



January 25, 2021

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VIA EMAIL: paul.rossow@state.or.us

RE: Umatilla Electric Cooperative Avoided Cost Reporting

Mr. Rossow,

I am writing to report Umatilla Electric Cooperative’s (“UEC”) indicative avoided costs pursuant to OAR 860-029-0080(2). As explained below, UEC’s net avoided costs are calculated based on a fixed market-based price over the next two years less a reasonable estimate of the Resource Support Service (“RSS”) charges that would be imposed on UEC by the Bonneville Power Administration (“BPA”) with respect to the output of any Qualifying Facility (“QF”). Using this methodology, UEC’s schedule of avoided costs is as follows:

Year	Mid-C Average Price	Estimated RSS Charge	Net Avoided Cost Payment
2021	\$28.77	\$15.54	\$13.23
2022	\$30.44	\$15.54	\$14.90

Although OAR 860-029-0080(2) calls for consumer-owned utilities to submit a schedule of avoided costs over the next twenty (20) years, UEC is only submitting indicative avoided costs for the next two (2) years for each of the following reasons. First, UEC does not have a forecast of its incremental costs of resources over the next twenty (20) years. Second, any projection of forward market rates beyond two years would be highly speculative. Third, BPA adjusts its charges every two (2) years, and thus it is foreseeable that the estimated RSS charges will be different in two years. Fourth, UEC is not required by state or federal law to purchase the output of a QF for a period longer than two (2) years. Fifth, any power purchase agreement executed by UEC for a term longer than two (2) years would be subject to review and approval by the Rural Utilities Service. Finally, UEC is required by Oregon law to file a new avoided costs rate schedule every two (2) years.

Unlike other consumer-owned utilities, UEC has calculated its avoided cost rates based on forward market prices at the Mid-C trading hub rather than BPA’s rates for federal power. Although UEC is a preference customer of BPA, UEC has met its recent load growth in large

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part through wholesale market purchases. For that reason, a fixed market-based rate better represents the incremental cost of wholesale power that would be avoided by UEC purchasing the output of a QF. The Mid-C average price set forth herein was sourced from the S&P Global Market Intelligence forward market prices available on January 8, 2021.

The adjustment for BPA's RSS charges reflected in the above schedule is a function of BPA's policies. These charges are discussed in BPA's October 31, 2008 Record of Decision approving its current wholesale power contracts: "BPA has decided to include a contract provision that allows customers to add PURPA resources, but will retain the requirement that the resource be a specified resource requiring RSS." BPA's RSS charge is not a fixed charge but varies depending on project-specific characteristics. The estimated RSS charge included in the above schedule was modeled using rates set forth BPA's BP-22 Initial Proposal for a solar generating facility having a capacity rating of twenty-five (25) MW and a capacity factor of thirty percent (30%). While the estimate provided above is intended to be representative of a typical QF, the actual RSS charge applicable to a particular QF would be calculated on a project-specific basis.

Please feel free to contact me at your convenience should you have any questions concerning UEC's indicative avoided cost schedule.

Regards,



Robert Echenrode