BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1802

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation to Examine PacifiCorp, dba Pacific Power's Non-Standard Avoided Cost Pricing.	)))))))))	RENEWABLE ENERGY COALITION OPENING BRIEF

I. INTRODUCTION

Pursuant to the Administrative Law Judge's September 15, 2017 Ruling, the Renewable Energy Coalition (the "Coalition") submits this opening brief recommending that the Oregon Public Utility Commission (the "Commission" or "OPUC") reject PacifiCorp's proposals to offer nonstandard renewable qualifying facilities ("QF") avoided cost rates that are: 1) based upon a "like-for-like" resource requirement; 2) remove the market price floor; 3) assume that PacifiCorp's entire QF queue, including QFs that have merely requested contracts, will become commercially operational; and 4) exclude economic renewable acquisitions (like the 2020 Wyoming wind resource). Instead, the Coalition recommends that the Commission simply require PacifiCorp to adhere with its existing policy of allowing all renewable resources of all types to be paid a renewable avoided cost rate based on reasonable assumptions. The Commission should continue to allow all QFs the option to choose between a renewable and non-renewable rate, and PacifiCorp's proposals to limit based upon resource type and Oregon renewable portfolio standard ("RPS") requirements are inconsistent with those policies.

If PacifiCorp is not able to utilize its Partial Displacement Differential Revenue Requirement ("PDDRR") methodology in a way that adheres to the Commission's existing policies, then the Commission should direct PacifiCorp to stop using it and return to the old methodology of using the published renewable rate as the starting point of negotiations that utilize specific Commission-approved factors. Regardless of which methodology the Commission approves, however, if PacifiCorp is allowed to use unacknowledged data inputs in its avoided cost calculation, then it should not be allowed to "cherry pick" which assumptions it wants to use, and rates should be based on unacknowledged planned resource acquisitions—like the current Wyoming wind resource.

The Commission should reject PacifiCorp's proposal to include the entire QF queue when calculating indicative pricing for large QFs. This would artificially lower PacifiCorp's avoided cost rate, and does not accurately reflect the number of QFs that will actually become commercially operational. A more reasonable position would be to use the historic percentage of QFs that are constructed compared to the entire queue or certain completion milestones that show a project is more likely to be constructed—like completing the interconnection study process or executed contracts or both—to determine indicative pricing.

Likewise, PacifiCorp has not justified reconsidering the market-floor issue. This matter was settled by the Commission, when the PDDRR methodology was approved and should not be re-litigated here. This is not a forum for PacifiCorp to re-litigate one of the very few avoided cost price calculation issues that PacifiCorp lost in UM 1610.

PacifiCorp is also proposing to fundamentally alter the Commission's approach for setting renewable avoided cost prices. The Commission's existing policy is to base the renewable rate on the next renewable resource identified in the utility's acknowledged integrated resource plan ("IRP"). PacifiCorp is proposing to base its renewable rate on the utility's RPS resource need, even if PacifiCorp is going to acquire a new renewable resource years in advance of its RPS requirements. The Commission should reject PacifiCorp's request to implement policy changes unrelated to how a renewable rate should be calculated, and then consider them later. Any prospective policy changes are better considered in a separate generic proceeding.

II. BACKGROUND

In UM 1610, the Commission confirmed that PacifiCorp, PGE, and Idaho Power need not use the same methodology to calculate non-standard avoided costs prices, and allowed PacifiCorp to begin using its PDDRR methodology.[1] Previously, both PGE and PacifiCorp had used the methodology set out in UM 1129, where the utilities begin with their standard contract pricing as the starting point for their non-standard contract negotiations, and then made adjustments according to the seven factors enumerated by the Federal Energy Regulatory Commission ("FERC") in 18 CFR 292.304(e).[2]

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1 Re OPUC Staff Investigation into Qualifying Facility Contracting and Pricing, Docket No. UM 1610, Order No. 16-174 (May 13, 2016); see also Re Commission Investigation into Resource Sufficiency Pursuant to Order No. 06-538, Docket No. UM 1396, Order No. 11-505 (Dec. 13, 2011) (establishing a separate renewable avoided price stream).

2 Re OPUC Staff's Investigation Relating to Electric Utility Purchases from Qualifying Facilities, Docket No. UM 1129, Order No. 07-360 (Aug. 20, 2007); 18 CFR 292.304(e) permits adjustments for: 1) the ability of the utility to dispatch the QF; 2) the expected or demonstrated reliability of the QF; 3) the terms of any contract or legally enforceable obligation; 4) the extent to which scheduled outages can be coordinated; 5) the usefulness of the energy and capacity during

PacifiCorp proposed using a PDDRR methodology because the Company claimed that it could take into account each QF's specific operating characteristics and point of delivery on the company's system, as well as its location, delivery pattern and capacity contribution. Staff concluded that the PDDRR methodology was justified for large QFs because Staff argued that it more accurately quantified the impact of each particular QF, but also cautioned that transparency must accompany the PDDRR methodology. The Coalition opposed the use of the PDDRR methodology because it is overly complex, not transparent or easily reviewed, and may be manipulated by PacifiCorp to the detriment of QFs. The Coalition also feared that using the PDDRR method would lead to litigation regarding how it works.

Ultimately, the Commission agreed that the PDDRR methodology more accurately valued energy and capacity on PacifiCorp's system, and was persuaded that the PDDRR method was an improvement to the prior non-standard QF avoided cost pricing methodology.

It soon came to light, however, that PacifiCorp never intended to use the PDDRR methodology to calculate renewable avoided costs prices for large QFs. Staff and other stakeholders, and likely even the Commission, were not aware of this fact. This only became apparent when PacifiCorp's compliance filing did not provide an option that allows renewable QFs entering into non-standard contracts to select a renewable avoided cost price stream.[3] PacifiCorp's compliance filing validated the Coalition's concerns

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system emergencies; 6) the value of the energy and capacity on the utility's system; and 7) smaller capacity increments and shorter lead times available with additions of capacity from QFs.

[3] Docket No. UM 1610, OPUC Public Meeting (Oct. 25, 2016) (addressing PacifiCorp's Compliance Filing).

about transparency and underscore the problems associated with having an overly complex methodology.

Staff, renewable energy advocates, and independent power producers argued that because PacifiCorp never requested the Commission change its policy requiring a separate renewable rate, QFs should still have the right to that option. PacifiCorp argued the Commission implicitly rescinded the requirement when it approved the PDDRR methodology. The Commission ultimately approved PacifiCorp's compliance filing, and opened this investigation to determine whether a renewable avoided cost prices stream should be calculated using PacifiCorp's PDDRR methodology, and how.[4]

III. ARGUMENT

A. If PacifiCorp is Either Unwilling or Unable to Use the PDDRR Methodology to Provide Avoided Cost Prices for All QF Types, Then PacifiCorp Should Be Required to Use Its Previous Methodology

PacifiCorp has claimed that the PDDRR methodology has difficulties calculating appropriate non-standard pricing for renewable technologies with varying capacity and energy profiles. This means that, despite claiming the PDDRR method was more accurate, PacifiCorp now alleges that the model cannot accurately calculate renewable avoided cost prices for large solar, biomass, geothermal, hydro, and wind facilities. If

[4] Compare Re OPUC Staff Investigation into Qualifying Facility Contracting and Pricing, Docket No. UM 1610, Order No. 16-429 at Appendix A (Nov. 9, 2016) ("Staff also recommends that the Commission open an investigation to determine how a renewable avoided cost price stream is to be calculated using PacifiCorp's PDDRR methodology for non-standard renewable QFs that takes into account the avoided costs of compliance with RPS") with id. at 1 ("This order memorializes our decision, … to… open an expedited investigation to examine whether PacifiCorp's non-standard avoided cost pricing should include a renewable price option, and if so, how that renewable price option should be calculated.").

PacifiCorp is correct, then it should simply go back to using its old method for calculating large renewable avoided cost rates.

PacifiCorp's testimony in this investigation acknowledges that it should offer a non-standard renewable rate, and that the PDDRR methodology can calculate such a rate, but argues it should only do so in certain limited circumstances.[5] Worth noting, no party appears to argue that PacifiCorp should not offer a renewable avoided cost rate to large QFs.[6] PacifiCorp, however, proposes calculating a large renewable rate only when the Preferred Portfolio from PacifiCorp's most recent IRP identifies a need for the same type of resource, and when the need identified exists during the term of the QF's PPA.[7] What this means in plain English is that most renewable resources will generally not qualify for a renewable rate because the IRP either does not identify a renewable resource of that type, or the IRP's need for that type of renewable resource is so far in the future that it is essentially meaningless. PacifiCorp's primary argument is that the PDDRR methodology may not be able to calculate renewable prices for all types of QFs, due to sizeable variations in their capacity factors.

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[5] PAC/400, MacNeil/1-2; PAC/100, MacNeil/2 ("the Company agrees that renewable avoided cost pricing should be available for non-standard renewable QFs").

[6] Staff/100, Andrus/2 ("Staff believes that for policy reasons previously articulated by the Commission, PacifiCorp, as an Oregon regulated utility with an obligation to acquire renewable resources under state's [RPS], should be required to offer renewable avoided cost prices to QFs that reflect the avoided costs of acquiring an RPS compliant resource"); ODOE/100, Broad/1-3 (supporting non-standard renewable avoided cost rate); CREA/100, Skeahan/6 ("CREA recommends that the Commission allow all renewable QFs the option to sell renewable power at reasonable estimates of the avoided costs of the renewable generation product supplied by those QFs, including those above the size threshold for standard rates"); ICNU/100; Mullins/1 (supporting PDDRR methodology for calculating non-standard renewable avoided cost rates).

[7] PAC/100, MacNeil/2.

PacifiCorp updated its testimony, further addressing the PDDRR issues and suggesting that sophisticated software was necessary to ensure customers pay just and reasonable rates.[8] PacifiCorp predicted that over time model input and assumptions would need to become more sophisticated, and noted that the expert witnesses from both the Joint Parties (the Coalition and the Community Renewable Energy Association) and The Industrial Customers of Northwest Utilities ("ICNU") support the PDDRR methodology in some form.[9]

PacifiCorp has not accurately stated the Coalition's position. Although the Coalition has proposed changes to make the PDDRR methodology work for all QF types, the Coalition has consistently maintained the position that PacifiCorp's models are too complex, and do not allow adequate transparency into the calculation of PacifiCorp's avoided costs.[10] The Coalition's primary recommendation is that PacifiCorp should be required to use the old method because it provided greater transparency, and did not require QFs to hire an expert to understand.[11] Since the Commission rejected the Coalition's recommendation in UM 1610, the Coalition has participated in good faith in this proceeding in an effort to revise the PDDRR methodology to accurately set renewable avoided cost rates. After retaining an expert to take a closer look at the

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[8] PAC/300, MacNeil/17.

[9] PAC/300, MacNeil/16-17.

[10] REC/100, Lowe/9 ("The Coalition opposed the method because it would be too complex, too expensive to access for independent review, not transparent and would be used to harm large QFs.").

[11] Id. ("If the PDDRR method cannot be made to work fairly for all large renewable QFs, then the Coalition believes that the Commission should return to its previous approach of using the Commission approved rates as the starting point for negotiations, as PGE currently does."); REC/100, Lowe/3 ("the Commission should reject the computer model approach and return to using its longstanding method").

PDDRR design, the Coalition believes that it is possible to configure the PDDRR methodology to calculate accurate avoided cost rates for all renewable resource types.[12]

Staff's position has changed, but in the opposite direction. Staff originally advocated for the PDDRR methodology, but recently determined that PacifiCorp should go back to its old methodology. According to Staff, "PacifiCorp's testimony reflects that the PDDRR method has limited adaptability and cannot be used for all resource types."[13] Staff therefore recommends that the Commission require PacifiCorp to use its previous methodology—basing non-standard pricing on standard pricing with certain adjustments based upon FERC's rules.

PacifiCorp responded to Staff's recommendation by pointing out that the Commission "has already found that the PDDRR methodology is more accurate than the prior one and Staff has not presented any compelling reason to revert back to a less accurate methodology."[14] PacifiCorp ignores the fact that the Commission determined the PDDRR methodology was more accurate before it or any of the parties (other than PacifiCorp) understood that the PDDRR methodology was not intended to calculate a large renewable avoided cost rate. PacifiCorp has since claimed that the PDDRR methodology cannot calculate accurate renewable prices for all types of QFs. Thus, PacifiCorp's statements that the PDDRR methodology are *more* accurate are incorrect.

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[12] The fact that the PDDRR can be used to accurately set avoided cost rates does not mean that it should be used. See REC/100, Lowe/8 ("PacifiCorp's approach flips the meaning of accurate on its head.")

[13] Staff/300, Andrus/3.

[14] PAC/400, MacNeil/7 (citing Order No. 16-174).

In the end, the Coalition supports a return to the renewable proxy methodology, but believes that the PDDRR methodology can be used to accurately set avoided cost rates for all renewable resource types.

B. The PDDRR Methodology Can Be Used to Conform with Existing OPUC Policy and Calculate Reasonable Avoided Cost Prices for All QF Resource Types

The Coalition recommends several modifications to PacifiCorp's approach that would allow the PDDRR method to set renewable avoided cost rates that conform with the Commission's existing practices and policies. Chiefly, allowing any renewable QF to have its avoided cost pricing determined based upon its deferral of the next renewable resource, irrespective of type.[15] The PDDRR method simply compares the current IRP resource portfolio to the QF project seeking pricing to determine the portion of value created by adding the QF to the portfolio.[16] It is generally reasonable to use a PDDRR methodology, but several aspects of PacifiCorp's proposed configuration should be modified.

To begin with, all renewable QFs should be given the option to sell their renewable power to PacifiCorp at a renewable avoided cost rate, whether the QF is above or below the threshold for standard rates, and regardless of resource type.[17] When PacifiCorp purchases renewable power from QFs, those QFs are allowing the utility to

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[15] REC-CREA/100, Higgins/5 ("The Company's proposal to limit the deferral of a renewable resource to resources of the same type as the QF is unduly restrictive and unreasonable.").

[16] REC-CREA/100, Higgins/6-8.

[17] REC-CREA/100, Higgins/7 (PacifiCorp publishes rates for both renewable and non-renewable avoided cost prices for small QFs). PacifiCorp's testimony is limited to large QFs, but PacifiCorp's arguments naturally implicate standard contract pricing.

build (or buy) new renewable generation whether the QF matches the precise resource type PacifiCorp is planning to purchase or not.[18]

PacifiCorp's proposal only allows large renewable QFs to be credited with avoiding the cost of a renewable resource if they are the same type PacifiCorp plans to acquire in its most recent IRP.[19] This means that a large renewable QF with a resource not planned for in PacifiCorp's IRP would not be able to obtain a price that reflected its renewable attributes. For example, since PacifiCorp's Preferred Portfolio does not call for a new biomass or hydro facility, these types of generation would only be eligible for non-standard avoided cost prices. Additionally, if PacifiCorp's Preferred Portfolio did not call for a new solar or geothermal facility for more than 15 years from commercial operation,[20] then a solar or geothermal QF would only be eligible for non-standard avoided cost prices.[21] In addition, since PacifiCorp's IRP does not identify a need for solar or geothermal for over a decade, those types of generation will not be eligible for renewable capacity payments for more than a decade.

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18 REC-CREA/200, Lowe-Skeahan/5.

19 PacifiCorp's 2017 IRP identifies a need for wind in 2021, but does not identify a need for solar until 2028, geothermal until 2029, and does not identify a need for biomass or hydro at all. Re PacifiCorp's 2017 IRP, Docket No. LC 67, PacifiCorp 2017 IRP at 2 (Apr. 4, 2017).

20 Oregon QFs are allowed 15 years of fixed prices from commercial operation or the start of power deliveries. Re Northwest and Intermountain Power Producers Coalition, Community Renewable Energy Association, and Renewable Energy Coalition v. PGE, Docket No. UM 1805, Order No. 17-256 at 3 (July 13, 2017) (clarifying the policy set out in Order No. 05-584 requires standard contracts "to provide for 15 years of fixed prices that commence when the QF transmits power to the utility").

21 PAC/400, MacNeil/6 (stating Oregon QFs cannot defer the 2028 solar resources from the 2017 IRP Preferred Portfolio because PacifiCorp has entered into contracts with solar QFs that pushed the first deferrable solar resource to 2031).

Limiting avoided cost prices by type does not adequately compensate renewable QFs for their renewable power. This is because each renewable QF can defer PacifiCorp's energy and capacity needs associated with the earlier acquisition of a different type of renewable resources that PacifiCorp is planning to acquire.[22] The idea that a large amount of new solar QF power would not defer a future renewable resource is not accurate, ignores the value of the renewable attributes, and is contrary to the purpose of having renewable resources rates.[23]

PacifiCorp maintains that unintended consequences and unreasonable results might occur, which essentially means that PacifiCorp claims that in some isolated examples PacifiCorp would be paying higher capacity costs than the actual avoided capacity price.[24] Specifically, PacifiCorp claims that:

> While the GRID PDDRR methodology can reasonably account for the differences in value between resources in two geographic locations, to maintain a consistent load and resource balance, it is important to maintain the total effective capacity contribution identified in the preferred portfolio [because] [m]aintaining capacity equivalence between resources with widely disparate capacity contributions could introduce unintended consequences and unreasonable results.[25]

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22 REC-CREA/100, Higgins/11 ("Implicit in PacifiCorp's advocacy for these restrictions is the notion that the Company is somehow unable to partially (or wholly) defer a wind or solar plant when a biomass QF timely comes on line, and is unable to partially (or wholly) defer a wind plant when a solar QF timely comes on line.").

23 See REC/100, Lowe/4-5 ("Because Oregon requires utilities to generate a certain amount of qualifying renewable power, it is reasonable to differentiate regardless of size between the cost of the utility's next planned renewable and non-renewable resources.").

24 PAC/100, MacNeil/5-6 ("Based on the capacity contribution of solar and wind resources being prepared for the 2017 IRP, 10 megawatts of a west-side tracking solar resource would defer 55 megawatts of west-side wind capacity.").

25 PAC/100, MacNeil/4-5.

Paying different renewable resources different capacity payments makes sense, however, given that renewable resources of different types do not defer the same amount of capacity. PacifiCorp's analysis shows that every MW of biomass capacity is displacing 6.3 MW of east-side wind capacity, and every MW of fixed solar capacity is displacing 3.4 MW of wind capacity.[26] Thus, some capacity rates are much more valuable than others, and may appear high at first glance. These results are economically rational, and are consistent with the Commission's policy where QFs with greater capacity values are compensated more than QFs with lower capacity values.[27]

PacifiCorp is focusing only on capacity value and is not including energy values, which is inconsistent with the PDDRR methodology. The PDDRR methodology analyzes energy and capacity costs simultaneously, and the overall price results are reasonable. Returning to PacifiCorp's conclusion that each MW of biomass capacity displaces 6.3 MW of east-side wind capacity, this means that a 10 MW biomass facility would be responsible for displacing sizeable amounts of energy that it is not producing, and therefore not being compensated for. Combining these essentially negative energy costs with what PacifiCorp argues are too-high capacity costs returns a reasonable price overall. That is all the PDDRR is doing.

Thus, when calculating avoided cost prices using the PDDRR methodology, the deferral of a renewable resource from the Preferred Portfolio should not be limited to resource type. Each QF type is deferring PacifiCorp's renewable need, and each QF's avoided cost prices should compensate PacifiCorp accordingly—including with appropriate adjustments for capacity equivalence. The total avoided costs include both

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[26] REC-CREA/100, Higgins 12.
[27] REC-CREA/100, Higgins 12-13.

capacity and energy, and should be evaluated as a combined price because the PDDRR's energy and capacity values should not be evaluated in isolation.

C. If Unacknowledged Data Will Be Used in the PDDRR Methodology, then PacifiCorp Should Use All Unacknowledged Data

The Coalition does not take a position on whether the PDDRR methodology should use acknowledged or unacknowledged IRP inputs and assumptions. The Coalition generally opposes the use of unacknowledged IRP information because it has not been subject to any vetting or review; however, the PDDRR is designed to include the most up to date information, which necessarily relies upon unacknowledged data.[28] Fundamentally, the PDDRR should be consistent and either use all or no unacknowledged information.

PacifiCorp proposes not to include critically important unacknowledged information that will increase (rather than decrease) avoided cost rates, such as its Wyoming wind resources. While the Coalition understands that the calculation of specific avoided cost rates are outside the scope of this proceeding, the Commission should explicitly find that the Wyoming wind resource should be used to set avoided cost prices because the PDDRR relies upon other unacknowledged data from the most recent IRP.[29] If the Commission does not wish to address any specific resources, then it should

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[28] REC/100, Lowe/7 ("The Commission order authorizing the PDDRR method simply says IRP and does not clarify whether unacknowledged IRPs or IRP updates could be relied upon. PacifiCorp's opening testimony in this docket, however, indicates that since adopting the PDDRR methodology, the Company's non-standard QF pricing includes deferral of thermal resources from the preferred methodology in an unacknowledged IRP Update or new IRP filing.").

[29] REC-CREA/100, Higgins/4 ("I recommend that the Commission rule affirmatively that the 2017 Wyoming Wind resource identified in PacifiCorp's 2017 IRP should be considered as partially displaceable or deferrable for the purpose of determining avoided capacity and energy costs.").

adopt a general policy that makes it clear that unacknowledged resources like the Wyoming wind generation are accounted for in the PDDRR methodology.

PacifiCorp itself points out that "the PDDRR methodology approved by the Commission in docket UM 1610 does not use the most recent *acknowledged* IRP to calculate avoided costs. Instead to produce an avoided cost forecast based on the most up-to-date information, the PDDRR methodology relies on the most recently filed IRP."[30] PacifiCorp explains at great length that the PDDRR methodology relies upon the most recent IRP, or IRP update, to calculate accurate avoided cost prices.[31] According to PacifiCorp, "Commission action in this docket does not require an outcome in the 2017 IRP nor does it presume or prescribe an outcome in the 2017 request for proposals (RFP)."[32] Thus, PacifiCorp essentially admits that unacknowledged resources like the Wyoming wind in 2021 should be used for setting large renewable avoided cost rates.

Although PacifiCorp claims that information need not be acknowledged to be entered into the PDDRR, it simultaneously argues that the Wyoming wind resource is not deferrable due to "unusual factual circumstances" that make the Wyoming wind an unreasonable representation of PacifiCorp's avoided costs for Oregon QFs.[33] For example, because the Wyoming wind resources must come online by the end of 2020 to receive the full production tax credit ("PTC") value, PacifiCorp argues that the Wyoming wind resources cannot be deferred because any deferral would eliminate the PTC benefit and make the projects uneconomic.[34] Likewise, PacifiCorp argues that the transmission

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30 PAC/400, MacNeil/11 (citing PacifiCorp's UM 1610 Testimony).
31 Id.
32 Id.
33 PAC/300, MacNeil/26-27; see also PAC/400, MacNeil/3.
34 PAC/400, MacNeil/13-14.

needed to add the Wyoming resources cannot be reduced or delayed, and are therefore also not deferrable.[35] Due to these unusual factual circumstances, PacifiCorp suggests that that the Wyoming wind resources are not deferrable. PacifiCorp has not adequately explained why either of these "unusual factual circumstances" means that Wyoming wind resources cannot be partially displaced or deferred.[36]

Staff concluded that the Wyoming wind resource is beyond the scope of the issues for this case, and should be considered in a post-IRP compliance filing.[37] Staff, however, is incorrect. The Commission needs to adopt a policy regarding how the PDDRR methodology is used now, and the Wyoming wind resource is a perfect illustration to consider whether PacifiCorp should be permitted to use only certain unacknowledged information in its avoided cost prices. PacifiCorp should not be allowed to cherry-pick certain information from it IRP and ignore other information.

ICNU's proposal that the Commission maintain PacifiCorp's pricing stream until there is greater clarity surrounding PacifiCorp's IRP is not sound policy. ICNU reasoned that the Wyoming wind resource should not set avoided cost prices because if the IRP is not acknowledged, it may never be built.[38] This kind of "wait and see" position should not be embraced because, as even PacifiCorp notes, any resource in its Preferred

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35 PAC/300, MacNeil/26-27; PAC/400, MacNeil/15-16.

36 REC-CREA/100, Higgins/5 ("The Company has not sufficiently explained its assertion made in discovery that, because this resource is linked to Energy Gateway transmission and expiring [PTCs], it cannot be partially displaced or deferred by resources outside of Wyoming Northeast.").

37 Staff/200, Andrus/9.

38 ICNU/200, Mullins/4.

Portfolio may not ultimately be built.[39] PacifiCorp also suggests it may go forward with its wind projects without Commission approval,[40] which undermines ICNU's position.

In the end, the fundamental issue is consistency in the PDDRR process. Either no unacknowledged information is used, or all of it is used, including the Wyoming wind generation.

D. PacifiCorp's Planned Generation Regardless of Location (including the Wyoming Wind Resources) Is Deferrable by Oregon QFs and Should Therefore Be Included in the PDDRR Methodology

For the first time ever in an avoided cost case, PacifiCorp has proposed that the next deferrable resource should not be accounted for in rates because it is located in another state. The Wyoming wind resource (or any other planned generation in a non-Oregon location) should be used to determine the avoided cost for Oregon QFs because, according to PacifiCorp's 2017 IRP, that is the next renewable resource PacifiCorp is planning to acquire.[41] That is the process that is used to determine avoided cost rates.

PacifiCorp distinguished the Wyoming wind resource as being tied to the Energy Gateway transmission project, and the PTC benefits, to suggest that it cannot be deferred by Oregon QFs.[42] PacifiCorp suggests that the planned Wyoming wind resource is analogous to an opportunistic acquisition of "brown power" and that the existence of

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39 PAC/400, MacNeil/16 ("I disagree with ICNU's argument that the Wyoming wind resources should be excluded from the avoided cost calculation because they may never be build. That same reason could apply to any resource in PacifiCorp's preferred portfolio—i.e., PacifiCorp may not ultimately build any resource if PacifiCorp does not obtain the necessary regulatory approvals.").

40 Id. ("the only regulatory approval that is necessary to construct the wind resources is the granting of a certificate of public convenience and necessity from the Wyoming Public Service Commission."). If the Commission does not approve PacifiCorp's 2017 IRP Wyoming wind acquisition, it is entirely possible that PacifiCorp will proceed with its Wyoming wind RFP.

41 REC-CREA/300, Higgins/8.

42 PAC/300, MacNeil/6.

Oregon's RPS does not contribute to the decision to acquire the resource at all.[43] But, PacifiCorp is not proposing to buy brown power, and according to PacifiCorp, the compliance value of renewable energy certificates ("RECs") from the Wyoming wind resource are superior to RECs that might be supplied from an Oregon QF.[44] Because PacifiCorp is buying renewable power that will generate RECs that can be used for Oregon RPS requirements, PacifiCorp's avoided cost prices should reflect the QF's energy, capacity and environmental benefits.

That PacifiCorp cannot acquire the Wyoming wind generation without associated transmission simply means that PacifiCorp's avoided cost rates should include both the avoided generation costs and the avoided transmission costs. PacifiCorp's position suggests that Oregon QFs should be credited with avoided transmission costs for partially displacing or deferring the Wyoming wind resource.[45] PacifiCorp's statements appear to rebut the Commission's presumption that avoided transmission costs are unnecessary for on-system proxy resources, because the Wyoming wind resource arguably requires incremental transmission investment from the Company in order to get built.[46] Thus, the Commission should include Wyoming transmission costs, that are required to transmit the Wyoming wind resources to Oregon, should also be included in the PDDRR inputs.

E. PacifiCorp Should Provide Both Renewable and Non-Renewable Indicative Pricing Options So that QFs Can Select Between the Two Price Streams

Large renewable QFs should continue to have the option to sell their net output and RECs and obtain a renewable avoided cost rate, or only sell their net output and keep

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43 REC-CREA/200, Lowe-Skeahan/4.

44 PAC/300, McNeil/25.

45 REC-CREA/300, Higgins/8.

46 Docket No. UM 1610, Order No. 16-174 at 8; REC-CREA/100, Higgins/17.

their RECs and be paid a non-renewable avoided cost rates. In addition, a QF should be able to compare renewable and non-renewable avoided cost pricing before selecting a price stream.

PacifiCorp initially proposed to allow renewable QFs the option of having its avoided cost pricing based on the next deferrable thermal resource or "like" renewable resource, but not to compare the different price options before selecting its preferred pricing stream.[47] PacifiCorp has changed its position to remove the QF's option of choosing between a renewable and non-renewable price option, and now *requires* renewable resources that are the same resource type that PacifiCorp includes in its IRP to sell renewable power to PacifiCorp.[48] After taking away the QF's option to select the price stream of its choosing, PacifiCorp suggests that, if a QF wanted "to provide additional RECs to PacifiCorp to support PacifiCorp's RPS compliance obligations" then the specifics of that option could "be addressed in a generic proceeding."[49] The Commission should not consider this part of PacifiCorp's proposal because it is outside the scope of proper reply testimony.

When the Commission adopted a separate renewable rate, every single party (including PacifiCorp) supported the idea of allowing the QF to choose between the two price options.[50] The Commission concluded that QFs should be allowed to choose between renewable and non-renewable rates to account for different types of renewable

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47 REC-CREA/100, Higgins/19; REC-CREA/300, Higgins/3.

48 Compare PAC/100, MacNeil/6 with PAC/400, MacNeil/10.

49 PAC/400, MacNeil/10.

50 REC/100, Lowe/5.

generation.[51] This approach was deemed consistent with FERC's ruling allowing states to set avoided cost rates for energy from generators with certain characteristics.[52]

PacifiCorp's approach of *requiring* a large renewable QFs to sell its net output and RECs under a renewable rate separately violates the Commission's rules.[53] The Commission has adopted rules that ensure that the QF does not need to give up its RECs to sell its energy and capacity to the utility. In 2005, the Commission conducted a rulemaking regarding the question of REC ownership. PacifiCorp strongly opposed allowing QFs to keep their RECs. The Commission rejected PacifiCorp's arguments, and concluded that:

> [A]bsent a clause providing otherwise, contracts to purchase renewable electricity do not transfer the green tags associated with the purchased electricity. Although not explicitly stated in Order No. 05-584, this conclusion follows from our determination there, that rates based on avoided costs do not include compensation for any social and environmental benefits that may be associated with a particular facility's generation of electricity. This conclusion is also consistent with FERC's

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51 Docket No. UM 1396, Order No. 11-505 at 9 ("Renewable QFs willing to sell their output and cede their RECs to the utility allow the utility to avoid building (or buying) renewable generation to meet their RPS requirements. These QFs should be offered an avoided cost stream that reflects the costs that utility will avoid."); REC/100, Lowe/5 ("The Commission allowed renewable QFs to choose which avoided cost stream might better reflect the value of its resource.").

52 Id. (citing California Public Utilities Commission, 132 FERC ¶ 61.059 at PP. 13-14 (2010) ("where a state requires a utility to procures a certain percentage of energy from generators with certain characteristics, generations with those characteristics constitute the sources that are relevant to the determination of the utility's avoided cost for that procurement requirement")).

53 OAR 860-022-0075(2) ("Unless otherwise agreed to by separate contract, the owner of the renewable energy facility retains ownership of the non-energy attributes associated with electricity the facility generates and sells to an electric company pursuant to: …. An Oregon contract with the electric company entered into pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978").

> determination that avoided cost rates under PURPA are not intended to compensate a QF for more than capacity and energy.[54]

When adopting a renewable avoided cost rate, the Commission explicitly recognized this rule and that "renewable energy facility generally retains ownership of the RECs associated with the electricity sold to a utility."[55] This is why the Commission concluded that a QF is only eligible for the renewable avoided cost rate when the QF (and not the utility) elects to transfer the RECs along with the energy and capacity.[56]

If PacifiCorp wants to change the Commission's rules, then it should petition for rulemaking rather than propose a last minute modification to its PDDRR methodology that would require a QF to give up its RECs without compensation. Therefore, QFs should retain the option to select between renewable and non-renewable rates, and should also have access to avoided cost pricing information from both price streams at the beginning of its negotiations.

F. The Market Floor Need Not Be Re-litigated Here and Should Not Be Incorporated into the PDDRR Methodology Absent a Showing of Harm by PacifiCorp

In UM 1610, the Commission adopted a recommendation from ODOE, which was also supported by Staff, to set the floor for non-standard avoided cost prices at the wholesale power price forecast that it used to set sufficiency period avoided cost prices in standard QF contracts.[57] ODOE argued that different methodologies were appropriate so

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54 Re Commission Rulemaking to Adopt and Amend Rules Relating to Ownership of the Non-Energy Attributes of Renewable Energy (Green Tags), Energy Service Supplier Certification Requirements, and Use of Terms "Electric Utility" and "Electric Company", AR 495, Order No. 05-1229 at 8-9 (Nov. 28, 2005).

55 Docket No. UM 1396, Order No. 11-505 at 7.

56 Id.

57 Docket No. UM 1610, Order 16-174 at 23.

long as the floor was consistent.[58] Staff supported ODOE's recommendation, noting that the Commission had previously determined that the utilities' standard prices did not sufficiently compensate QFs for capacity when a utility is resource sufficient, and that the same premise likely applied to large QFs.[59] PacifiCorp disagreed and argued that the PDDRR should be permitted to produce prices below the market floor.[60] Ultimately the Commission agreed with ODOE and Staff, and adopted the market floor for all three utilities. The Commission concluded "the benefit of QF developers understanding the price floor outweighs the minimal risk described by PacifiCorp that avoided cost prices produced by the PDDRR method would be lower than market."[61]

Shortly after the Commission's decision, PacifiCorp and PGE requested the Commission reconsider the decision.[62] Ultimately the Commission denied that application and affirmed that the market price is an appropriate floor for the minimum avoided costs rate paid during a sufficiency period, even if the incremental cost of generation is lower than the market prices because absent transmission constraints, a utility may sell the QF generation to the market.[63]

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58 Docket No. UM 1610, ODOE Response Testimony at ODOE/900, Carver/10 (July 24, 2015) ("By paying market prices to a QF, ratepayers are kept whole. Using the PDDRR method would go back to the method of using decremental generating costs during periods of sufficiency. This is not more accurate. The value of power during periods of deficiency is what the utility could sell it for or what it would buy it for, regardless of its decremental costs of generation.").

59 Docket No. UM 1610, Staff Reply Testimony at Staff/700, Andrus/11 (Aug. 7, 2015).

60 Docket No. UM 1610, PacifiCorp Reply Testimony at PAC/1400, Dickman/7 (Aug. 7, 2015).

61 Docket No. UM 1610, Order 16-174 at 23.

62 Docket No. UM 1610, Joint Application for Reconsideration (July 12, 2016).

63 Docket No. UM 1610, Order 16-337 at 6.

PacifiCorp's current proposal again suggests that the market floor be removed from the non-standard renewable avoided cost calculation. Staff's position is that the market floor should be retained until PacifiCorp can demonstrate that an individual QF's output cannot be delivered to market or load without displacing existing resources, which cannot be delivered to market.[64] PacifiCorp has responded that if the Commission adopts Staff's recommendation, then the company will make a separate filing with the Commission to re-address the market floor issue.[65] Thus, if PacifiCorp loses the issue a third time, then it will use its ratepayer funded resources to force Staff and QF advocates to litigate this issue a fourth time.

The Coalition agrees with Staff that the market floor was thoroughly litigated in UM 1610, and need not be re-litigated here. PacifiCorp's testimony merely raises the same issue without alleging any inability to sell QF power at market rates. PacifiCorp is requesting authority to do that which the Commission has already confirmed PacifiCorp cannot do. The Commission should not only reject PacifiCorp's proposal, but should do so in a way that prevents PacifiCorp from re-raising the issue again.

G. Including PacifiCorp's Entire QF Queue Does Not Provide an Accurate Forecast, and Would Artificially Lower PacifiCorp's Avoided Cost Prices

PacifiCorp's proposal to use all QFs in the pricing queue, including QFs that have only requested a PPA, would artificially lower their avoided costs. A more reasonable approach would be to use the historic percentage of QFs that are actually constructed

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[64] Staff/100, Andrus/18 ("The Commission's orders state that when transmission constraints inhibit the ability of the QF energy and displaced thermal power to get to market, then the market price floor may be reconsidered").

[65] PAC/400, MacNeil/17.

after requesting a PPA.[66] Another option, which PacifiCorp uses in Wyoming, would include only QFs with executed contracts.[67] The Coalition has also suggested the Commission consider locking indicative pricing for 60-90 days.[68]

PacifiCorp proposes to assume in the PDDRR methodology that all QFs that even request a PPA will be developed. Including projects that will never be developed will reduce PacifiCorp's avoided cost prices by artificially delaying PacifiCorp's need. Specifically, including QFs that have not been constructed lowers avoided cost prices:

> because each successive QF added to the queue displaces lower cost resources in the GRID model and may also defer later-stage resources in the IRP, thereby delaying recognition of capacity payments. Adding more projects to the QF pricing queue as part of the pricing calculation thus drives down the calculated value of the energy and capacity that a new QF is credited with avoiding.[69]

The impact of including QFs without executed contracts can have a significant price impact. For example, PacifiCorp recently estimated that this approach would assume that "approximately 4,100 MW of prospective projects that did not have signed contracts" would be constructed.[70] PacifiCorp estimated:

> the inclusion of these projects in the QF pricing queue would reduce the calculation of avoided costs by $3.91 per MWh on a twenty-year levelized basis, amounting to an 11 percent price reduction, relative to what would occur if only QFs with signed contracts were included in the queue.

Only a fraction of the projects that initiate the PPA process get developed. No one expects 4,100 MW of QF power to become commercially operational. The Company admits that only 27% of the QF power for which it did PDDRR studies for between 2010

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66 REC/100, Lowe/13.
67 REC-CREA/100, Higgins/23; REC-CREA/300, Higgins/9-10.
68 REC-CREA/100, Higgins/24; REC-CREA/300, Higgins/10.
69 REC-CREA/100, Higgins/21.
70 REC-CREA/100, Higgins/21-22.

and 2014 actually came online.[71] Therefore, PacifiCorp's approach to including all potential QFs in the queue lowers avoided cost rates based on unrealistic assumptions that every QF that has asked for avoided cost rates will become operational.

Staff proposes that PacifiCorp should use only executed contacts to calculate their avoided cost prices, and should not be allowed to include the entire queue when determining prices.[72] Even PacifiCorp appears to agree to some extent. In PacifiCorp's July Testimony, it agreed to provide indicative pricing with only the executed contracts, once a QF signs a final execution version of a contract that is subject to the determination of pricing.[73]

Even including projects that have executed contracts, however, may also artificially reduce PacifiCorp's avoided cost prices, because many projects with executed contracts do not come online. The most accurate methodology would be to include in the QF queue only those QFs with executed contracts, adjusted by the historic percentage of QFs that are constructed.[74] Alternatively, the Commission could require that PacifiCorp only include executed QF contracts that have completed certain milestones that indicate a project is likely to be constructed. For example, once a project has completed the interconnection study process, it is very likely to come on line because that process is likely to identify significant additional costs that can make a project uneconomic to develop.

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71 REC-CREA/100, Higgins/22 (citing PacifiCorp's Response to REC Data Request 5.1)

72 Staff/100, Andrus/13-14; Staff/300, Andrus/2 ("Only QFs with executed contracts should be included in the queue when calculating a nonstandard avoided cost price").

73 PAC/300, MacNeil/45-46.

74 REC/100, Lowe/13.

If the Commission uses a methodology in which executed contracts are included in the QF queue, then it can subject large QFs to multiple avoided cost price changes during their negotiations. This is because PacifiCorp updates the QF queue as each new QF executes a contact.[75] Thus, a QF could invest significant time, energy and money into negotiations with PacifiCorp to only have its price radically altered at the last minute. The Commission should allow QFs a certain amount of time, such as 60-90 days, where utilities could not change their indicative pricing.[76] This approach would provide some amount of stability or certainty to QFs that are currently subjected to multiple price changes during their contract negotiations.

H. PacifiCorp's Large Renewable Avoided Cost Rate Should Include "Economic" Renewable Acquisitions, and Any Policy Changes Should Be Considered in a Separate Generic Proceeding

The Commission should require PacifiCorp to adhere to its existing policies rather than allow PacifiCorp to distort or undermine them. Even cost-effective renewable resources should be displaced by renewable QFs of different resource types, after appropriate adjustments for capacity equivalence.

PacifiCorp updated its testimony in July proposing to further limit the availability of renewable rates for large QFs based upon their ability to defer a renewable resource needed to meet PacifiCorp's RPS obligations. PacifiCorp explained its original proposal "did not accurately reflect the narrow circumstances under which the Commission has indicated that a [QF] is entitled to a renewable price stream."[77] PacifiCorp argued that Oregon RPS compliance is based upon the retirement of REC, and since PacifiCorp did

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75 REC-CREA/100, Higgins/23-24.

76 REC-CREA/100, Higgins/24; REC-CREA/300, Higgins/10.

77 PAC/300, MacNeil/2.

not have a REC shortfall until 2035, the renewable resources it is proposing to acquire in 2020 are simply least-cost, least-risk resources, and are not being acquired to satisfy Oregon's RPS requirement.[78] PacifiCorp is making this novel argument to lower avoided cost rates because it maintains that its Wyoming wind resource is not being acquired for RPS purposes.

PacifiCorp mischaracterizes the Commission's renewable avoided cost policy. The Commission's policy is that a renewable rate will be available based on the next deferrable renewable resource, and not just renewable resources that are acquired for RPS compliance. Specifically, the Commission's policy is that "the rate will be based on the renewable avoided cost of the next utility-scale renewable resource acquisition in that utility's IRP."[79]

PacifiCorp's current position is inconsistent with its recommendations in the prior docket that adopted the Commission's renewable avoided cost rate policy. In that proceeding, PacifiCorp explained, "the Company acquires renewable resources on the basis of cost effectiveness and risk mitigation, not to meet individual RPS requirements".[80] Thus, PacifiCorp's renewable resource acquisitions have never been entirely dependent upon RPS requirements, but have instead been based on traditional cost and risk factors.[81] In UM 1396, PacifiCorp even opposed using specific renewable

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[78] PAC/300, MacNeil/9.

[79] Docket No. UM 1396, Order No. 11-505 at 1.

[80] Re Commission Investigation into Resource Sufficiency Pursuant to Order No. 06-538, Docket No. UM 1396, PacifiCorp Reply Comments at 6 (June 28, 2011).

[81] If any of PacifiCorp's past renewable resource acquisitions were needed based on RPS rather than least cost and least risk planning purposes, then these would be considered above market costs under the Company's inter-state cost allocation methodology. Docket No. UM 1396, Order No. 11-505 at 6 ("'costs associated with resources acquired pursuant to a State Portfolio Standard, which exceed the

resource mandates (like the RPS) to set renewable avoided cost rates, and advocated for only upon the next major renewable resource identified in the IRP. PacifiCorp explained that it:

> continues to support the use of the next avoidable renewable resource identified in the IRP preferred portfolio to determine the start of the resource sufficiency period. PacifiCorp clarifies that the period should be based on the next major avoidable renewable resource. First, this treatment is consistent with the existing framework for determining non-renewable resource deficiency. Second, because PacifiCorp may be required to secure small amounts of renewable resources to meet specific renewable mandates outside of PURPA, small renewable acquisitions in the IRP may not reflect purchases that are avoidable by QF purchases.[82]

The Commission's rationale for adopting a renewable avoided cost rate was that a utility can have different resource needs, including requirements imposed by an RPS.[83] While this was the primary justification, the Commission did not base the renewable deficiency period based on the next planned acquisition of RECs for RPS purposes or specific RPS requirements.[84] The Commission specifically rejected proposals by industrial customers and QF advocates to use state or federal RPS standards or REC purchases as the basis for renewable avoided cost rates.[85] The Commission relied upon PacifiCorp's comments that:

> the company's acquisition of renewable resources is done on a system-wide basis and **driven by cost-effectiveness and risk mitigation**. Pacific Power states that **it does not acquire renewable resources to meet any one state's RPS requirements**.[86]

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costs that the utility would have otherwise incurred, are assigned on a situs basis to the state adopting the standard.'"). Therefore, PacifiCorp has been careful to ensure that its major planned renewable resource acquisitions were based on economic and risk factors, and not RPS needs.

82 Docket No. UM 1396, PacifiCorp Reply Comments at 4 (June 28, 2011).
83 Docket No. UM 1396, Order No. 11-505 at 4.
84 Id. at 6-7.
85 Id.
86 Id. at 6.

The Commission concluded that it would base renewable avoided cost rates on the next deferrable renewable resource because PacifiCorp's "renewable resource deficiency status is determined for the company as a whole and is not driven by individual state conditions."[87]

Substantively, PacifiCorp's position is inherently unfair because cost effective renewable resources are going to generate RECs whether they are purchased for RPS compliance or not—and those RECs will defer PacifiCorp's future RPS. Common sense indicates that because PacifiCorp already has a sizeable REC bank, that permitting PacifiCorp to implement a "non-RPS avoided cost price stream" could mean that Oregon QFs are unlikely to qualify for a "RPS avoided cost price stream" in the future.[88] Thus, PacifiCorp may effectively be proposing to eliminate renewable pricing for QFs in Oregon.

Procedurally, this is not the proper time or place to consider whether economic acquisitions should be treated differently from what PacifiCorp deems RPS acquisitions. Instead, the Commission should simply direct PacifiCorp to offer a large renewable rate that is consistent with its existing policies. Even PacifiCorp agrees that this docket is not the proper case to consider the policy change it has proposed. PacifiCorp states "the appropriate path forward is to investigate these issues in a generic docket involving a full range of stakeholders and all Oregon utilities with mandatory [PURPA] purchase obligations."[89] PacifiCorp, however, also rewrites history claiming that the renewable deficiency period should only be based on the next RPS acquisition rather than the next

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87 Id. at 7.
88 REC-CREA/200, Lowe-Skeahan/7.
89 PAC/300, MacNeil/4.

renewable resource acquisition so that it is allowed to use the new approach immediately, and until the larger policy issues are considered.[90]

Thus, PacifiCorp's cost-effective renewable purchases (like its current Wyoming wind resource) should remain renewable purchases that are deferrable by all QFs. Period. Because all of PacifiCorp's renewable resources generate the same amount of Oregon-eligible RECs, the Commission should affirmatively declare that cost effective resources are deferrable for the purposes of determining avoided cost rates. The Commission has articulated clear policies on these issues, and PacifiCorp's attempts to circumnavigate those policies should not be encouraged. If the Commission is inclined to revisit its PURPA policies, then it should do so in a generic proceeding where it can fully consider the impact of any proposals, along with any alternative options.

III. CONCLUSION

The Coalition respectfully requests the Commission reject PacifiCorp's proposal to place any limits on the availability of renewable avoided cost prices via its implementation of the PDDRR methodology for large QFs. Instead, the Commission should direct PacifiCorp to offer large renewable avoided cost pricing that conforms with its existing policies, and for all QF types, and leave the policy issues raised by PacifiCorp for consideration in a separate proceeding. The Commission should also clarify its existing policy of allowing PacifiCorp to use other unacknowledged information, and affirmatively declare that the Wyoming wind resource should be used in the calculation of PacifiCorp's avoided cost prices regardless of the outcome of PacifiCorp's 2017 IRP.

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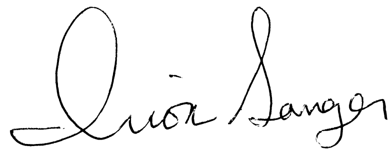
[90] Id.

Dated this 18th day of September 2017.

Respectfully submitted,



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