BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1610

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation into Qualifying Facility Contracting and Pricing.	STAFF OPENING BRIEF

I. Introduction and background.

In Phase I of this docket, the Commission addressed whether avoided cost prices offered in standard contracts should include the costs or benefits associated with third-party transmission to move the output of a qualifying facility (QF) in excess of local load from a load pocket to another load area on the utility's system. The Commission answered in the affirmative, but concluded that Staff and other parties had not sufficiently addressed how to calculate and assign third-party transmission costs attributable to a QF.[1] The Commission deferred analysis of these questions to Phase II of this docket.[2]

In Phase II, some parties requested more time to address the questions and the Commission directed Staff and the utilities to work with other parties towards informal resolution.[3] After several months of discussion, parties requested that the administrative law judge (ALJ) set a procedural schedule for a formal resolution of the disputed issues. PacifiCorp subsequently moved to close this docket, citing three primary reasons: (1) the sole issue in this phase of this generic proceeding is specific to PacifiCorp; (2) the issue is uneconomic to litigate because it affects so few customers at such a great expense of time and money; and (3) the issue is moot because the Company promised to prospectively discontinue assigning third-party

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[1] Order No. 14-058 at 22.

[2] Id.

[3] Order No. 16-429.

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transmission costs to move QF load out of the Company's load pockets. PacifiCorp asked that if the Commission declined to close the docket it allow briefing on the appropriate scope of the proceeding.

Staff, the Renewable Energy Coalition (REC), and the Community Renewable Energy Association (CREA) opposed PacifiCorp's motion to close the proceeding. The Commission denied PacifiCorp's motion to close the docket, but carefully defined the scope of the proceeding, holding that the scope was limited to two different options for determining and allocating third-party transmission costs.[4] Specifically, the Commission noted that Staff and other parties had presented three options for the assignment of third-party transmission costs. The Commission limited the scope of the proceeding to two options and found the third option is a complex one that involves significant legal and evidentiary issues and is best addressed in a separate future investigation:[5] The two options now at issue are as follows:

> **Option 1:** PacifiCorp's initial proposal to procure long-term, firm, point-to-point third-party transmission under a transmission provider's OATT for the entire term of a QF's PPA with assignment of the associated costs by PPA addendum to be consistent with PURPA.
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> **Option 2**: Staff's modified proposal that PacifiCorp offer a QF locating in a load pocket an option to choose either a price for long-term, firm point-to-point transmission under a transmission provider's OATT for the entire PPA term or a price for a long-term, firm, point-to-point third-party transmission that would reset every five years.[6]

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[4] Order No. 18-181 at 4.

[5] Order No. 18-181 at 5.

[6] The third option, suggested by CREA and REC, is as follows:

> **Option 3:** CREA's proposal, which starts with Staff's modified proposal and gives the QF the additional option to avoid paying for third-party transmission by waiving its right to sell all delivered net output in order to permit limited curtailment by the utility when transmission is unavailable.

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At a prehearing conference on October 18, 2018, the ALJ established a procedural schedule calling for opening and closing briefs that address the limited question before the Commission: whether the Commission should adopt PacifiCorp's initial proposal or Staff's modified proposal for the purpose of determining and allocating the cost of third-party transmission necessary to move QF generation from a load pocket to load.

II. Argument.

A. The Commission should adopt Staff's Proposal.

Under Option 1, PacifiCorp's Initial Proposal, PacifiCorp would procure long-term, firm, point-to-point transmission for the QF generation that exceeds the minimum load conditions in the load pocket when third-party transmission is necessary to move QF output from a load pocket to PacifiCorp's load. The costs and benefits associated with the transmission would not be incorporated into the actual calculation of the standard avoided cost but would be captured on an individual QF project basis between the QF and Company as an addendum to the standard contract. The addendum and standard contract would be executed concurrently with the standard contract and the addendum would cover third-party transmission costs for term of the contract.

As noted in Phase II, Staff believes PacifiCorp's proposal is consistent with PURPA. It provides the QF with a fixed price that is known at the time of contracting and does not allow PacifiCorp to curtail the QF's generation when transmission is unavailable. Staff believes that to the extent third-party transmission costs are allocated to the QF during the standard contracting process, this method of determining and allocating third-party transmission costs must be available to QFs to ensure the PURPA-requirement of a contract with a price fixed at the time of contracting is satisfied.

However, PacifiCorp's proposal could be unappealing to a QF because it locks the QF into paying for third-party transmission for the term of the contract, even though it

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is possible the need for third-party transmission may disappear because load and generation may change over time.

The fact the load and generation balance may change over time is demonstrated by PacifiCorp's own testimony. Specifically, PacifiCorp opposed the proposal to show in every Schedule 37 avoided cost filing where load pockets exist on its system because "a load pocket is a dynamic situation, going up or down as load and generation is added or removed, so-updating and publishing load pockets with every Schedule 37 update would be burdensome and likely become stale." If the conditions creating a load pocket are so dynamic that it is unreasonable to require PacifiCorp to describe them every two years, PacifiCorp's proposal to establish a charge to move generation out of a currently-existing load pocket for a term of up to 20-years could be burdensome to a QF.

Staff recommends the Commission adopt Staff's modified proposal, which is PacifiCorp's initial proposal with one modification based on the availability of firm, point-to-point transmission rights on a five-year basis. PacifiCorp explained that a minimum five-year commitment is required to obtain renewal rights for long-term firm point-to-point transmission from Bonneville Power Administration (BPA).[7] To acquire firm long-term transmission from BPA for a period of more than five years, PacifiCorp must renew its transmission contract before the expiration of each five-year period. Accordingly, PacifiCorp could offer a QF located in a load pocket with the option of transmission charges based on the forecasted cost of transmission in five-year increments.

Under Staff's modified proposal, PacifiCorp would offer QFs two options. Under one option, the price for third-party transmission would be based on the forecasted cost of transmission over the entire term of the standard contract. Under the second option, the price would be based on the forecasted price of transmission for each five-year contract PacifiCorp executes for third-party transmission. The price would be subject to change

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[7] PAC/1000, Griswold/24.

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every five years. However, under this option the QF would be able to discontinue paying for third-party transmission if PacifiCorp discontinues purchasing third-party transmission to move the generation to load.

B. Applicability of Commission-determined methodology for third-party transmission costs.

PacifiCorp has testified in this proceeding that the "very specific and narrow context in which the issue of allocating third-party transmission costs arises when a QF wants to locate in a load pocket and PacifiCorp Transmission informs PacifiCorp Energy Services Merchant (ESM) that it can only reliably accommodate ESM's request if the QF power in excess of local load is transmitted out of the load pocket on firm, third-party transmission."[8] And, under Staff's proposed methodology, these costs can only be allocated to the QF if the QF and PacifiCorp execute an addendum to the standard contract at the time the standard contract is executed.

Staff recommends that the Commission specify that the third-party transmission methodology is only applicable in the circumstances described by PacifiCorp in its testimony and when included in an addendum to the standard contract executed at the same time as the standard contract.

C. Third-party transmission costs in lieu of interconnection-driven network upgrades.

CREA and REC have brought forth an issue regarding PacifiCorp's interconnection practices that is seemingly related to the issue presented in this docket. As noted above, PacifiCorp asked to close this proceeding without a Commission determination in part because the need to incur third-party transmission costs had not materialized.[9] CREA and REC opposed the request, noting that PacifiCorp had merely

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[8] PAC/1700, Griswold/14.

[9] PacifiCorp Motion to Close.

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changed the means of imposing costs to transmit a QFs' generation to load by requiring that a QF pay for expensive PacifiCorp network upgrades or for third-party transmission during the interconnection process.[10] CREA and REC attached interconnection studies prepared by PacifiCorp that set forth these two options to substantiate their claims.[11]

Staff believes the practice identified by CREA and REC should be examined along with all of PacifiCorp's interconnection practices. The Commission has held that issues related to interconnection are outside the scope of this docket. However, the Commission has already indicated that it plans an investigation of its PURPA implementation policies and issues related to interconnection with QFs could be examined in that proceeding.

III. Conclusion.

Staff recommends the Commission adopt Staff's modified proposal for the purpose of determining and allocating third-party transmission costs incurred to transmit a QF's generation from a load pocket in the circumstances set forth in Section II.B. above.

DATED this 29th day of November 2018.

Respectfully submitted,

ELLEN F. ROSENBLUM
Attorney General

p.p. [signature]
Stephanie S. Andrus, #925123
Of Attorneys for Staff of the Public Utility Commission of Oregon

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[10] Community Renewable Energy Association and Renewable Energy Coalition's Response to PacifiCorp's Motion to Close Docket, pp. 8-9.

[11] Id., Attachments 1 and 2.

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