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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Stephen McAlpine, Chairman  
Paul F. Lisankie  
Rebecca L. Pauli  
Robert M. Pickett  
Janis W. Wilson

In the Matter of the Tariff Revision Designated as )  
TA298-13 Filed by GOLDEN VALLEY ELECTRIC )  
ASSOCIATION, INC. for Interconnection with )  
Delta Wind Farm, Inc. )

U-17-053  
ORDER NO. 8

**ORDER EXCUSING GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.  
FROM THE REQUIREMENT OF FILING A FACILITY-SPECIFIC TARIFF  
FOR PROJECT PROPOSED BY DELTA WIND FARM, INC.; REQUIRING  
WITHDRAWAL OF TA298-13; DENYING PETITIONS TO INTERVENE;  
ADDRESSING OUTSTANDING PROCEDURAL AND PENALTY ISSUES;  
AND CLOSING DOCKET**

BY THE COMMISSION:

Summary

We excuse Golden Valley Electric Association, Inc. (GVEA) from the requirement of filing a facility-specific tariff in response to the request for interconnection filed by Delta Wind Farm, Inc. (DWF). We require GVEA to withdraw TA298-13. We deny the petitions to intervene filed by the Municipality of Anchorage d/b/a Municipal Light and Power (ML&P); Matanuska Electric Association, Inc. (MEA); and Chugach Electric Association, Inc. (Chugach). We address outstanding procedural and penalty issues and we close this docket.

1 Background

2 GVEA received a written request for interconnection from DWF on  
3 December 1, 2016.<sup>1</sup> On March 15, 2017, GVEA filed TA296-13 in compliance with 3 AAC  
4 50.790(a) and Order U-17-009(2).<sup>2</sup> On April 28, 2017, the Commission issued Letter  
5 Order No. L1700168 rejecting TA296-13 for noncompliance with the Commission's form  
6 and filing regulations, and giving GVEA until May 12, 2017, to file a new tariff advice letter  
7 with the required tariff changes.<sup>3</sup> On May 12, 2017, GVEA filed TA298-13 in compliance  
8 with Letter Order No. L1700168. Also on May 12, 2017, GVEA filed the supporting data  
9 and information required by Letter Order No. L1700168.<sup>4</sup> This support included  
10 generation model runs.

11 We issued public notice of TA298-13 on May 19, 2017, with comments due  
12 by June 2, 2017. We received comments from Alaska Natural Gas Company, Ares  
13 Management LLC, GVEA, Northwest & Intermountain Power Producers Coalition, Alaska  
14 Independent Power Producers Association, Renewable Energy Alaska Project, and two  
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20 <sup>1</sup>Exhibit A to *Petition for Modification to Extend Time Pursuant to 3 AAC 50.750(c)*,  
filed February 13, 2017, in Docket U-17-009.

21 <sup>2</sup>Order U-17-009(2), *Order Granting Petition for Modification to Extend Time,*  
22 *Requiring Filings, and Closing Docket*, dated March 13, 2017 (Order U-17-009(2)). Order  
U-17-009(2) granted GVEA's request for a 30-day extension of the deadline in 3 AAC  
23 50.790(a) for the filing of "a tariff for interconnection, integration, purchases, and sales"  
with DWF and established March 15, 2017, as the new deadline.

24 <sup>3</sup>Letter Order No. L1700168, dated April 28, 2017 (Letter Order No. L1700168),  
at 1.

25 <sup>4</sup>Supplemental Tariff Filing for TA298-13, filed May 12, 2017. GVEA provided 8781  
26 pages of supporting data and information in its supplemental filing, as well as 277 pages  
of supporting information in TA298-13 itself.

1 individuals.<sup>5</sup> DWF filed an objection to, and request for rejection of, TA298-13.<sup>6</sup> GVEA  
2 replied.<sup>7</sup>

3 We suspended TA298-13 for further investigation, designated DWF as a  
4 party, and invited intervention.<sup>8</sup> We received petitions to intervene from ML&P, MEA, and  
5 Chugach.<sup>9</sup> DWF opposed the petitions to intervene.<sup>10</sup> GVEA supported intervention and  
6 the Attorney General (AG) filed a non-opposition to the petitions to intervene.<sup>11</sup> None of  
7 the commenters in this docket requested intervention. Three of the entities that  
8 commented expressly declined to intervene.<sup>12</sup> The AG elected to participate.<sup>13</sup>

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10 <sup>5</sup>Public Comment of Alaska Natural Gas Company, filed June 2, 2017; Public  
11 Comment of ARES Management LLC, filed June 2, 2017; Public Comment of GVEA, filed  
12 June 2, 2017; Public Comment of Northwest & Intermountain Power Producers Coalition,  
13 filed June 2, 2017; Public Comment of Alaska Independent Power Producers Association,  
14 filed June 2, 2017; Public Comment of Renewable Energy Alaska Project, filed June 2,  
15 2017; Public Comment of T. de Lima, filed June 2, 2017; Public Comment of S. Willford,  
16 filed June 2, 2017. Also on June 5, 2017, DWF submitted correspondence regarding  
17 GVEA's June 2, 2017, comments.

18 <sup>6</sup>*Delta Wind Farm, Inc.'s Objection to and Request for Rejection of GVEA's  
19 Proposed Facility-Specific Tariff*, filed June 2, 2017.

20 <sup>7</sup>*GVEA's Reply to DWF's Objection to and Request for Rejection of GVEA's  
21 Proposed Facility-Specific Tariff*, filed June 9, 2017.

22 <sup>8</sup>*Order U-17-053(1), Order Suspending TA298-13, Addressing Timeline for  
23 Decision, Designating Party, Inviting Intervention, Designating Commission Panel, and  
24 Appointing Administrative Law Judge*, dated June 23, 2017 (Order 1).

25 <sup>9</sup>*Municipality of Anchorage d/b/a Municipal Light and Power's Petition to Intervene*,  
26 filed July 5, 2017; *MEA's Petition to Intervene*, filed July 5, 2017; *Chugach Electric  
Association, Inc.'s Petition to Intervene*, filed July 5, 2017.

<sup>10</sup>*Delta Wind Farm, Inc.'s Response in Opposition to Anchorage Municipal Light &  
Power's Petition to Intervene*, filed July 11, 2017; *Delta Wind Farm, Inc.'s Response in  
Opposition to Matanuska Electric Association, Inc.'s Petition to Intervene*, filed July 11,  
2017; *Delta Wind Farm, Inc.'s Response in Opposition to Chugach Electric Association,  
Inc.'s Petition to Intervene*, filed July 11, 2017.

<sup>11</sup>*GVEA's Response in Support of Petitions to Intervene*, filed July 12, 2017; *Office  
of the Attorney General's Non-Opposition to Petitions to Intervene*, filed July 13, 2017.

<sup>12</sup>*Renewable Energy Alaska Project's Notice of Non-Intervention*, filed June 30,  
2017; *Northern Alaska Environmental Center's Notice of Non-Intervention*, filed July 5,  
2017; *Alaska Independent Power Producers Association's Notice of Non-Intervention*,  
filed July 6, 2017.

<sup>13</sup>*AG's Notice of Election to Participate*, filed July 7, 2017.

1 GVEA filed a motion requesting a prehearing conference.<sup>14</sup> Both DWF and  
2 the AG filed non-oppositions to GVEA's request.<sup>15</sup> On August 8, 2017, we held an  
3 informal conference with the parties—GVEA, DWF, and the AG. We allowed Chugach,  
4 MEA, and ML&P to attend the conference, noting that allowing them to attend was not a  
5 grant of intervention nor an invitation to argue why they should be allowed to intervene.<sup>16</sup>

6 After the informal conference, we issued Order 3 requiring an informational  
7 filing from GVEA.<sup>17</sup> To clarify the basis for the model runs submitted by GVEA in support  
8 of TA298-13, we required GVEA to answer questions posed in Order 3 and to make  
9 additional model runs based on a number of parameters described in Order 3.<sup>18</sup> On  
10 August 29, 2017, GVEA filed its response to Order 3. GVEA provided detailed responses  
11 to our questions, made and explained the results of the required model runs, and offered  
12 to make its experts available to answer any questions.<sup>19</sup>

13 We invited comments on GVEA's response to Order 3.<sup>20</sup> We received  
14 comments from DWF<sup>21</sup> and the AG.<sup>22</sup> GVEA filed a motion for leave to file a reply to  
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16 <sup>14</sup>*Motion to Schedule Prehearing Conference*, filed July 27, 2017.

17 <sup>15</sup>*Office of the Attorney General's Non-Opposition to Motion to Schedule*  
18 *Prehearing Conference*, filed July 28, 2017; *Delta Wind Farm, Inc.'s Non-Opposition to*  
19 *GVEA's Motion to Schedule Prehearing Conference*, filed July 28, 2017.

20 <sup>16</sup>Order U-17-053(2), *Order Scheduling Informal Conference*, dated August 1,  
21 2017 (Order 2).

22 <sup>17</sup>Order U-17-053(3), *Order Requiring Filing*, dated August 17, 2017 (Order 3).

23 <sup>18</sup>Order 3 at 2-3.

24 <sup>19</sup>*GVEA's Response to Order 3*, filed August 29, 2017 (GVEA Response to  
25 Order 3).

26 <sup>20</sup>Order U-17-053(5), *Order Inviting Comments from Delta Wind Farm and RAPA*,  
dated August 30, 2017.

<sup>21</sup>*Delta Wind Farm Inc.'s Comments on GVEA's Response to RCA Order No. 3*,  
filed September 12, 2017 (DWF Comments on GVEA Response to Order 3).

<sup>22</sup>*Office of the Attorney General's Comments in Response to Order U-17-053(5)*,  
filed September 11, 2017 (AG Comments on GVEA Response to Order 3).

1 DWF's and the AG's respective comments, together with a reply.<sup>23</sup> The AG filed a  
2 response to GVEA's motion.<sup>24</sup> The AG asserted that GVEA did not have a right to file a  
3 reply, as argued by GVEA, but that GVEA had shown good cause for filing a reply and  
4 the AG did not object to the filing. DWF did not make any filing in response to GVEA's  
5 motion.

6 DWF filed a motion requesting an extension of time to respond to discovery  
7 requests propounded on it by GVEA.<sup>25</sup> GVEA opposed the motion and reiterated its  
8 request for an evidentiary hearing in the event we do not approve TA298-13.<sup>26</sup> DWF filed  
9 a reply.<sup>27</sup> We issued Order 7, staying all further proceedings by the parties pending the  
10 issuance of an order by us.<sup>28</sup>

#### 11 Discussion

#### 12 Public Utility Regulatory Policies Act Qualifying Facilities

13 The Public Utility Regulatory Policies Act (PURPA) was one of five parts of  
14 the National Energy Act of 1978, passed by Congress to address energy issues of that  
15 era. Although much of that legislation has since been repealed, PURPA remains. Its  
16 purpose is to promote the conservation of energy, the efficient use of facilities and  
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19 <sup>23</sup>*GVEA's Motion for Leave to File Reply to Comments*, filed September 19, 2017;  
20 *GVEA's Response to Comments*, filed September 19, 2017 (GVEA Reply to Comments).

21 <sup>24</sup>*Office of the Attorney General's Response to GVEA's Motion for Leave to File*  
22 *Reply Comments*, filed September 22, 2017.

23 <sup>25</sup>*DWF's Motion for Extension of Time to Respond to GVEA's First Set of Discovery*  
24 *Requests*, filed December 8, 2017.

25 <sup>26</sup>*GVEA's Request for an Evidentiary Hearing and Opposition to DWF's Motion for*  
26 *Extension of Time to Respond to GVEA's First Set of Discovery Requests*, filed  
December 15, 2017.

<sup>27</sup>*DWF's Reply in Support of Motion for Extension of Time and Opposition to*  
*GVEA's Request for an Evidentiary Hearing*, filed December 19, 2017.

<sup>28</sup>*Order U-17-053(7), Order Staying Further Proceedings by the Parties*, dated  
December 20, 2017 (Order 7).

1 resources by electric and natural gas utilities, and the establishment of equitable rates for  
2 electric and natural gas consumers.

3 Section 210 of Title II of PURPA<sup>29</sup> requires an electric utility to interconnect  
4 with any “qualifying facility” (QF) and requires that public utility to purchase any power the  
5 QF generates and offers to sell to the public utility. The public utility is also required to  
6 sell electricity to the QF. QFs are cogeneration facilities or small power production  
7 facilities that meet the criteria set out in the Federal Energy Regulatory Commission  
8 (FERC) regulations. Small power production facilities are facilities of less than 80  
9 megawatts that generate electricity with renewable resources or other nontraditional  
10 fuels.

11 Congress required the FERC to adopt and periodically amend regulations  
12 the FERC considers necessary to encourage cogeneration and small power production.  
13 Congress believed cogeneration and small power production should be encouraged  
14 because increased use of these sources of energy would reduce the demand for  
15 traditional fossil fuels. It imposed mandatory purchase requirements on public utilities  
16 because it believed traditional electricity utilities were reluctant to purchase power from  
17 nontraditional facilities.<sup>30</sup>

18 The FERC adopted its regulations encouraging QF development in 1980.  
19 Under Section 210 state utility regulatory commissions were required to implement  
20 FERC’s regulations for each public utility for which they had ratemaking authority.  
21 Commissions could implement the FERC’s regulations on a case-by-case basis or could  
22 adopt regulations implementing the FERC regulations.

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<sup>29</sup>Codified as 16 U.S.C. § 824a-3.

26 <sup>30</sup>*Federal Energy Regulatory Comm’n v. Mississippi*, 456 U.S. 742, 751 (1982).

1 Our predecessor agency, the Alaska Public Utilities Commission (APUC)  
2 chose to implement the FERC regulations by adopting its own regulations.<sup>31</sup> The APUC  
3 noted that the FERC afforded state commissions great latitude in determining the manner  
4 of implementation of the FERC regulations. The APUC rejected resolution of disputes  
5 exclusively on a case-by-case basis, stating that “[t]his time-consuming method  
6 would . . . effectively discourage the development of cogeneration and small power  
7 production.”<sup>32</sup> The APUC also rejected verbatim adoption of the FERC regulations,  
8 stating that “verbatim adoption . . . would not be an effective method of implementation  
9 due to the vast dissimilarities between regulated Alaskan electric utilities . . . .”<sup>33</sup>

10 The APUC adopted its QF regulations in 1982. Those regulations remained  
11 unchanged until 2015 when, after an extended rulemaking docket, we amended certain  
12 provisions.<sup>34</sup> The regulations are set out in 3 AAC 50.750 – 3 AAC 50.820. Their purpose,  
13 as stated in the regulations, is “to encourage cogeneration and small power production  
14 by setting out guidelines for the establishment of reasonable, nondiscriminatory charges,  
15 rates, terms, and conditions under which interconnection, integration, and purchases and  
16 sales of electric power will occur between an electric utility and a qualifying facility.”<sup>35</sup>

#### 17 QF Interconnection Procedure

18 Under 3 AAC 50.790(a), an electric utility that receives a written request for  
19 interconnection from a QF is required to file for our consideration a tariff for  
20 interconnection, integration, purchases, and sales with the requesting QF. Specifically,  
21 the electric utility is required to include provisions in the tariff filing for the “charges, terms,  
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23 <sup>31</sup>Order U-81-035(4), *Order Adopting Regulations Subject to Review of Additional  
Comments*, dated June 23, 1982 (Order U-81-035(4)).

24 <sup>32</sup>Order U-81-035(4) at 9.

25 <sup>33</sup>Order U-81-035(4) at 9.

26 <sup>34</sup>Order R-13-002(5), *Order Adopting Regulations*, dated November 20, 2015.

<sup>35</sup>3 AAC 50.750(b).

1 and conditions for interconnection” of the utility to the QF; “the fees or payments” for  
2 integrating the QF into the utility’s system; “the rates, terms, and conditions for purchases”  
3 by the utility of energy and capacity from the QF; and “the rates, terms, and conditions for  
4 sales of power” by the utility to the QF.<sup>36</sup> The QF and electric utility may enter into a  
5 special contract “specifying the charges, rates, terms, and conditions of interconnection,  
6 integration, purchases, and sales between an electric utility and a qualifying facility,  
7 provided use of a special contract otherwise conforms to applicable commission  
8 regulations, including 3 AAC 50.770(h).”<sup>37</sup>

9           With respect to the purchase of energy and capacity by the utility from the  
10 QF, the “rates must be based on the cost of energy and capacity which the electric utility  
11 avoids by virtue of its interconnection with the [QF].”<sup>38</sup> Additionally, the “[r]ates for  
12 purchases of electric power must be just and reasonable and in the public interest and  
13 must not discriminate against [QFs] or adversely affect the consumers of the electric  
14 utility.”<sup>39</sup> The QF and the electric utility by special contract may agree to different rates,  
15 terms, or conditions for purchases other than that required by 3 AAC 50.770. Such a  
16 contract will be valid if we determine that the “rates, terms, or conditions for purchases  
17 are just and reasonable to the customers of the electric utility and in the public interest.”<sup>40</sup>

18           With respect to the sale of energy by the utility to the QF, “[r]ates for sales  
19 must be just and reasonable and in the public interest and must not discriminate against  
20 the other consumers of the utility or against a qualifying facility in comparison to rates for  
21 sales to other customers of the electric utility with similar load or other cost-related  
22 characteristics.”<sup>41</sup>

23 <sup>36</sup>3 AAC 50.790(b)(1-4).

24 <sup>37</sup>3 AAC 50.790(c).

25 <sup>38</sup>3 AAC 50.770(d).

26 <sup>39</sup>3 AAC 50.770(c).

<sup>40</sup>3 AAC 50.770(h).

<sup>41</sup>3 AAC 50.780(c).



1 DWF's Request for Interconnection

2 On December 1, 2016, by letter, DWF requested interconnection with  
3 GVEA's electrical system. DWF requested a facility-specific tariff for a proposed new  
4 wind generation facility near Delta Junction, Alaska, that would consist of 15 wind turbines  
5 with a total nameplate capacity of 13.5 megawatts. DWF requested interconnection with  
6 GVEA's system at the Jarvis Creek Substation and requested financing of interconnection  
7 charges. DWF stated that it expected to begin power sales to GVEA on September 30,  
8 2017.<sup>42</sup>

9 To interconnect as a QF, DWF must be certified as a QF by the FERC.  
10 FERC regulations allow self-certification. On December 15, 2016, DWF self-certified as  
11 a QF. GVEA did not contest DWF's QF status and proceeded to comply with the  
12 requirement in 3 AAC 50.790(a) that it file a facility-specific tariff. GVEA needed time  
13 beyond the 60 days allowed by the regulation. We granted the extra time because  
14 GVEA's required tariff filing was the first of its kind under our regulations.

15 GVEA's DWF Tariff

16 GVEA filed TA296-13 as its facility-specific tariff for DWF's wind generation  
17 facility. In that tariff GVEA proposed to establish its existing QF-2 tariff, including  
18 Schedule No. QF-2, as the tariff applicable to DWF. In TA296-13 GVEA took the position  
19 that "under PURPA and the Commission's regulations, GVEA has no obligation to  
20 purchase power if QF purchases would result in increased costs to GVEA's members."<sup>43</sup>  
21 GVEA submitted expert opinion in support of the conclusion in its tariff advice letter that  
22 purchasing power from DWF would increase costs to members.<sup>44</sup>

24 <sup>42</sup>Exhibit A to *Petition for Modification to Extend Time Pursuant to 3 AAC 50.750(c)*,  
25 filed February 13, 2017, in Docket U-17-009 at 2.

25 <sup>43</sup>TA296-13 at 4.

26 <sup>44</sup>TA296-13 at 3-7.

1 We rejected TA296-13 for several defects<sup>45</sup> but, as is important here, we  
2 rejected it because we determined that GVEA's Schedule No. QF-2, by its terms, was  
3 inapplicable to DWF. Schedule No. QF-2 applies only when a QF elects service under  
4 that schedule. In its letter requesting interconnection DWF had stated that it "expressly  
5 rejects and declines to proceed under the QF-2 tariff sheets approved by the RCA in  
6 TA284-13" and "requests that GVEA prepare a facility-specific tariff that fully complies  
7 with PURPA, as well as FERC and RCA regulations thereunder."<sup>46</sup>

8 In the order rejecting TA296-13, we gave GVEA specific instructions as to  
9 what we expected GVEA to address in its re-filed facility-specific tariff.<sup>47</sup> We expected  
10 GVEA to file, as required by 3 AAC 50.790(b), schedules for four rate elements  
11 (interconnection charges DWF must pay to GVEA, integration fees DWF must pay to  
12 GVEA or integration payments GVEA must pay to DWF, rates GVEA would pay to buy  
13 DWF power, and rates DWF would pay to buy GVEA power).

14 GVEA submitted TA298-13, which includes a 34-page tariff advice letter  
15 explaining the filing in detail. In the tariff advice letter GVEA states its opinion that  
16 integrating DWF's Project into GVEA's system is not economic and that integrating it  
17 under current operational circumstances would severely disadvantage its members.<sup>48</sup>

18 TA298-13 includes Schedule DWF-1, titled *Facility-Specific Tariff for Delta*  
19 *Wind Farm Inc.*, consisting of 22 tariff sheets in which GVEA acknowledges its duty to  
20 interconnect with DWF; requires DWF to enter into the interconnection agreement set out  
21

22 <sup>45</sup>Letter Order No. L1700168. One of the reasons for rejecting TA296-13 was the  
23 failure of GVEA to include in its tariff separate charges for interconnection, fees or  
24 payments for integration, rates for purchases of energy and capacity from DWF, and rates  
25 for sales to DWF, in accordance with 3 AAC 790(b)(1)-(4).

26 <sup>46</sup>Exhibit A to *Petition for Modification to Extend Time Pursuant to 3 AAC 50.750(c)*,  
filed February 13, 2017, in Docket U-17-009.

<sup>47</sup>Letter Order No. L1700168 at 4.

<sup>48</sup>TA298-13 at 2.

1 in full on the tariff sheets; specifies a one-time interconnection charge of \$3,352,500 and  
2 an annual interconnection charge of \$500; offers DWF the option to have GVEA finance  
3 75% of the one-time interconnection charge; identifies an annual cost per kWh to  
4 integrate DWF power for 20 years, lists an annual avoided cost per kWh for 20 years; and  
5 displays the annual purchase price GVEA would pay DWF for wind power offered by DWF  
6 for 20 years. For 2018 the integration cost<sup>49</sup> is \$0.92 and the avoided cost<sup>50</sup> is \$0.28.  
7 The purchase price (which, as stated by GVEA nets the integration cost and avoided cost)  
8 is negative \$0.639. The annual purchase price for all years listed is negative and in all  
9 years after 2018 the price is more negative than the 2018 purchase price. The highest  
10 negative purchase price is the 2037 price (negative \$2.62).

11 For sales of GVEA power to DWF, GVEA's tariff states:

12 DWF's Project may elect Standby Service in the form of Backup Power  
13 Service, Scheduled Maintenance Power Service, Supplemental Power  
14 Service, and/or Interruptible Power Service. The rates, terms, and conditions  
15 for Standby Service are located at Tariff Sheet Nos. 43 through 43.11.<sup>51</sup>

16 We noticed TA298-13 to the public, noting that the tariff provision related to  
17 sales of power from GVEA to DWF may not comply with 3 AAC 50.790(b)(4). Under that  
18 regulation, GVEA was required to include provisions for the rates, terms, and conditions  
19 for sales of power to DWF. Because GVEA referenced another section of its tariff for  
20 such sales rather than including them in the DWF tariff, we specifically requested public  
21 comment on that issue. We received no comments on the sales provisions of TA298-13.

#### 22 Processing of GVEA's DWF Tariff

23 After considering DWF's comments on TA298-13 as well as other public  
24 comments and determining that the tariff complied with our form and filing regulations and

25 <sup>49</sup>Although described on Tariff Sheet No. 46.22 as a "cost," this is effectively the  
integration fee component required by 3 AAC 50.790(b)(2).

26 <sup>50</sup>Although described on Tariff Sheet No. 46.23 as a "cost," this is effectively the  
purchase rate required by 3 AAC 50.790(b)(3).

<sup>51</sup>TA298-13, Proposed Tariff Sheet No. 46.24.

1 should not be rejected as urged by DWF, we suspended TA298-13. We could not  
2 approve TA298-13 without further process. However, for the reason that the APUC  
3 originally determined to adopt QF regulations rather than to decide QF disputes—that  
4 case-by-case adjudication was too expensive and would discourage QF generation—we  
5 held an informal conference rather than proceeding with discovery, testimony, and an  
6 evidentiary hearing as is our usual practice.

7           The purpose of the informal conference was to work with the parties to  
8 identify and clarify the issues that needed to be resolved and to determine the most  
9 efficient and cost-effective manner to resolve those issues within the timeline established  
10 for a final decision (February 6, 2018).<sup>52</sup> We advised the parties that we expected them  
11 to be prepared, at a minimum, to discuss the relevant regulations and the information  
12 necessary to resolve the issues noted in Order 1 “including, but not limited to whether  
13 GVEA’s facility-specific tariff in response to DWF’s request for interconnection is  
14 compliant with our regulations, whether the proposed integration costs are properly  
15 allocated to DWF, whether the proposed avoided cost rate calculation methodology is  
16 appropriate, and whether GVEA’s assumption of future load decline and capacity  
17 development is accurate.”<sup>53</sup>

18           After the conference we concluded, in Order 3, that:

19           [b]ased on the discussion at the informal conference, it is apparent that GVEA  
20 believes that the DWF project is uneconomic as measured by the net value of  
21 the energy output to GVEA and DWF believes that its energy is valuable as  
22 measured by the relative quality of DWF’s wind power output compared to  
23 other wind projects. GVEA has provided evidence to support its position and  
24 DWF has offered comments in support of its position. GVEA offered to make  
25 its experts available to explain the modeling used to support its filing,  
26 TA298-13. DWF and RAPA both indicated that they were not intending to use  
27 experts to challenge GVEA’s filing.<sup>54</sup>

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25           <sup>52</sup>Order 2.

26           <sup>53</sup>Order 2 (quoting Order 1 at 3).

<sup>54</sup>Order 3 at 1.

1 We further stated:

2 GVEA's support for TA298-13 is complex and, as alleged by DWF, not  
3 completely transparent. It appears that the modeling GVEA relies on to  
4 support TA298-13 presents only one scenario, without much, if any,  
5 explanation as to why this is the correct scenario (displacing coal with DWF  
6 and using North Pole to support DWF). Other potentially relevant factors  
7 appear both to be included in the modeling and left out of the modeling without  
8 explanation. Additionally, it was not clear from the discussion at the informal  
9 conference or from GVEA's filing whether or how its modeling is optimized.  
10 Specifically, there is no way to determine whether GVEA's model is optimized  
11 to maximize avoided cost and minimize integration costs.<sup>55</sup>

12 In Order 3 we directed GVEA to answer questions we posed concerning how its  
13 generation model was optimized. To better understand how GVEA's system model  
14 worked, we also asked GVEA to assume several different scenarios for incorporating  
15 DWF power into its system and to model and submit the results of those runs.

16 GVEA filed its response to Order 3. It prefaced that response by explaining  
17 how its electrical system operates, how it models the system, and how system operations  
18 impact overall costs. GVEA states that it economically dispatches its system to maximize  
19 efficiencies, minimize costs, and maintain system reliability.<sup>56</sup> It uses GenTrader software  
20 to model its system.<sup>57</sup> In developing avoided costs and integration costs the model was  
21 optimized to incorporate DWF power in the most efficient and cost-effective manner  
22 possible while maintaining an appropriate level of system reliability.<sup>58</sup>

23 GVEA explains that it must provide operating reserves that are dispatchable  
24 on short notice to offset changes in wind generation. It states that its coal-fired resources  
25 and its Battery Energy Storage System (BESS) cannot be used to regulate fluctuations in  
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<sup>55</sup>Order 3 at 2.

<sup>56</sup>GVEA Response to Order 3 at 9-10.

<sup>57</sup>GVEA Response to Order 3 at 2.

<sup>58</sup>GVEA Response to Order 3 at 2, 9-10.

1 wind power.<sup>59</sup> GVEA offers that the only thermal generation units it has that are capable  
2 of providing that kind of regulation are its North Pole Expansion plant, its North Pole 1  
3 and 2 units, and its Zehnder 1 and 2 units. GVEA states that it dispatches its thermal  
4 units along with its non-thermal resources (economy energy purchases and Bradley Lake  
5 hydroelectric power) in lowest cost order to meet its load.<sup>60</sup> GVEA operates its own wind  
6 farm, Eva Creek. It states that it sized Eva Creek so that it did not exceed the thermal  
7 regulation capability of its lowest cost thermal generation—the North Pole Expansion  
8 plant. GVEA claims that adding DWF’s 13.5 megawatts of wind generation would exceed  
9 the North Pole Expansion plant’s regulation capabilities and that, therefore, regulation for  
10 DWF wind would have to be provided by GVEA’s high cost thermal units—North Pole 1  
11 and 2 and Zehnder 1 and 2. GVEA asserts that the North Pole and Zehnder units cannot  
12 be turned on and off quickly.<sup>61</sup> GVEA also has a thermal unit near Delta Junction, but  
13 that unit is even higher cost than the high cost North Pole and Zehnder units.<sup>62</sup> GVEA  
14 acknowledges that, when Eva Creek is not operating at maximum capacity, there is  
15 regulation space available that GVEA could use to incorporate varying amounts of  
16 additional wind energy more economically than indicated by TA298-13. However, GVEA  
17 states that that scenario only works if GVEA is allowed to curtail DWF power whenever  
18 required to stay within lower cost regulation limits.<sup>63</sup>

19 In Order 3 we asked GVEA to model its system without Healy 2, its coal-  
20 fired plant that is not yet in commercial operation. While maintaining that removing  
21 Healy 2 from its model does not reflect how the system will operate in the future, GVEA  
22 complied with our request. The model run results in somewhat lower avoided costs and  
23

24 <sup>59</sup>GVEA Response to Order 3 at 3-4

25 <sup>60</sup>GVEA Response to Order 3 at 4.

26 <sup>61</sup>GVEA Response to Order 3 at 6.

<sup>62</sup>GVEA Response to Order 3 at 5.

<sup>63</sup>GVEA Response to Order 3 at 8-9.

1 greatly decreased integration costs but still calculates negative purchase prices for the  
2 period 2018–2023 (for example, for 2018 the model run shows \$0.22 per kWh as the  
3 avoided cost and \$0.38 per kWh as the integration cost, resulting in a purchase rate of  
4 negative \$0.157 per kWh). The purchase rate turns positive in 2024 (with a calculated  
5 purchase price of \$0.284).<sup>64</sup> GVEA also ran the model displacing economy energy  
6 purchases<sup>65</sup> and displacing Eva Creek.<sup>66</sup>

7 After reviewing GVEA’s responses to our questions in Order 3, the AG’s  
8 and DWF’s comments on those responses, and GVEA’s reply, we are satisfied that  
9 GVEA’s system is currently operated in a reasonable manner, and that the manner in  
10 which GVEA proposes to integrate DWF power into its system is reasonable. We are  
11 also satisfied that the modeling presented by GVEA generally reflects both how GVEA’s  
12 system currently operates in practice and is the best available evidence of how GVEA’s  
13 system would operate with DWF interconnected and supplying energy as DWF has  
14 proposed.

15 As required by PURPA, purchase rates for QF power (which are determined  
16 using the utility’s integration costs and avoided costs) must be just and reasonable and  
17 in the public interest and must not discriminate against QFs or adversely affect the  
18 consumers of the electric utility. We review the utility’s purchase rate proposal and  
19 determine whether it is reasonable and complies with our regulations.

20 Commission Decision on GVEA’s DWF Tariff

21 Although as we discuss later in this order, TA298-13 was not in exactly the  
22 form we expected of a tariff filed in response to a request for interconnection, it contains  
23 the essential elements needed for our decision in this docket—the calculation of the

24 \_\_\_\_\_  
25 <sup>64</sup>GVEA’s Response to Order 3, Exhibit A at 2. GVEA submitted the model results  
26 for only 10 years (2018-2027) for the alternative scenarios it ran rather than the 20 years  
it submitted in TA298-13.

<sup>65</sup>GVEA Response to Order 3, Exhibit B.

<sup>66</sup>GVEA Response to Order 3, Exhibit C.

1 integration fee and purchase rate as GVEA expected its system to operate in 2018 and  
2 (as supplemented by the required model run without Healy 2 in operation) the calculation  
3 of the integration fee and purchase rate as GVEA is actually operating its system in 2018.

4 We address integration fees and purchase rates, which have been the  
5 primary subjects of controversy in this docket.<sup>67</sup> We must determine whether the method  
6 chosen by GVEA to calculate integration fees, and purchase rates is reasonable and can  
7 be relied on in making a decision on GVEA's obligation to purchase DWF's power.

8 GVEA calculated integration fees and purchase rates by comparing total  
9 system costs with and without expected DWF power. This is an established methodology  
10 for calculating avoided costs, which form the basis for calculating rates. The method is  
11 supported with a 126-page study of an independent engineering firm. No other method  
12 has been suggested in this proceeding. Neither DWF nor the AG intend to challenge  
13 GVEA's method of calculating integration fees and purchase rates with expert testimony.  
14 DWF did submit the preliminary assessment of a consultant appended to its comments  
15 in GVEA's response to Order 3.<sup>68</sup> However, that assessment takes issue with  
16 assumptions GVEA made in running models of its system rather than with the underlying  
17 method of calculating integration fees and purchase rates.<sup>69</sup>

18 Because it does not appear that further process will elicit more enlightening  
19 evidence that might change the conclusion we reach in this order, we chose to make a  
20 decision on the record we have. Further process will only add to the costs already borne  
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22 <sup>67</sup>After clarification at the informal conference, DWF did not dispute its  
23 responsibility to pay reasonable interconnection charges, provided the eventual payment  
was based on actual cost rather than GVEA's estimate. Transcript to Informal  
Conference, dated August 8, 2017, at 24-34.

24 <sup>68</sup>DWF Comments on GVEA Response to Order 3, Exhibit A. Exhibit A is a five-  
25 page memorandum written by Scott Norwood of Norwood Energy Consulting, a company  
located in Austin Texas. According to Norwood, the memorandum summarizes his  
26 company's preliminary assessment of the issues in this matter, over a three-day period,  
based on information provided by counsel for DWF.

<sup>69</sup>We discuss one of the issues Norwood raised later in this order.



1 by DWF and GVEA's ratepayers in furtherance of a project that appears not to be  
2 workable under current or expected conditions.

3           Based on the record in this docket we find the method GVEA used to  
4 calculate avoided costs reasonable. Relying on the results of that method, we find that  
5 the current net of the integration fee and the purchase rate (the amount GVEA is required  
6 to pay DWF) for DWF power is, rounded, negative \$0.16. When Healy 2 begins to operate  
7 (if it begins to operate in 2018) the corresponding amount for DWF power will be, rounded,  
8 negative \$0.64.

9           Under those conditions, unless DWF agrees to pay GVEA \$0.16 per kWh  
10 to take DWF power (which we do not expect it to do), GVEA's ratepayers will be subjected  
11 to higher costs if GVEA takes power from DWF. As the APUC stated in a 1987 order also  
12 involving GVEA, "the purpose of PURPA is to encourage generation by QF's while at the  
13 same time leaving ratepayers economically indifferent as to the choice between power  
14 purchased from a QF and power generated by the utility or purchased elsewhere."<sup>70</sup> We  
15 find that PURPA does not require GVEA to purchase power from DWF under these  
16 circumstances.<sup>71</sup> GVEA's ratepayers would not be economically indifferent; they would  
17 be disadvantaged.

18           Although GVEA is not required to purchase power from DWF under current  
19 circumstances, PURPA still requires GVEA to interconnect with DWF and to sell power  
20 to DWF. However, DWF can be interconnected with GVEA without the facility-specific  
21 tariff required by 3 AAC 50.790(a). Sales of power to DWF can also be made without the  
22 tariff required by 3 AAC 50.790(a). GVEA has proposed that sales to DWF be made at  
23 made at the same rates as sales to other customers. We find that proposal reasonable.  
24 Under those circumstances, we find that TA298-13 is unnecessary and, therefore, we

25 <sup>70</sup>Order U-85-003(16), *Order Denying Reconsideration*, dated September 22,  
26 1987.

<sup>71</sup>Because PURPA itself does not require these purchases, we do not rely on  
GVEA's contention that 3 AAC 50.770(b)(1) excuses purchases.

1 excuse GVEA from filing a tariff required by 3 AAC 50.790(a) for DWF. We require GVEA  
2 to withdraw TA298-13.

3 Petitions to Intervene

4 Chugach, ML&P, and MEA filed petitions to intervene in this proceeding. In  
5 light of our ruling, as discussed above, we deny the petitions to intervene.

6 Outstanding Procedural Matters

7 Currently outstanding are GVEA's motion requesting a prehearing  
8 conference; GVEA's motion for leave to file a reply to DWF's and the AG's respective  
9 comments; DWF's motion requesting an extension of time to respond to discovery  
10 requests propounded on it by GVEA; and GVEA's reiterated request for an evidentiary  
11 hearing in the event we do not approve TA298-13.

12 GVEA's motion for a prehearing conference and its request for an  
13 evidentiary hearing are denied in light of our ruling in this order. Similarly, DWF's request  
14 for extension of time is denied in light of our ruling in this order. GVEA's motion for leave  
15 to file a reply is granted and we have considered the reply in issuing our ruling in this  
16 order.

17 Penalty and Deferred Ruling on Extension of Time Issues

18 In Letter Order No. L1700168, we noted that GVEA had significantly  
19 delayed consideration of this matter through an extension of time requested in  
20 Docket U-17-009 and by failing to file a tariff for DWF in the time allowed under  
21 Order U-17-009(2). We stated that these violations of our regulations potentially  
22 subjected GVEA to civil penalties.<sup>72</sup> In Letter Order No. L1700168, in which we rejected  
23 TA296-13 (GVEA's first DWF tariff) we stated that we would defer our decision on whether  
24 to impose civil penalties until GVEA files its tariff in response to Letter Order  
25

26 <sup>72</sup>Letter Order No. L1700168 at 4.

1 No. L1700168 and we have had the opportunity to evaluate the filing for compliance.<sup>73</sup>  
2 Additionally, we noted that we had previously advised GVEA that the only remedy for the  
3 violation of our regulations would be retroactive approval of the extension of time.<sup>74</sup>  
4 Finally, we reiterated what we had stated in Order U-17-009(2), that “[o]nly after GVEA  
5 submits its tariff can we evaluate the complexity of the filing and determine whether the  
6 extension is warranted.”<sup>75</sup>

7 We find that GVEA has made a good faith effort to comply with our  
8 regulations. In light of the complicated nature of the issues and the filing, GVEA’s  
9 responsiveness and provision of significant detailed information in support of TA298-13  
10 (including GVEA’s responses to Order 3), we find that it is not appropriate to assess  
11 penalties against GVEA. Accordingly, we affirm the extension of time we previously  
12 granted in Docket U-17-009 and do not assess penalties against GVEA.

13 Guidance for Facility-Specific Tariff

14 While we do not now require a tariff for DWF’s project, we find it appropriate  
15 to give guidance on what we would expect in a tariff filed under 3 AAC 50.790(a). DWF’s  
16 “overarching” objection to TA298-13 is that GVEA is proposing fixed rates based on long-  
17 term projections, instead of proposing “a lawful methodology for determining variable  
18 purchase rates for DWF.”<sup>76</sup>

24 \_\_\_\_\_  
25 <sup>73</sup>Letter Order No. L1700168 at 4.

26 <sup>74</sup>Letter Order No. L1700168 at 4 n.20.

<sup>75</sup>Letter Order No. L1700168 at 4 (citing Order U-17-009(2) at 4).

<sup>76</sup>DWF Comments on GVEA Response to Order 3 at 1-2.

1 The AG acknowledged that this issue, whether there should be fixed annual rates or  
2 variable rates, is the “pivotal” issue in this proceeding.<sup>77</sup> GVEA disagrees.

3 It states:

4 GVEA does not believe that the debate over prospective or as-delivered  
5 rates is a significant issue in this case. Rather, the primary purposes of this  
6 proceeding are (1) ensuring that DWF’s Project does not negatively impact  
7 GVEA’s ratepayers (i.e., ensuring compliance with PURPA’s ratepayer  
8 neutrality mandate); and (2) reviewing the appropriateness of GVEA’s  
9 avoided-cost methodology.<sup>78</sup>

8 We have already addressed GVEA’s issues. We now address the issue  
9 raised by DWF and the AG—whether a purchase rate in a facility-specific tariff must be a  
10 stated numeric value (which DWF argues cannot be imposed on a QF without its  
11 permission) or whether it must be a methodology under which varying rates for different  
12 time periods are calculated but no numeric value ever appears in the tariff (which DWF  
13 contends is required). To the extent we can form an opinion based on the informal  
14 process we used in this docket, we find that PURPA, FERC regulations, and all of our  
15 regulations, including PURPA and tariff regulations, require that a fixed purchase rate for  
16 power from the particular QF facility be calculated and put into effect as part of the facility-  
17 specific tariff before power is tendered by the QF to the utility.<sup>79</sup> Our regulation,  
18  
19  
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22 <sup>77</sup>AG Comments on GVEA Response to Order 3 at 3.

23 <sup>78</sup>GVEA Reply to Comments at 5.

24 <sup>79</sup>Our regulations apply to QFs regardless of technology. Many QFs have  
25 significant costs of production, limited generation resources, and, especially in the case  
26 of co-generators, alternative uses for the output of their generation facilities. As a result,  
the QF must know before tendering power what the purchase rate will be, in order to  
make economic choices about whether, when, and in what quantities to provide power to  
the utility. Simply put, a QF cannot be required to accept a purchase rate calculated *after*  
the time of delivery, although it may accept such an arrangement by contract.

1 3 AAC 50.770(k) (which is similar to the FERC regulation, 18 C.F.R. §292.304(d)) reads,  
2 in its entirety:

3 (k) Each qualifying facility shall have the option either

4 (1) to provide energy as the qualifying facility determines such energy to  
5 be available for such purchases, in which case the rates for such purchases  
6 shall be based on the purchasing utility's avoided costs calculated at the  
7 time of delivery; or

8 (2) to provide energy or capacity under a legally enforceable obligation  
9 for the delivery of energy or capacity over a specified term, in which case  
10 the rates for such purchases shall, at the option of the qualifying facility  
11 exercised before the beginning of the specified term, be based on either

12 (A) the avoided costs calculated at the time of delivery; or

13 (B) the avoided costs calculated at the time the obligation is incurred.

14 Under our regulations a QF, unless it negotiates a contract with the utility,  
15 has two choices to enforce its PURPA rights. Either it chooses to offer the utility power  
16 from time to time at the utility's tariffed purchase rate (Option 1) or it chooses to proceed  
17 under a legally enforceable obligation (Option 2). If it proceeds under a legally  
18 enforceable obligation, it must make another choice when it enters into the obligation.  
19 The QF can either choose to be paid the utility's tariffed purchase rate at the time power  
20 is transferred (Option 2A) or can choose to lock in for the entire term of the obligation  
21 purchase rates estimated for the time period of the obligation (the cost can be either fixed  
22 for each year or other period of the obligation or levelized over the term of the obligation).  
23 The certainty provided by a locked-in rate may aid a QF in obtaining financing for its  
24 project.

25 At the time it requests interconnection, a QF is expected to choose one of  
26 those options. If the request for interconnection is silent as to which option the QF  
requests, the utility should assume the QF is choosing Option 1. In response to a request  
for interconnection under Option 1, the utility must calculate and include in the tariff the  
utility's current integration fees or payments and purchase rates for the QF and must  
include language requiring periodic update of integration fees or payments and purchase  
rates for the QF on an annual, quarterly, or other reasonable basis. Our regulations do

1 not specify how often a utility must update its facility-specific tariff so it is up to the utility  
2 to propose and support its chosen update period. Our regulations also do not specify the  
3 method by which the utility's integration fees or payments and purchase rates are to be  
4 calculated. Therefore, it is up to the utility to propose and support a method for calculation  
5 and a method to update calculations. Then it is up to us to determine whether the utility's  
6 proposals are reasonable.

7           While we require withdrawal of this particular tariff, we find that guidance on  
8 what we, hypothetically, would require may be useful for future filings. Although many of  
9 DWF's objections to TA298-13 are mooted by our finding that PURPA requires the DWF  
10 tariff to contain a fixed purchase rate rather than only a methodology to calculate purchase  
11 rates and our finding that GVEA should have included in its tariff only the current  
12 integration fees or payments and purchase rates with provision for periodic updates, one  
13 of the issues raised by DWF's consultant, Norwood, merits discussion. That issue is  
14 whether Healy 2 should be included in the calculation of the current (2018) purchase rate.

15           In GVEA's recent rate case we approved a stipulation of the parties  
16 informing us that GVEA expects to put Healy 2 into commercial operation by  
17 September 1, 2018. Due to the problems GVEA has encountered with Healy 2, however,  
18 the stipulation provides for contingencies if Healy 2 is not put into commercial operation  
19 by that date.<sup>80</sup> To the extent DWF could supply power to GVEA before September 1,  
20 2018, the purchase rate in TA298-13 should not reflect operation of Healy 2. For that  
21 reason and because of the uncertainty surrounding Healy 2, the integration fees or  
22 payments and purchase rates in GVEA's tariff should not have been calculated assuming  
23 Healy 2 was operating.<sup>81</sup>

24 \_\_\_\_\_  
25 <sup>80</sup>*Stipulation Resolving Disputed Issues*, filed September 26, 2017 (Appendix to  
26 Order U-17-007(10), *Order Accepting Stipulation and Requiring Filings*, dated  
November 27, 2017).

<sup>81</sup>We recognize that, at the time, TA298-13 was filed GVEA expected Healy 2 to  
be in operation for all of calendar year 2018.

1 Final Order

2 This order constitutes the final decision in this proceeding. This decision  
3 may be appealed within thirty days of this order in accordance with AS 22.9.020(d) and  
4 Alaska Rule of Appellate Procedure 602(a)(2). In addition to the appellate rights afforded  
5 by AS 22.10.020(d), a party has the right to file a petition for reconsideration in  
6 accordance with 3 AAC 48.105. If such a petition is filed, the time period for filing an  
7 appeal is tolled and then recalculated in accordance with Alaska Rule of Appellate  
8 Procedure 602(a)(2).

9 Docket Closure

10 No outstanding substantive or procedural issues remain in this proceeding.  
11 Therefore, we close this docket.

12 **ORDER**

13 THE COMMISSION FURTHER ORDERS:

14 1. Golden Valley Electric Association, Inc. is excused from the requirement  
15 of filing a facility-specific tariff in response to the request for interconnection submitted to  
16 it by Delta Wind Farm, Inc.

17 2. Golden Valley Electric Association, Inc. is required to withdraw the tariff  
18 filing designated as TA298-13, filed May 12, 2017.

19 3. The *Municipality of Anchorage d/b/a Municipal Light and Power's*  
20 *Petition to Intervene*, filed July 5, 2017, is denied.

21 4. *MEA's Petition to Intervene*, filed July 5, 2017, by Matanuska Electric  
22 Association, Inc. is denied.

23 5. *Chugach Electric Association, Inc.'s Petition to Intervene*, filed July 5,  
24 2017, is denied.

25 6. The *Motion to Schedule Prehearing Conference*, filed July 27, 2017, by  
26 Golden Valley Electric Association, Inc. is denied.

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7. GVEA's *Motion for Leave to File Reply to Comments*, filed September 19, 2017, by Golden Valley Electric Association, Inc. is granted.

8. DWF's *Motion for Extension of Time to Respond to GVEA's First Set of Discovery Requests*, filed December 8, 2017, by Delta Wind Farm, Inc. is denied.

9. GVEA's *Request for an Evidentiary Hearing and Opposition to DWF's Motion for Extension of Time to Respond to GVEA's First Set of Discovery Requests*, filed December 15, 2017, by Golden Valley Electric Association, Inc. is denied as moot.

10. The extension of time for Golden Valley Electric Association, Inc. to file a tariff for Delta Wind Farm, Inc. granted in Order U-17-009(2) is affirmed.

11. Docket U-17-053 is closed.

DATED AND EFFECTIVE at Anchorage, Alaska, this 6th day of February, 2018.

BY DIRECTION OF THE COMMISSION  
(Commissioner Paul F. Lisankie, not participating.)

