

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1610

In the Matter of)	
PUBLIC UTILITY COMMISSION OF)	
OREGON)	COMMENTS OF THE OREGON
)	DEPARTMENT OF ENERGY
Investigation into Qualifying Facility)	
Contracting and Pricing)	
_____)	

On October 25, 2016, the Oregon Public Utility Commission (Commission) issued Order No. 16-417. In that order, the Commission deferred its consideration of PacifiCorp’s compliance filing for non-standard avoided cost rates, and invited opening comments on that issue. The Oregon Department of Energy (Department or ODOE) appreciates this opportunity to file comments as permitted by Order No. 16-417.

The Department agrees with the recommendation by Public Utility Commission Staff (Staff) that the Commission find PacifiCorp’s compliance filing for non-standard avoided cost prices is not compliant with Commission orders requiring the Company to allow renewable qualifying facilities (QFs) entering into a non-standard contract to select a renewable avoided cost price stream.¹ ODOE finds nothing in the record of UM 1610 Phase II to support the interpretation put forward by the Company that Commission Order No. 16-174 relieves it of the obligation to submit a non-standard renewable compliance filing as required under Order No. 11-505.

The Company notes in its response to Staff’s recommendation that:

Nonetheless, Staff would have the Commission reject PacifiCorp’s compliance filing based on an entirely new argument—that Schedule 38 pricing should reflect a renewable price stream. **This issue was not litigated in the proceeding** that led to Order No. 16-174.² (emphasis added)

The Department agrees that this issue was not litigated in the proceeding. In its October 24, 2016, response to Staff, the Company quotes its opening testimony for Phase II of UM 1610:

¹ Staff Report for October 25, 2016 Oregon Public Utility Commission Public Meeting, October 19, 2016, page 4.
² “PacifiCorp’s Response Comments,” Docket UM 1610, October 24, 2016, page 1.

The Company calculates the avoided fixed costs of the next deferrable resource outside of the GRID model based on partial displacement of the next major thermal resource acquisition in the IRP (that has not already been displaced by QFs with contracts extending beyond the expected online date of the next major resource). The fixed costs of the deferrable resource as reported in the IRP are adjusted for the capacity contribution of **the specific QF type**. Because the GRID model results capture the system impacts of displacing the deferrable resource, the avoided fixed costs are converted to a volumetric (\$/MWh) rate by spreading them over the QF's expected annual generation.³ (emphasis added)

The Department interprets the phrase “of the specific QF type” to require distinguishing whether the QF type is renewable or non-renewable, among other factors. Clearly, a renewable QF contributes to meeting the Company's compliance obligations under the Oregon Renewable Portfolio Standard (RPS) where a non-renewable QF does not.

The Department also interprets Commission Order No. 16-174 as supporting a non-standard renewable compliance filing by the Company:

We approve PacifiCorp's request to use its PDDRR method going forward. We agree this GRID model-based method **more accurately values energy and capacity on PacifiCorp's system** by taking into account the unique characteristics (including location, delivery pattern, and capacity contribution) of each QF. Although Coalition and CREA suggest it is unnecessary to fix what is not broken, we are responsible under PURPA to improve our implementation to benefit both QF development and ratepayer cost neutrality. We are persuaded that the PDDRR method improves non-standard QF avoided cost pricing for QFs selling to PacifiCorp and we adopt it.⁴ (emphasis added.)

The Department assumed that the PDDRR method would be able to incorporate the difference in avoided costs between a non-renewable and a renewable QF. The excerpt from Order No. 16-174 quoted immediately above is consistent with the Department's assumption. The Company's proposed rates fail to take into account RPS compliance contributions by renewable non-standard QFs, and hence do not improve non-standard QF avoided cost pricing and would not lead to more accurate prices paid to non-standard renewable QFs.

The Department recommends that the Commission clarify that its Order 16-174 was not intended to end non-standard renewable offers by the Company. Furthermore, ODOE

³ PAC/800, Dickman/23.

⁴ Oregon Public Utility Commission, Order Number 16-174, May 13, 2016, page 23.

recommends that the Commission also note that if the PDDRR method does not allow the Company to calculate a non-standard renewable offer, then the Company should continue to follow the methodologies established in Order No. 07-360:

In Order No. 07-360, we set forth guidelines for negotiating non-standard contracts and established methodologies for calculating non-standard avoided cost process. For PGE and PacifiCorp, standard contract avoided cost prices are the starting point for price negotiations, with modifications allowed to address the seven factors enumerated at 18 C.F.R. §292.30(e).⁵

Conclusion

The Department appreciates the opportunity to comment regarding the issues raised in the Staff Report for the Commission's October 25, 2016, meeting regarding PacifiCorp's non-standard avoided cost rates. ODOE recommends that the Commission adopt staff's recommendation, except that the Department sees no need for additional workshops or a further proceeding.

DATED this 31st day of October, 2016.

Respectfully submitted,

ELLEN ROSENBLUM
Attorney General

Renee France #943707 for
Renee France, #004472
Senior Assistant Attorney General
Of Attorneys for Oregon Department of Energy

⁵ Oregon Public Utility Commission, Order Number 16-174, May 13, 2016, page 20.