
	<h1>Business Practice</h1>	<b>Department:</b> Customer Relations
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<b>Title:</b> <b>CAPACITOR BANK INSTALLATIONS ON DISTRIBUTION SYSTEMS FOR TRANSMISSION BENEFIT</b>	<b>Issue Date:</b> 11-26-2013	
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<b>Approved By:</b> 	<b>Author:</b> <b>David Hollenberger</b>
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*CAUTION: Any hard copy reproductions of this Business Practice should be verified against the on-line system for current revisions.*

## 1 PURPOSE

The purpose of this business practice is to define how ATC treats the installation or purchase of transmission benefit capacitor banks on the distribution system and the allocation of costs associated with these installations.

## 2 SCOPE AND APPLICABILITY

ATC may periodically need to install or purchase existing distribution 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 requests a local distribution company (LDC) to install capacitor banks on interconnected distribution systems when appropriate to minimize costs to its transmission customers. Such installations or purchases are only done under the terms of an agreement with the affected LDC. Depending on the circumstances of each individual situation, ATC either leases the capacitors from the affected LDC or treats 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.

A purchase agreement for existing distribution capacitor banks considers net book value and future O&M cost. Any necessary operating agreements are developed between ATC and the LDC. Affiliated Interest Agreement consideration may be required and should be incorporated into the project schedule.

This business practice is not intended to alter the responsibility for serving reactive power load and providing for those losses. ATC maintains responsibility for transmission reactive power losses, while the distribution company maintains responsibility for its distribution reactive power losses and its distribution customer reactive power load. This business practice is not intended to provide any reactive power cross-subsidization between distribution and transmission. ATC planning departments work with the distribution companies on the technical evaluation of voltage support needs and preferred solutions.

## 3 ROLES AND RESPONSIBILITIES

Through its planning process, ATC may determine that installation or purchase 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 works with the LDC 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 business practice provides the mechanisms to achieve that flexibility.

## 4 ADDITIONAL INFORMATION

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

## 5 DOCUMENT REVIEW

This business practice is reviewed no less than every three years.

## 6 RECORDS RETENTION

ATC retains the study data and associated study results. Each company retains any agreement associated with this business practice and information regarding compensation to either company.

## 7 REVISION INFORMATION

Version	Author	Date	Section	Description
0.0	Walter Woefle	05-13-2003	All	Original
1.0	John Raisler	07-01-2008	Scope	Removed reference to ATC ownership of distribution capacitors  Added CIAC treatment of distribution capacitors
2.0	David Hollenberger	11-26-2013	All	New format for business practices Added purchase of existing distribution capacitor banks  Added that affiliated interest agreement may be required