

1 On March 11, 2016, Renewable Northwest filed comments asking the Commission to
2 reject PacifiCorp's renewable avoided cost prices until after PacifiCorp had updated its 2015 IRP
3 to take into account recent changes in Oregon law (passage of Senate Bill 1547) and the
4 extension of the federal production tax credit.² Obsidian Renewables LLC, CREA and REC
5 filed joint comments urging the Commission to reject PacifiCorp's proposed standard avoided
6 cost prices for both renewable and non-renewable QFs, asserting that the resource
7 sufficiency/deficiency demarcations for both the renewable and non-renewable avoided cost
8 price streams were likely wrong in light of the passage of SB 1547.³

9 On March 31, 2016, PacifiCorp filed its 2015 IRP Update. The update was previously
10 scheduled under Docket No. LC 62 (PacifiCorp's 2015 IRP docket) and did not address the
11 impacts of SB 1547 on avoided cost prices.

12 In its Staff Report filed April 1, 2016, Staff recommended that the Commission suspend
13 both the renewable and non-renewable avoided cost prices filed by PacifiCorp on March 1, 2016,
14 citing the need to consider the impact of SB 1547 on the renewable avoided cost price stream
15 and the need for additional time to review and verify the inputs underlying both the renewable
16 and non-renewable avoided cost price streams.⁴ The Commission issued Order No. 16-117 "not
17 approving" PacifiCorp's March 1 update to its Schedule 37 and "direct[ing] PacifiCorp, Staff,
18 and interested parties to work together and propose an expedited and non-contested case process
19 to update PacifiCorp's avoided costs in light of the passage of SB 1547."

20 On April 29, 2016, PacifiCorp submitted a letter to the Commission stating it did not plan
21 to file a May 1 Annual Update to its avoided costs because doing so would be redundant to the
22 ongoing review process of its avoided cost prices in Docket No. UM 1729(1).

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24 ² Renewable Northwest Comments re: Docket No. UM 1729 (March 11, 2016).

25 ³ Joint QF Comments re: Docket No. UM 1729(1) (March 11, 2016).

26 ⁴ UM 1729(1) Staff Report (March 14, 2016).

1 The parties did not come to a substantive agreement on the issues presented by
2 PacifiCorp's filing and Staff's and intervenors' responsive comments, but agreed that PacifiCorp
3 should re-submit its avoided cost price filing with any proposed changes, which would tee up
4 another round of comments and a Staff Report with Staff's recommendation on whether the
5 filing should be approved.

6 On June 21, 2016, PacifiCorp submitted a revised avoided cost filing asking the
7 Commission to approve (1) standard non-renewable avoided cost prices based on inputs from
8 PacifiCorp's acknowledged 2015 IRP, including a 2028 deficiency period start date; and 2)
9 standard renewable avoided cost prices based on a 2018 deficiency-period start date and cost and
10 performance data for a renewable proxy resource from PacifiCorp's unacknowledged 2015 IRP
11 Update filed on March 31, 2016.⁵ PacifiCorp's June 21, 2016 avoided cost prices also
12 incorporated changes to avoided cost prices that would have been authorized had PacifiCorp
13 filed a May 1 Annual Update, which are updated forward price curves for both renewable and
14 non-renewable price streams and an update to the status of the federal PTC for the renewable
15 price stream.⁶

16 CREA and REC filed comments opposing portions of PacifiCorp's filing. CREA and
17 REC agreed with PacifiCorp that that the deficiency-period start date for the renewable avoided
18 cost price stream should be moved to 2018 to account for the effects of SB 1547. However,
19 CREA and REC objected to using cost and performance data from PacifiCorp's unacknowledged
20 2015 IRP Update or the renewable proxy resource used by PacifiCorp.⁷ CREA and REC also

21 ⁵ Like its acknowledged 2015 IRP, PacifiCorp's 2015 IRP Update does not include acquisition of
22 a renewable resource in the 20-year planning period. Accordingly, the 2018 deficiency-period
start date proposed by PacifiCorp is not based on its 2015 IRP Update.

23 ⁶ Under Commission Order No. 14-058, utilities must file avoided cost price updates on May 1
24 of every year to account for: (1) updated natural gas prices, (2) updated on-and-off peak
forward-looking electricity market prices, (3) changes to the production tax credit; (4) any other
25 change in an *acknowledged* IRP Update.

26 ⁷ Comments of the Community Renewable Energy Association and the Renewable Energy
Coalition 6-19.

1 disagreed with the deficiency-period start date for the non-renewable avoided cost price stream,
2 asserting that it should be 2024 in light of PacifiCorp's recent announcement regarding closure
3 of two major coal plants, the unreasonable assumptions in the acknowledged 2015 IRP regarding
4 reliance upon market purchases, and passage of SB 1547, which may accelerate the need for new
5 gas resources.⁸

6 In its Staff Report, Staff agreed with PacifiCorp, CREA, and REC that the deficiency-
7 period start date for the renewable avoided cost price stream should be moved to 2018.
8 However, Staff disagreed with PacifiCorp's proposal to use information from PacifiCorp's
9 unacknowledged 2015 IRP Update for the cost and performance inputs for the renewable proxy
10 resource. Staff recommended that the Commission rely on information from PacifiCorp's
11 acknowledged 2015 IRP to determine the cost and performance inputs for the renewable proxy
12 resource.

13 Staff also recommended that the Commission reject the CREA and REC proposal to
14 revisit the deficiency period start date for non-renewable resources, asserting that it was
15 appropriate to rely on the information in PacifiCorp's acknowledged 2015 IRP for this input as
16 well.

17 In support of its recommendations, Staff noted that the Commission had a very specific
18 process for updating avoided cost prices and that this process did not contemplate revisions to
19 avoided cost prices based on information in unacknowledged IRP Updates. Instead, the process
20 previously determined by the Commission allowed complete updates to avoided cost prices after
21 acknowledgment of a utility's IRP, updates to certain inputs to avoided cost prices every May 1,
22 and updates to avoided cost prices after significant changes.

23 Staff argued that the enactment of a 50 percent Renewable Portfolio Standard (RPS) by
24 2040 was significant change that made PacifiCorp's assumption it would require a renewable

25 ⁸ Comments of the Community Renewable Energy Association and the Renewable Energy
26 Coalition at 20-28.

1 resource no sooner than 2038 an unreasonable assumption. Staff also agreed with PacifiCorp's
2 proposal to update its avoided cost prices to take into account more recent natural gas and
3 electricity price curves, as would be allowed in the May Annual Update. However, with the
4 respect to the other changes proposed by PacifiCorp, CREA and REC, Staff concluded that the
5 impact of the new RPS on the cost and performance inputs for the renewable resource or on the
6 resource acquisition date for the non-renewable avoided cost price stream was not clear.
7 Accordingly, Staff recommended that the Commission use information from PacifiCorp's
8 acknowledged 2015 IRP for the remaining inputs used to calculate PacifiCorp's avoided cost
9 prices.⁹

10 At the public meeting regarding PacifiCorp's revised avoided cost prices, the
11 Commission deferred a final ruling on the issues raised by Staff, PacifiCorp, CREA and REC.
12 The Commission ordered that" (1) PacifiCorp, dba Pacific Power, shall file an amended
13 Schedule 37, with prices to be effective two business days after filing, that is based on renewable
14 and non-renewable deficiency periods beginning 2028, cost and performance data from its
15 acknowledged 2015 integrated resource plan, and updated gas and electricity as required in an
16 annual update, and 2) an expedited contested case proceeding shall be opened to allow a more
17 thorough vetting of the issues raised in this proceeding and possible revisions to Schedule 37
18 avoided cost prices on a prospective basis."¹⁰

19 Docket No. UM 1794 was opened following Commission Order No. 16-307. On
20 November 2 and 18, 2016, the ALJ issued rulings denying motions to compel discovery of
21 information filed by CREA and REC. In the November 18, 2016 ruling, the ALJ discussed the
22 scope of the proceeding:

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⁹ Staff Report for August 16, 2016 Public Meeting (August 11, 2016).

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¹⁰ *In the Matter of PACIFICORP, dba PACIFIC POWER, Schedule 37 Avoided Cost Purchases from Eligible Qualifying Facilities*; Order No. 16-307.

1 The Commission adopted the Staff's recommendation which provided for a
2 more thorough vetting of the company's avoided costs via this proceeding, but
3 limited the post-2015 IRP acknowledgment filing to the updated renewable
4 resource deficiency period and the three factors required by the annual May 1
5 update. The vetting should be done in a manner that provides for a consistent
6 set of data and methodology.¹¹

7 The ALJ's statements suggest a much more limited scope to this
8 proceeding than that what Staff gleaned from Order No. 16-307. Accordingly,
9 Staff supports REC and CREA's request for clarification.

10 **Argument**

11 Staff understood Commission Order 16-307 to mean that all the issues
12 previously raised by PacifiCorp, CREA, REC and Staff in Docket No. UM
13 1729(1) are still at play in Docket No. UM 1794, which include the following:

- 14 1) Whether passage of SB 1547 and other intervening events such as extension of the
15 federal PTC were significant changes that warranted departing from the
16 Commission's policy of updating avoided cost price inputs such as resource
17 sufficiency/deficiency demarcation and proxy resource cost and performance data
18 only after IRP acknowledgement. (Staff Issue)
- 19 2) Whether the "customer indifference standard" of PURPA requires the Commission to
20 depart from Commission policy above and use information that is more recent than
21 found in acknowledged IRP regarding proxy resource cost and performance data to
22 set avoided cost prices. (PacifiCorp Issue)
- 23 3) Whether the 2028 deficiency period start date (taken from PacifiCorp's
24 acknowledged 2015 IRP) used to calculate PacifiCorp's non-renewable avoided cost
25 prices is reasonable in light of PacifiCorp's statements regarding closure of two coal

26 ¹¹ UM 1794 Ruling Denying Motion to Compel at 2 (November 18, 2016).

1 plants, passage of SB 1547, and other circumstances, including PacifiCorp's reliance
2 on wholesale transactions. (CREA/REC Issue)

3 4) Whether it is appropriate for the Commission to use information from an
4 unacknowledged IRP Update to calculate avoided cost prices filed within 30 days of
5 acknowledgment of an IRP, or whether the Commission should rely on information in
6 the acknowledged IRP. (Staff Issue)

7 5) Whether the cost and performance data for the renewable proxy resource in
8 PacifiCorp's revised avoided cost filing (based on information in unacknowledged
9 2015 IRP Update) is reasonably representative of costs PacifiCorp would avoid with
10 purchase from Oregon QF. (CREA/REC Issue).

11 6) Whether PacifiCorp's assumption regarding avoided transmission costs for the
12 renewable avoided cost price stream is reasonable. (CREA/REC Issue).

13 Staff urges the ALJ to clarify that the scope of this proceeding encompasses all the issues
14 previously raised in Docket No. UM 1729(1). If the Commission chooses to use information
15 from PacifiCorp's 2015 IRP Update to calculate avoided cost prices, it is important that Staff and
16 intervenors have the opportunity to vet that information. As Staff noted in Docket No. UM
17 1729(1), PacifiCorp did not seek acknowledgment of the 2015 Update, so the information in the
18 Update was not vetted in a LC Docket.¹²

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20 ¹² To this end, Staff believes that information relating PacifiCorp's 2016 RFP is pertinent to
21 the question of whether the information in the 2015 IRP Update is reasonably relied on to
22 establish avoided cost prices. PacifiCorp specifically relies on preliminary results of the RFP in
23 its June 21, 2016 filing to support use of cost and performance data from the 2015 IRP Update
rather than the acknowledged 2015 IRP. Staff believes it is unfair to allow PacifiCorp to rely on
the results of the RFP in support of its proposal, but deny CREA and REC the opportunity to
review that data.

24 Similarly, Staff believes that the model runs sought by CREA regarding information
25 underlying the start date of the deficiency period for the non-renewable avoided cost price stream
26 are pertinent to this proceeding. CREA seeks to test the reasonableness of PacifiCorp's
assumption in its acknowledged 2015 IRP that PacifiCorp will not need a new thermal resource
until 2028 in light of events that have occurred since PacifiCorp prepared the IRP and to test

1 Further, Staff disagrees with PacifiCorp that CREA's investigation into the 2028 resource
2 deficiency start date for non-renewable resources is precluded by the Commission's order in
3 Phase II of Docket No. UM 1610 regarding the appropriate venue for examining avoided cost
4 prices. In Order No. 16-117, the Commission left unchanged its previously adopted process for
5 review of avoided cost filings. The Commission's process for avoided cost filings includes
6 suspension and investigation and is sufficiently robust to allow Staff and intervenors to challenge
7 the reasonableness of avoided cost price inputs taken from a utility's IRP. This process was
8 described by the Commission in Docket No. 06-538 in the context of considering challenges to
9 natural gas price forecasts used to calculate avoided cost prices:

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11 We remind parties, however, that a utility's natural gas forecasts could
12 be examined and challenged during review of the utility's avoided costs filing.
13 Indeed, we encouraged parties to seek suspension of an avoided cost filing when
14 necessary to address concerns about natural gas forecasts, or any other aspect of
15 a utility's filing. We also observed that Staff, or any party, could introduce,
16 during a future investigation of a utility's avoided costs filing, an independent
17 natural gas forecast for comparison purposes.¹³

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23 some of the data used in the IRP itself. Staff believes this type of vetting falls within the scope
24 of the investigation ordered in Order No. 16-307.

25 ¹³ *In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff's Investigation Relating*
26 *to Electric Utility Purchases from Qualifying Facilities* at 44 (Docket No. UM 1129); Order No.
06-538

1 **CONCLUSION**

2 Staff recommends that the ALJ clarify the scope of Docket No. UM 1794.

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4 DATED this 5th day of December 2016.

5 Respectfully submitted,

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