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June 6, 2016

VIA ELECTRONIC MAIL (puc.filingcenter@state.or.us)

Commission Chair Lisa Hardy
Commissioner Jon Savage
Commissioner Steve Bloom
Oregon Public Utility Commission
2930 Fairview Industrial Drive SE
Salem, OR 97302-1166

**Re: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY (PGE)
Application to Update Schedule 201 Qualifying Facility Information
Docket No. UM 1728**

Dear Commissioners:

Obsidian Renewables, LLC (“Obsidian”) submits these comments on the filing made by Portland General Electric (“PGE”) on April 29, 2016 to revise its Schedule 201 avoided cost rates. On May 31, 2016, Obsidian submitted comments in which it expressed three concerns with how PGE’s avoided costs were set. First, it seemed unclear which market price inputs that PGE used to revise avoided cost rates. Second, PGE was applying the revised Production Tax Credit (“PTC”) in a new manner and may be overstating its impact. Third, Obsidian asked the Commission to avoid multiple avoided cost changes in rapid succession, which frustrates the very purpose for having annual updates.

On June 2, 2016 Commission Staff filed its report on PGE’s filing in which it recommends that the Commission approve the proposed avoided cost update with an effective date of June 22, 2016. In its report, Staff summarized and responded to each of Obsidian’s three concerns. Obsidian now wishes to inform the Commission that, although Obsidian believes that the substance of its comments remains valid, Obsidian withdraws its objection to PGE’s annual avoided cost update and does not intend to provide further comment at the June 7 public meeting.

With respect to avoided cost inputs, Obsidian understood that the working group on IRP updates agreed that Staff would confirm each year with each utility that the updates of wholesale electric and gas market price forecasts were simply updates using, *in a consistent manner*, the forecast methods and sources from the last acknowledged IRP. This procedure was agreed to in lieu of more formal information requests. It was not apparent from its April 29 filing that PGE had confirmed consistency in its updates. Nor was it apparent from the Staff report that Staff had

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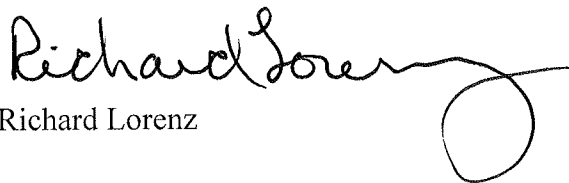
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confirmed consistency with PGE. Obsidian will give PGE the benefit of the doubt in this instance, but Obsidian requests that the procedure of confirming the consistency of market inputs is followed in the future. There is, however, no point served by devoting additional time during the public meeting to this procedural question.

Obsidian remains concerned about the treatment of PTCs in the new phase-down structure. PTCs are one of the four annual update items, but how they are treated on a forward basis when the law contains a phase-down and phase-out is a new question that deserves analysis beyond just a passing reference. Obsidian remains concerned that PGE's filing now sets a precedent with no input from any other stakeholder. Obsidian believes that the issue need not be resolved at the June 7 public meeting, however, so long as the question of how to properly incorporate the PTC phasedown is not precluded from future avoided cost updates and procedures.

Obsidian also expressed concern about the continued cycle of ever changing avoided costs prices. Obsidian expects that most of the stakeholders, not just the independent power producer community, are hoping to find a way past the relentless review and update of avoided costs. Obsidian is persuaded by the Staff report, however, that the next set(s) of avoided costs changes mandated by Order 16-174 and SB 1547 are not likely to be filed or approved in short order. Obsidian agrees that it would be contrary to Order 14-058 to delay PGE's annual update indefinitely while these future filings are resolved and therefore withdraws this objection to PGE's annual update.

Very truly yours,

A handwritten signature in black ink that reads "Richard Lorenz". The signature is fluid and cursive, with a large, circular flourish at the end of the name.

Richard Lorenz

RGL:tb