BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1794

In the Matter of PACIFICORP, dba PACIFIC POWER, Investigation into Schedule 37 – Avoided Cost Purchases from Qualifying Facilities of 10,000 kW or Less.	Comments of Renewable Northwest

Renewable Northwest appreciates the opportunity to submit these comments pursuant to Oregon Public Utility Commission ("Commission") Order 17-176 regarding whether to close Docket UM 1794 or to continue the docket with a modified scope. In these comments, we note that PacifiCorp is moving forward with a Request for Proposals ("RFP") for resources that would achieve commercial operation by 2020 prior to having an acknowledged Integrated Resource Plan ("IRP"), and that PacifiCorp's 2028 "sufficiency/deficiency" demarcation point does not reflect the Company's procurement plans.

In light of the circumstances surrounding this procurement timeline, we encourage the Commission to depart from its existing practices and require PacifiCorp to update its avoided cost rates prior to acknowledgement of its 2017 IRP. If the Commission declines to require such an avoided cost rate update, we encourage the Commission to continue Docket UM 1794 on an expedited basis following the scope and schedule recommended by the Renewable Energy Coalition ("REC") and the Community Renewable Energy Association ("CREA"). Finally, given the evolving resource procurement and planning environment, we encourage the Commission to explore whether its current practices allow for an accurate avoided cost calculation that reflects the applicable costs associated with procuring resources.

I. PacifiCorp's Avoided Cost Rates Do Not Reflect the Company's Plans to Procure Resources that Achieve Commercial Operation by 2020.

PacifiCorp's current avoided cost rates are artificially low during several years of the published period because they are based on a "deficiency period" that does not accurately reflect the Company's actual procurement plans. In August 2016, the Commission ordered PacifiCorp to adopt avoided cost rates that reflect a renewable "deficiency" period beginning in 2028.[1] The Commission's conclusion that 2028 was an appropriate "sufficiency/deficiency" demarcation point seems to have been at least partially based on the understanding that the Company would not be procuring renewable resources in the near term, with the exception of potential bilateral agreements. However, the Company has since announced that it plans to issue an RFP to procure a significant amount of resources.[2]

PacifiCorp's 2028 "sufficiency/deficiency" demarcation point does not reflect the Company's plans to procure resources that achieve commercial operation by 2020. PacifiCorp's Action Plan in its 2017 IRP includes the procurement of over one gigawatt ("GW") of renewable energy resources with a commercial operation date ("COD") of no later than December 31, 2020. However, current avoided cost rates are based on the expectation that the Company will not procure resources until 2028. As a result, current Qualifying Facility ("QF") avoided cost rates do not take into account the utility's procurement plans.

II. PacifiCorp's Avoided Cost Rates Should Be Updated Before the Conclusion of the 2017 IRP.

Renewable Northwest encourages the Commission to require PacifiCorp to update its avoided cost rates before the conclusion of the Company's 2017 IRP. Current circumstances justify a departure from the Commission's existing practices regarding avoided cost rate updates in order to account for utility procurement plans that precede IRP acknowledgement. Renewable Northwest has advocated for avoided cost updates that adhere to the Commission's established practice unless significant circumstances justify a departure from that practice. The current circumstances justify a departure from the Commission's practices because the Company plans to issue its RFP prior to IRP acknowledgement, thereby acting outside of the traditional timeline and process. Under the existing process for updating avoided cost rates, the rates would not be updated to reflect PacifiCorp's procurement plans until after IRP acknowledgement. As a result of this timing mismatch, the existing process would leave in place rates that do not accurately capture the utility's avoided costs.

By inhibiting QF development, these artificially low avoided cost rates deprive customers of the multiple benefits associated with having QFs as part of a utility's

[1] UM 1729(1), Order 16-307 at 1 (Aug. 18, 2016).
[2] PacifiCorp 2017R Request for Proposals (May 31, 2017) available at http://www.pacificorp.com/content/dam/pacificorp/doc/Suppliers/RFPs/2017R_RFP/2017R_RFP_Pre-Issuance_Bidders_Conference_May_31_2017.pdf.

generation portfolio. Those benefits include price stability and the reduced risks that result from an entity other than the utility assuming the risks of construction overruns, environmental mitigation, and other issues. These artificially low avoided cost rates are also inconsistent with Oregon's policy to "[i]ncrease the marketability of electric energy produced by qualifying facilities located throughout the state for the benefit of Oregon's citizens" and to "[c]reate a settled and uniform institutional climate for qualifying facilities in Oregon."[3]

If the Commission does not depart from its existing process for updating avoided cost rates, QFs will likely have a minimal opportunity to help the Company avoid some of the costs of procuring the resources it plans to procure in its RFP. PacifiCorp expects to release its RFP to the market on August 25, 2017, and to complete all Utah and Oregon regulatory requirements prior to execution by March 20, 2018.[4] However, the Company's avoided cost rates may not reflect the Company's procurement plans until January or February 2018.[5] As a result, the Company's avoided cost rates would only reflect the Company's procurement plans for a short time and when the RFP is nearly complete.

Thus, Renewable Northwest encourages the Commission to require PacifiCorp to update its avoided cost rates prior to IRP acknowledgement since current avoided cost rates do not reflect PacifiCorp's resource procurement plans. If the Commission declines to require such an update, we encourage the Commission to allow this docket to proceed under the scope and scheduled proposed by REC and CREA.

III. The Issues in this Docket Raise Questions as to Whether Current Commission Practices Capture the Realities of Utility Planning and Procurement.

The current process for setting avoided cost rates appears unable to respond to situations where a utility decides to procure resources outside of the traditional timeline. Indeed, the many changes that the electric sector is undergoing include a planning and procurement environment whereby utilities are considering procuring resources outside of the traditional post-IRP timeline.[6] However, QF avoided cost rates are largely based

[3] ORS 758.515
[4] *Id*.
[5] The Commission's Public Meeting on LC 67 is scheduled November 7, 2017. Assuming that the Commission issues an Order in that Docket two weeks after the Public Meeting (November 21, 2017) the Company will have to file its updated Schedule 37 by December 21, and the rates would become effective 30 days later.
[6] Examples in the last 12 months include Portland General Electric's plan to issue an RFP in 2016, PacifiCorp's 2016 RFPs for renewable resources and renewable energy credits, and PacifiCorp's recently announced 2017 RFP.

on procurement plans and resource assumptions from utilities' acknowledged IRPs or IRP updates. In light of the evolving planning and procurement environment, Renewable Northwest encourages the Commission to consider whether its framework for avoided cost rate updates allows for an accurate avoided cost calculation that reflects the applicable costs associated with procuring resources.

While Renewable Northwest supports using the IRP as the starting point for avoided cost rates in most situations, PacifiCorp's current avoided cost rates exemplify the limited ability of the current process to respond to procurements outside of the traditional timeline. Indeed, the Commission's current practice for updating avoided cost rates limits the ability of the rates to provide an accurate market signal to QFs. As a result, PacifiCorp's avoided cost rates would remain below the Company's actual avoided cost. By the time that PacifiCorp's avoided cost rates would reflect its procurement plans, the Company would be close to concluding its RFP.

We therefore encourage the Commission to explore whether its current framework for avoided cost rate updates should be adjusted to allow for responsiveness to utility procurements outside of the traditional post-IRP-acknowledgment timeline.

IV. Conclusion

Renewable Northwest thanks the Commission for this opportunity to comment on the next steps for Docket UM 1794. For the reasons stated above, we encourage the Commission to depart from its existing practices and require PacifiCorp to update its avoided cost rates prior to acknowledgement of its 2017 IRP. If the Commission declines to require such an avoided cost rate update, we encourage the Commission to continue Docket UM 1794 on an expedited basis following the scope and schedule recommended by REC and CREA. Finally, given the evolving resource procurement and planning environment, we encourage the Commission to explore whether its current practices allow for an accurate avoided cost calculation that reflects the applicable costs associated with procuring resources.

Respectfully submitted this 30th day of May, 2017.

/s/ Silvia Tanner
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