

ITEM NO. 4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 26, 2017

REGULAR X CONSENT EFFECTIVE DATE September 26, 2017

DATE: September 19, 2017

TO: Public Utility Commission

FROM: Nolan Moser

THROUGH: Jason Eisdorfer and John Crider

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1805) Compliance revising Schedule 201 Qualifying Facility Power Purchase Information, and standard power purchase agreements.

STAFF RECOMMENDATION:

Staff recommends no changes to Portland General Electric's (PGE) revised Schedule 201 and standard power purchase agreements (PPAs) made effective September 17, 2017, under Order 17-346.

DISCUSSION:

Issue

Whether the fixed-price effective date of PGE is consistent with the approved effective dates for PacifiCorp and Idaho Power.

Applicable Rules and Orders

The Commission issued Order No. 17-256 in Docket No. UM 1805 directing PGE to "promptly file revisions to Schedule 201 which shall include a revised standard contract PPA with language consistent with our requirement that the 15-year term of fixed prices commences when the QF transmits power to the utility."¹

¹ Order No. 17-256, p. 4.

Analysis

Background

PGE filed its compliance with Order No. 17-256 on July 20, 2017, requesting an effective date of August 19, 2017. Staff filed a memo in support of PGE's compliance filing. At the public meeting on September 12, 2017, the Commission approved PGE's request, but also directed parties to examine to standard contracts of PacifiCorp and Idaho Power and noted that the Commission would consider the issue again and determine any next steps at the public meeting on September 26, 2017.

PGE's contract requires a seller to determine a date by which the seller will establish commercial operation. This date will represent the first opportunity for the seller to receive both on and off peak standard fixed prices. If a project is commercially operable before this date, the seller will not receive both on and off peak standard fixed prices. If a project is commercially operable after this date, a seller may receive less than 15 years of standard fixed prices.

The following provisions are operative:

"2.2.2. By _____ [date to be determined by the Seller subject to Section 2.2.3 below] Seller shall have completed all requirements under Section 1.4 and shall have established the Commercial Operation date."²

And

"Commencing on the Effective Date and continuing through the Term of the Agreement, Seller shall sell to PGE the entire Net Output delivered from the Facility at the Point of Delivery. PGE shall pay Seller the Contract Price for all delivered Net Output. For the first 15 years measured from the date in Section 2.2.2, the Contract Price will be the Standard Fixed Price Option under the Schedule; thereafter and for the remainder of the Term, the Contract Price will be equal to the Mid-C Index Price."³

In comments filed on September 11, 2017, the Northwest and Intermountain Power Producers Coalition, Community Renewable Energy Association, and Renewable Energy Coalition (Joint Commenters) argue that PGE's proposed contractual terms are not consistent with that of Idaho Power and PacifiCorp, and PGE's contractual language is not consistent with Commission order.⁴

² PGE Schedule 201 Standard Contract at 5.

³ Id at 7.

⁴ Docket No. UM 1805 Comments of the Northwest and Intermountain Power Producers Coalition, Community Renewable Energy Association, and Renewable Energy Coalition at 1.

Joint Commenters argue that sellers will be disadvantaged by PGE's commercial operation date provisions: "Under PGE's proposal, if the project comes on line and is commercially operational before the scheduled date, then the project is paid at a lower test energy rate until the date of scheduled commercial operation, even though it has met all of the contractual requirements for commercial operation."⁵

Joint Commenters propose changes to PGE's contractual terms that would make the date of actual commercial operation operative, rather than the scheduled commercial operation date.⁶

Staff has reviewed the Schedule 201 contract terms of PacifiCorp and Idaho Power. Neither are consistent with each other, or with those of PGE approved in Commission Order 17-346.

Specifically, PacifiCorp's contract offers fixed prices from the scheduled initial deliver date, which is the date by which the net output of the facility is provided to PacifiCorp for the purposes of start-up testing. This date will represent the first opportunity for the seller to receive standard fixed prices from PacifiCorp. If a project is able to provide test energy before this date, the seller will not receive standard fixed prices. If a project is able to provide test energy after this date, a seller may receive less than 15 years of standard fixed prices. This date is not the same as the operative date in the PGE contract, which is a set commercial operation date, rather than a set date for testing net output.

PacifiCorp's operative language reads as follows:

"5.3 (Fixed Price Renewable Seller Only). In the event Seller elects the Fixed Price Renewable pricing method, PacifiCorp shall pay Seller the applicable On-Peak and Off-Peak rates specified in the **Standard Avoided Cost Rates Schedule** during the first (15) years after the Scheduled Initial Delivery Date. Thereafter, PacifiCorp shall pay Firm Electric Market."⁷

And

"B. Seller intends to commence delivery of Net Output under this Agreement, for the

⁵ Id. at 3.

⁶ Id. Attachment A at 2.

⁷ PacifiCorp Schedule 201 Standard Contract at 13.

purpose of Start-up Testing, on _____, 20____ (“**Scheduled Initial Delivery Date**”),”⁸

The operative date for the commencement of fixed prices is not the scheduled operation date or the actual operation date. Instead, PacifiCorp’s contract offers fixed prices from the date at which the seller designates as the date the net output from the facility will be tested.

Idaho Power fixed prices are applicable for the first fifteen contract years for all net energy delivered to Idaho Power.⁹ This is effectively consistent with Joint Commenter’s proposal. Specifically, Idaho Power’s standard contract reads:

“For all Net Energy delivered to Idaho Power after the first fifteen (15) Contract Years and for the remaining term of this Agreement...”

Idaho power also includes provisions outlining the scheduled operation date. Similar to the contract provisions of PacifiCorp, and the proposed contract provisions of PGE, there are restrictions on a scheduled operation date more than 3 years from the execution of the agreement.

Accordingly then, each electric company has different proposed or approved dates for the start of the 15 year fixed price period. The table below outlines the effective dates for each utility and contract:

	Key date	Description	Effect
PacifiCorp	Scheduled Initial Delivery date	15 years of fixed prices are offered from the date of the “scheduled initial delivery” – a date determined by the seller under which the net output of the facility will be provided to PacifiCorp for testing purposes.	Fixed prices are available for 15 starting at a fixed predetermined net output testing date.
Idaho Power	Net Energy deliveries for the term of the agreement.	For the term of the agreement for a maximum of fifteen years, all net energy will be compensated for at the fixed rate. The term of the agreement is not to exceed 20 years. ¹⁰	Fixed prices are available for all facility net output for 15 years, except where the 15 year period may extend beyond

⁸ Id. at 1.

⁹ Idaho Power Schedule 201 Standard Contract at 16.

¹⁰ Id. at 14.

			the term of the agreement.
PGE	Scheduled Commercial Operation date.	15 years of fixed prices are offered from the date of the scheduled commercial operation date– a date determined by the seller under which the net output of the facility will be provided to PGE on an ongoing commercial basis and all terms for commercial operation have been met.	Fixed prices are available for 15 starting at a fixed predetermined commercial operation date.

Staff does not recommend adoption of Joint Commenters proposed contract language for PGE at this time.

Joint Commenters concerns about a “test energy rate” are not consistent with PGE’s Schedule 201 filing. PGE’s new, recently approved filing has not changed the rate that is paid to a seller prior to a commercial operation date. Specifically, Schedule 201 reads:

“The Company will pay the Seller either the Off-Peak Standard Avoided Cost pursuant to Tables 1b, 2b, or 3b or the Off-Peak Renewable Avoided Costs pursuant to Tables 4b, 5b, or 6b for: (a) all Net Output delivered prior to the Commercial Operation Date;”¹¹

This means that for the period prior to the Commercial Operation Date, a seller will be paid the Standard Off-Peak Forecast; not a “test energy rate” or an as available rate. Though lower than a peak price, the seller will still receive a fixed price and will still be eligible for 15 years of fixed on and off peak pricing.

Conclusion

Since PGE’s new effective date provisions are not the same as PacifiCorp’s and Idaho Power’s, and since PacifiCorp’s and Idaho Power’s effective date provisions are not identical, a change to PGE’s effective date provisions ordered by the Commission would not settle this issue and create uniformity. Additionally, because PGE’s proposed effective date is substantially similar to PacifiCorp’s, a change to PGE’s contract and not PacifiCorp’s would be arbitrary.

¹¹ PGE Schedule 201 Sheet No. 201-4.

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If the Commission desires to develop uniform, consistent and plainly understood effective date contracting provisions that are substantively identical for all Oregon electric companies, Staff recommends that this question be addressed as part of a future rulemaking update.

PROPOSED COMMISSION MOTION:

Approve PGE's revised Schedule 201 and standard power purchase agreements (PPAs) made effective September 17, 2017, under Order 17-346.

reg2-PGE UM 1805 compliance