



Capacitor Bank Installations on Distribution Systems for Transmission Benefit

BUSINESS PRACTICE

When ATC determines that the installation of capacitor banks on the distribution system represents the most effective and economical solution to transmission voltage support needs, ATC will work with the distribution company to pursue that installation.

PURPOSE

To define how ATC will treat the installation of transmission benefit capacitor banks on the distribution system and the responsibility for costs associated with these installations.

SCOPE AND/OR APPLICABILITY

ATC may periodically need to install capacitor banks at various locations to provide appropriate voltage support. Capacitor banks can typically be installed on the distribution system more economically than on the transmission system while providing greater overall voltage support. As a result, ATC will install capacitor banks on interconnected distribution systems when appropriate and possible to minimize costs to its transmission customers. Such installations will only be done under the terms of an agreement with the affected LDC. Depending on the circumstances of each individual situation, ATC will either:

- 1) lease the capacitors from the affected LDC, or
- 2) treat the costs associated with the capacitors and the initial installation costs as a Contribution In Aid of Construction (CIAC) payment by ATC to the affected LDC. ATC capitalizes its investment as an intangible asset. The asset is booked by the affected LDC at zero book value.

Any necessary switching and/or operating agreements will be entered into between ATC and the LDC.

This policy is not intended to alter the responsibility for serving reactive power load and providing for those losses. ATC will continue to be responsible for



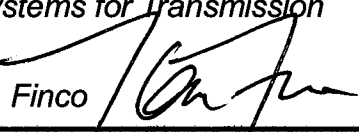
transmission reactive power losses, and the distribution company will continue to be responsible for its distribution reactive power losses and its distribution customer reactive power load. This policy is not intended to provide any reactive power cross-subsidization between distribution and transmission. ATC will work with the distribution companies on the technical evaluation of voltage support needs and preferred solutions.

RATIONALE

Through its planning process, ATC may determine that installation of capacitor banks on the distribution system represents the most effective and economical solution to transmission voltage support needs. Through its collaborative ongoing planning relationship with distribution companies in arriving at appropriate planning solutions, ATC transmission planning will work with the distribution planners on the technical evaluation of these possible installations. If the appropriate installation point on the interconnected distribution-transmission system is identified as a location on the distribution system, ATC needs to have the flexibility to pursue that location for the benefit of all customers. This policy will provide the mechanisms to achieve that flexibility.

SUPPORTING INFORMATION

This policy requires the development of additional documents to facilitate the referenced agreements with the LDC's. ATC will provide the appropriate agreements for each instance until such agreements can be standardized. ATC Operations, Interconnection Services and Planning will, where necessary, provide any appropriate operating/switching guide for each installation consistent with the needs and concerns of the LDC and ATC.

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Reviewed by: J. Schraufnagel 		
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	Approved by: T. Finco 	

Change History

Revision 1.00 - Effective Date 5/13/03 - Approved by: T. Finco

A.) Revised Scope and/or Applicability

1.) Removed reference to ATC ownership of distribution capacitors

2.) Added CIAC treatment of distribution capacitors

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