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May 31, 2016

Via Email

Commissioner John Savage
Commissioner Steve Bloom
Commissioner Lisa Hardie
Oregon Public Utility Commission
201 High St SE, Suite 100
Salem, Oregon 97301

RE: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application to Update Schedule 201 Qualifying Facility Information; and
In the Matter of IDAHO POWER COMPANY, Application to Update Schedule 85 Qualifying Facility Information
Docket Nos. UM 1728 and 1730.

Dear Commissioners:

The Renewable Energy Coalition (the "Coalition") submits these comments regarding the May 1, 2016 avoided cost rate update filings made by Portland General Electric Company ("PGE") and Idaho Power Company ("Idaho Power"). The Coalition does not oppose the avoided cost rate reductions for PGE's and Idaho Power's filings, but is submitting these comments strongly urging the Oregon Public Utility Commission (the "Commission") not to allow the new rates to go into effect until June 22, 2016.

One of the Coalition's primary goals in all proceedings before the Commission is to ensure predictability in the timing of avoided cost rate changes regardless of whether the changes go up or down. This is consistent with the Commission's statutory responsibility to "[i]ncrease the marketability of electric energy produced by qualifying facilities" and to "[c]reate a settled and uniform institutional climate for the qualifying facilities in Oregon."[1] The Commission has recognized these goals, finding that it must encourage:

> the economically efficient development of qualifying facilities in Oregon. It is the goal of the Commission to ensure desired qualifying facility development through stable and predictable actions by the Commission, accurate price signals, and full information to developers and the public regarding power sales requirements.[2]

1 ORS § 758.515(3).
2 Re OPUC Staff's Investigation Relating to Electric Utility Purchases from QFs,

Historically, the Commission has faced frequent litigation regarding the appropriate item for rate changes, which has resulted in the Commission making efforts to reduce uncertainty for qualifying facilities ("QFs"). One of the most important and beneficial recent changes the Commission has made is to allow annual updates at a specific time, and to impose a high burden for any party requesting other rate changes between acknowledged integrated resource plans.[3]

The Commission concluded that these "annual updates will be presented at a public meeting, with a rate effective date within 60 days of the May 1 filing."[4] After the Commission's order in February 2014, QFs and Staff interpreted this ruling as meaning that the annual update rate change would occur 60 days from May 1.[5] However, the Commission disagreed, concluding that the rates would become effective within 60 days, which would allow the rates to become effective the day after the public meeting.[6]

Following the Commission's orders last year, QFs assumed that the utilities' annual updates would be placed on the public meeting immediately prior to 60 days after May 1, and effective the day afterwards. For example, the Staff report in PacifiCorp's 2015 annual update stated: "Future Pacific Power avoided cost updates will be filed under Docket No. UM 1729, and Staff will present the filings at a public meeting preceding the 60th day from the filing date."[7] PGE and QFs all assumed that PGE's annual update would be reviewed at the last public meeting in June 2016, and PGE requested an effective date of June 22, 2016 (the day after the public meeting).[8] For some reason, Idaho Power proposed an effective date of June 1, 2016, which is well before any public meeting in which the rates would ordinarily be reviewed.

The reasonable assumption for any QFs negotiating with PGE and Idaho Power would be that their rate filings would be reviewed at the June 21, 2016 public meeting, and (if they were approved) would be effective on June 22, 2016. This assumption is critical because QFs plan to start their negotiation process so that they have sufficient

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Docket No. UM 1129, Order No. 05-584 at 9 (May 13, 2005) (citing 1988 OPUC report to the Oregon Legislature regarding PURPA implementation).

3 Re OPUC Investigation Into Qualifying Facility Contracting and Pricing, Docket No. UM 1610, Order No. 14-058 at 25-26 (Feb. 24, 2014).

4 Id. at 26.

5 E.g., Re PacifiCorp, dba Pacific Power, Application to Update Schedule 37 QF Information, Docket No. UM 1729, Order No. 15-205 at Appendix A at 3 (June 23, 2015).

6 See id. at 1.

7 Id. at Appendix A at 4.

8 Re PGE Application to Update Schedule 201 QF Information, Docket No. UM 1728, PGE Supplemental Application at 1 (April 29, 2016) ("The last public meeting within 60 days of May 1 is on June 21, 2016; hence the Company requests an effective date of June 22, 2016").

time to finalize a contract **before** rates change. QFs should be able to calculate the time before rates change, and request a new contract with certainty that both the utility and the Commission will not take unexpected actions that suddenly reduce the amount of time to complete the contract.

A QF's plans can be significantly harmed when there are unexpected or early avoided cost rate filings or effective dates prior to when planned. The utilities can use this changed timeline to impose unreasonable terms and conditions, or new and sudden obstacles to contract formation. Even worse, new delays or sudden changes can result in a QF no longer being eligible for the then-current avoided cost rates.[9]

The Commission should ensure that QFs can reasonably rely upon a date that the annual update rates will change. In 2015, the Coalition recommended that the Commission should make it unmistakably clear that avoided cost rates will become effective 60 days after a May 1 update. The Coalition explained that:

> the most important issue for QFs is not the exact date that the Commission selects for avoided cost rates to become effective, but that the Commission set **a specific date** that allows sufficient time for staff and interested parties to review the filing, and QFs to plan their contract negotiation process to finish before rates change.[10]

The Coalition further explained that:

> the exact date for when future avoided cost rates filings become effective is less critical than setting a specific date (as long as there is time to review the update). In the future, the Commission could set the date as 50, 60 or 70 days from the May 1 filing. QFs, however, should have certainty that, absent the significant change to warrant an out of cycle update, the

9 This problem is illustrated by circumstances of Wellons, a 10 MW wood fired cogeneration facility seeking to enter into a contract with PGE. Wellons appears to have reasonably relied upon the assumption that avoided cost rates would change on June 22 rather than June 8. This two-week change, absent other action by the Commission, could result in this QF being paid lower avoided cost rates. QFs like Wellons should not be subject to arbitrary and unexpected rate changes that can completely upset their development plans.

10 Re PGE Application to Update Schedule 201 QF Information; Re PacifiCorp dba Pacific Power Application to Update Schedule 37 Avoided Cost Purchases from QFs of 10,000 KW or Less; Re Idaho Power Co., Application for Approval of Annual Update of Avoided Cost Rates, Docket Nos. UM 1728, 1729 and 1730, Coalition Comments at 4 (June 4, 2015).

> May 1 rates will become effective a specific number of days after the filing.[11]

The Coalition re-iterates its request that the Commission set a specific date or other certain time period for when avoided cost rates will go into effect after an annual May update. The example of the Wellons' cogeneration QF and other QFs currently negotiating contracts demonstrates that even an unexpected change of only a couple weeks can be the difference between an operational and non-operational project. Projects should survive based on whether they can economically sell power at the utilities' avoided cost rates, and not whether they can predict when the Commission may or may not allow rates to change. This uncertainty is a completely unnecessary burden on Oregon QFs, and should be easily remedied by the Commission.

Sincerely,

Irion A. Sanger

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11 Id. at 5.