filing, PacifiCorp is directed to submit a cost estimate associated with the work items conditionally accepted in this order.

The Commission orders:

(A) The Construction Agreement between PacifiCorp and PacifiCorp Energy is hereby conditionally accepted in part and rejected in part, effective March 29, 2013 as requested, as discussed in the body of this order.

(B) PacifiCorp is hereby directed to submit a compliance filing, within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>12</sup> *Central Hudson Gas & Electric Corporation, et al.*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992), and *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, *clarified*, 65 FERC ¶ 61,081 (1993).

### Appendix A

Description	Conditionally Accepted	Rejected with Prejudice	Rejected without Prejudice
<b>Carbon Generating Facility and Substation</b>			
Remove all Interconnection Customer owned equipment on the Carbon generating facility side of 138kV switches 131A and 132A at the 138kV Carbon generating facility.	X		
Remove all Interconnection Customer owned equipment on the Carbon generating facility side of the 46kV switches associated with circuit breaker 40 in the Transmission Provider's 46kV Carbon switchyard.	X		
<b>Carbon 46kV Substation</b>			
Provide engineering and labor to completely remove all of the Transmission Provider's Substation electrical equipment, bus work, potential, ground and 7.5MVA "Crank-up" transformers, fuses and fuse mounts, external mounted current transformers, structures, foundations, control cables, metering, ground wiring and all fencing and gates associated with the switchyard.	X		
Design, procure and construct a replacement for the existing alternate station service feed going to the Carbon 138kV Substation.	X		
<b>Sigurd Substation</b>			
Provide engineering and labor to remove any reference to the Carbon generating facility net generation circuit and RTU connections.	X		
<b>Carbon 138kV Substation</b>			
Design, procure and construct to install fiber to the Helper Substation and to the Emma Park Substation with fiber patch panels. Install fiber node on the ring connecting to Emma Park, Helper and Mathington Substations. Reroute the existing multiplex over the new fiber ring to Mathington and over the Mathington microwave path to the Beaver Mountain Communication Site. Replace the existing battery charger.		X	
Provide engineering and labor to remove the SPS that keys the transformer trip to the Columbia Substation and the Sunnyside plant for operating of VB 103 at the Carbon 138kV Substation and remove panel section G from panel B13. Work with Sunnyside plant owners to cancel the leased circuit.			X
Provide engineering and labor to remove channel banks, and miscellaneous communications equipment if useful for spares.		X	

Description	Conditionally Accepted	Rejected with Prejudice	Rejected without Prejudice
Design, procure and install replace the existing batteries and battery charger at the Carbon 138kV Substation.		X	
<b>Carbon generating facility</b>			
Provide engineering and labor to shut down and remove, if necessary, all Transmission Provider microwave radio equipment, antenna, Loop AM3440-C multiplex, 7.5kVA generator, propane tank, transfer panel, the communications and the generating facility RTU's, Tait base radio, and Cisco routers. Void all communications documentation associated with the plant.		X	
<b>Helper Substation</b>			
Coordinate with the supplier of the SVC for the control of the existing 138kV shunt capacitor. A control system will be designed to tie the operation of the shunt existing capacitors at the Helper and the new Mathington Substations to the SVC controller		X	
Design, procure and deploy pilot line protection on the 138kV line between the Helper and Mathington Substation to maintain the stability of the Sunnyside generator for fault on this line.		X	
Design, procure and install fiber to the Carbon and Mathington Substations with fiber patch panels. Provide a fiber node to Mathington, Emma Park, and Carbon Substations and to the new Mathington SVC building. Provide communications channel(s) from the Helper Substation to the Mathington Substation to replace the existing channels currently on the Carbon Plant – Beaver Mountain Communication Site microwave and a channel for the capacitor control from the Mathington SVC		X	
<b>Mathington Substation</b>			
Expand the Mathington Substation yard and design, procure and install the following equipment: <ul style="list-style-type: none"> <li>• 1 – 138kV SVC + 85MVAR and – 15MVAR.</li> <li>• 4 – 145kV, 2000A, 40kA, circuit breakers with pre-insertion resistors.</li> <li>• 2 – 138kV, 15MVAR capacitor banks.</li> <li>• 4 – 138kV 2000A, TPST, vertical break, manually operated switches.</li> <li>• 9 – 138kV CCVTs.</li> <li>• 3 – 98kV, MCOV surge arresters.</li> </ul>		X	
Design and deploy a control system to tie the operation of the existing shunt capacitors at the Helper and the new Mathington Substation capacitors to the SVC controller.		X	

Description	Conditionally Accepted	Rejected with Prejudice	Rejected without Prejudice
Design and deploy line protection on the 138kV line between the Helper and Mathington Substation to maintain the stability of the Sunnyside generator for a fault on this line.		X	
Design and deploy an over voltage protection scheme to disconnect a shunt capacitor at Mathington Substation for the loss of the power transfer path between the Carbon Substation and the Upalco Substation.		X	
Update the existing Mathington RTU for the remote control and indication of the operation of the SVC, new line breaker positions and the new shunt capacitor bank.		X	
Design, procure and install redundant fiber paths from the Mathington Substation control building to the SVC control building. Add a fiber node on the Mathington – Helper fiber ring, as well as multiplex, RTU, router, and other equipment to support the addition of the SVC.		X	
Design, procure and install communications channel(s) from the Mathington Substation to Carbon Substation and Emma Park Substation for capacitor bank control.		X	
Design, procure and install fiber between the Mathington Substation and the Helper Substation over the existing line. Install fiber patch panels and a fiber node. Install fiber patch panels to Mathington SGBC Building and tie the SVC fiber node into the Mathington – Carbon – Helper – Emma Park fiber ring. Provide communications channel(s) from the Mathington SVC Substation for capacitor bank control.		X	
<b>Price Service Center</b>			
Remove the Carbon generating facility mobile radio base control circuits.			X
<b>Columbia Substation</b>			
Provide engineering and labor to remove any reference to the Columbia – Sunnyside SPS circuit and remove the RFL 9745 equipment and have the leased line canceled.			X
<b>Beaver Mountain</b>			
Shut down the Carbon generating facility microwave radio and remove the associated antenna, waveguide, and radio. Remove any T1 or channel equipment that was connected to this radio.			X

Description	Conditionally Accepted	Rejected with Prejudice	Rejected without Prejudice
<b>Spanish Fork Substation</b>			
Design, procure and construct the bypass of the Carbon #1 line series reactor by installing a jumper across the in-line insulators in each phase wire associated with the series reactors. Also remove the 765kCM ACSR tap wires that extend from the line side of the in-line insulators down to the PT and series reactors.		X	
Remove and relocate the Spanish Fork 138kV, 62ohm series reactors to the Upalco Substation. The removal of the Spanish Fork 138kV, 62ohm series reactors must occur after the Carbon generation facility stops generating.		X	
<b>Sunnyside Plant</b>			
Provide engineering and labor to remove RFL 9745 equipment and have the leased line canceled.			X
<b>SCC/Oquirrh sub/Lake Mountain and Beaver Mountain Comm Sites</b>			
Provide engineering and labor to remove any reference to the Carbon generating facility radio, OPXs, RTU channels, and the EMS data base. Add new Upalco Substation RTU channel.			X