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August 14, 2017

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301

Re: In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation to Examine PacifiCorp, dba Pacific Power's Non-Standard Avoided Cost Pricing
Docket No. UM 1802

Dear Filing Center:

Please find enclosed the Response Testimony of Bradley G. Mullins on behalf of the Industrial Customers of Northwest Utilities.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosure

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.	)

RESPONSE TESTIMONY OF BRADLEY G. MULLINS

ON BEHALF OF THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

August 14, 2017

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Bradley G. Mullins, and my business address is 333 SW Taylor Street, Suite 400, Portland, Oregon 97204. I previously provided Reply Testimony in this docket on behalf of the Industrial Customers of Northwest Utilities ("ICNU").

Q. WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?

A. I respond to the Opening Testimony of Etta Lockey and Daniel MacNeil of PacifiCorp, dba Pacific Power (the "Company") filed on July 21, 2017 ("Supplemental Opening Testimony").

Q. WHY DID THE COMPANY FILE REVISED OPENING TESTIMONY?

A. According to the Company, it chose to provide an "… updated evaluation of how cost-effective renewable resources, rather than renewable resources specifically needed to comply with Oregon's renewable portfolio standard (RPS), identified in an integrated resource plan (IRP) should be considered when developing renewable non-standard avoided cost pricing."[1/]

Q. DO YOU AGREE WITH THE COMPANY'S PROPOSAL?

A. I appreciate that the Company has recognized the relevance and interrelation of its pending 2017 IRP docket before the Commission, LC 67, to the non-standard avoided cost pricing under consideration in this proceeding. Moreover, I agree with the distinction Ms. Lockey makes between perspectives of purportedly "cost-effective" resource acquisitions and those which are alleged to be "needed." For example, Ms. Lockey testifies that, "[i]n PacifiCorp's 2017 IRP, the company is proposing to acquire at least 1,100 megawatts of renewable resources by 2021 to take advantage of the economic benefits associated with federal production tax credits."[2/] Mr. MacNeil also emphasizes that economic benefits associated with

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1/ PAC/200 at 1:23-2:3.

2/ Id. at 8:17-20.

production tax credits ("PTC") are a critical driving force behind the Company's 2017 IRP action plan, which is designed to obtain considerable amounts of new Wyoming wind resources by 2021: "The loss of the PTC would eliminate much of the benefits associated with the 2021 Wyoming wind resources. And without those benefits, the Wyoming wind would *not* be part of PacifiCorp's least-cost, least-risk plan to reliably meet system load."[3/]

Q. PLEASE EXPLAIN THE SIGNIFICANCE OF THE COMPANY'S POSITION.

A. Through its Supplemental Opening Testimony, the Company has clarified that new Wyoming wind acquisitions are essentially motivated by PTC economic benefits, and those benefits alone. In other words, the Company is not seeking 2017 IRP acknowledgment of at least 1,100 MW of new wind resources due to any resource "need"—whether an RPS, capacity, or energy need—that justifies acknowledgment based on resource deferral. To this end, Mr. MacNeil explains that, "if capacity contribution is the only pertinent factor for determining resource deferral, the entire 2021 wind project could be deferred by 174 MW of baseload resources of any type."[4/]

Q. HOW IS SUCH TESTIMONY FROM THE COMPANY RELEVANT TO AVOIDED COST PRICING IN THIS DOCKET?

A. I share the Company's concern that the Public Utility Regulatory Policies Act of 1978 does not provide for Qualifying Facility ("QF") avoided cost pricing in excess of the Company's true avoided costs.[5/] As Ms. Lockey rightly notes, the approval of QF purchase prices exceeding actual avoided costs can result in "undue cost-shifting to customers."[6/] Yet, the Company's

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3/ PAC/300 at 26:16-19 (emphasis added).
4/ Id. at 28:1-3.
5/ PAC/200 at 3:8-4:9.
6/ Id. at 4:7-8.

renewable resource acquisition plans raise "avoided cost implications where a utility is pursuing near-term capacity investments that are not driven by reliability, RPS, or load-service *needs*."[7/] The circumstances presented by the Company's 2017 IRP action plan, therefore, necessitate a correspondingly appropriate treatment to determine avoided cost pricing calculation—namely, pricing that accurately reflects the presence of displaced "needs."

Q. DO YOU BELIEVE THE COMPANY HAS PROVIDED AN APPROPRIATE METHODOLOGY, UNDER THESE CIRCUMSTANCES?

A. No. I am concerned there has not been a demonstrated need associated with the new wind in the 2017 IRP. Notwithstanding, if one were to accept the plan, it would not be valid to argue that those new wind resources in its long-term plan are not the marginal cost of electricity production on its system, regardless of whether the economics of the RPS was a driver in the Company's decision to pursue those resources. If the Company truly believes that the significant amount of wind it proposes in the 2017 IRP represents least cost, least risk resources, it would be indifferent if it executed a power purchase agreement with a QF resource at the same levelized cost. In fact, it may be better off, if it can avoid building expensive transmission lines in order to access the wind resources it proposes. The issues surrounding PTCs are also largely a red herring, as those benefits can be incorporated into capacity price associated with the renewable resources in the Company's IRP. My understanding is that the Company has done this in the past, in other jurisdictions, using wind as a proxy resource in avoided cost calculations.

[7/] Id. at 5:1-3 (emphasis added).

Q. WHAT DO YOU RECOMMEND?

A. The problem at this juncture is that we do not yet know ultimately what will transpire with the wind resources in the Company's 2017 IRP. It may be that all of the state Commissions reject those resources. Or, we could be placed in the awkward situation of having some jurisdictions accept the resources, with others rejecting them. The scenario that needs to be guarded against is approving avoided cost prices based on resources that are never actually approved or accepted.

Similarly, it is not yet determined at what price the Company will be able to acquire the new wind resources, as the request for proposal ("RFP") process associated with the new wind resources will not be completed for some time.

One solution to these problems might be to require QF resources to bid into the RFP. An RFP process has been used for non-standard avoided cost in Washington for many years. This, however, would place a significant burden on those QF resources seeking to sell power to the Company, particularly those such as cogeneration facilities, which have few other options but to sell to the Company.

Based on these concerns, I recommend that the Commission keep the current pricing stream in place for renewable fixed avoided cost prices, with a 2028 RPS deficiency period. Once there is greater clarity surrounding the new wind in the Company's IRP, the pricing stream may be revisited at that time.

Q. DO YOU HAVE ANY FINAL COMMENTS?

A. Yes. Regardless of how the Commission proceeds, ICNU believes it is important for baseload renewable resources to be provided an appropriate capacity payment in the renewable avoided cost pricing stream. The distinctions that the Company has made in this proceeding that a QF resource would only eligible to defer a “like” resource should, accordingly, be rejected. My understanding is that the Commission has historically allowed a baseload renewable resource to be eligible to defer a wind resource, based on the differential between the capacity contribution of the two resource types. Just as a wind resource is eligible to defer a baseload thermal resource in the standard avoided cost pricing stream, a similar capacity adjustment is appropriately applied to baseload renewable resources that are eligible for the renewable pricing stream.

Q. DOES THIS CONCLUDE YOUR RESPONSE TESTIMONY?

A. Yes.