PACIFIC POWER.
A DIVISION OF PACIFICORP

825 NE Multnomah St
Portland, OR 97232

April 25, 2023

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: Docket UM 2000—PacifiCorp's Public Comments Regarding Staff's Proposed Phase 0 Scoping Memo

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) respectfully submits these comments in response to the Public Utility Commission of Oregon (Commission) Staff's Phase 0 Interim Straw Proposal (Straw Proposal), to establish avoided costs for solar qualifying facilities (QFs) eligible for the Commission's standard rate that are also paired with storage facilities.

PacifiCorp appreciates the benefits that storage facilities paired with renewable and non-emitting resources will soon deliver. Over the next decade, the Company anticipates these resources will provide diverse energy and capacity services—and in combination with variable renewable generation are likely to provide much of the supply currently sourced from baseload resources. Staff's Straw Proposal to establish interim avoided cost terms and conditions for solar+storage QFs is a reasonable and incremental step in that journey.

For example, the Straw Proposal establishes reasonable guardrails to protect ratepayers in the event that interim rates result in inflated avoided costs. This includes the 1:1 ratio for storage and solar resources, the 50 megawatt (MW) limit on the amount of QFs that can interconnect under interim rates, ensuring that batteries are capped at four-hour duration, and confirming that batteries can only be charged from the solar QF. This ensures that utility calculations in July will reflect a more accurate capacity contribution for storage resources; a value that will be based on resources that are neither charged by the grid, nor dispatched by the utility.

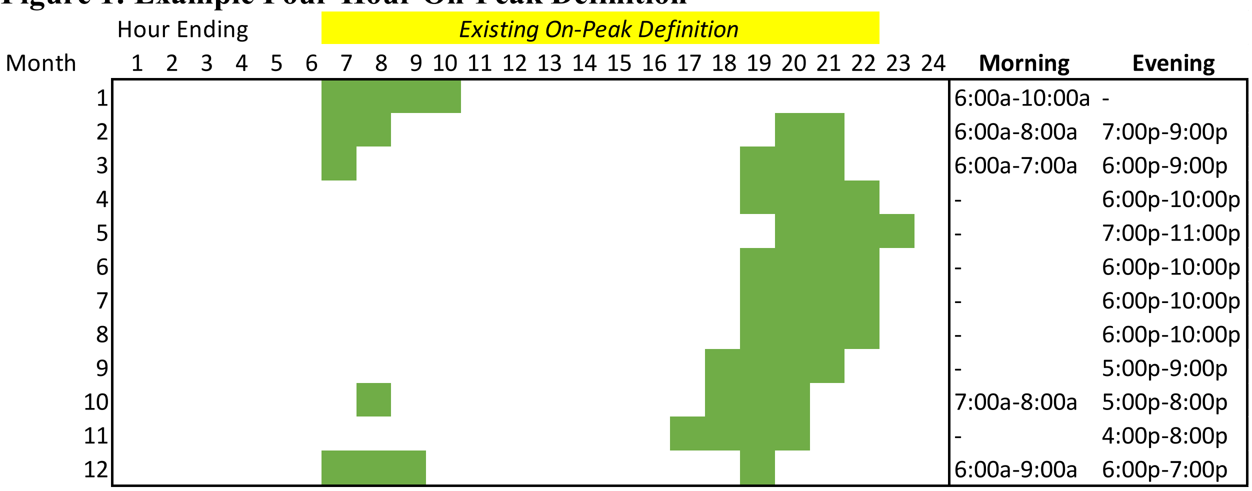
There are also issues that could be further refined. Energy and capacity value vary across each month, and a four-hour peak load period for every month may not cleanly differentiate periods where the utility's loss of load probability is high or low. Additionally, there are higher value energy and capacity needs even within any four-hour peak load period, and avoided costs could differentiate between these higher and lower value on-peak hours. The Company would like to further explore these issues when the Commission believes it is appropriate.

That said, the Company offers the following recommendations or clarifying questions for the Commission's consideration.

First, PacifiCorp recognizes that more material methodological changes may not be appropriate to address at this time. However within the existing methodology there are opportunities to better align avoided cost payments for standard QFs with seasonal output or dispatch flexibility, with their particular pattern of deliveries. To that end, PacifiCorp has prepared an example that incorporates the Scoping Memo recommendation for amended solar+storage on-peak and off-peak definitions, and applies it to PacifiCorp's annual May update filing. These amended definitions could result in monthly on-peak and off-peak baseload QF pricing that better reflects the variable energy and capacity benefits across each day of the year, with a four-hour on-peak definition specific to each month. This rate structure is similar to PGE's existing standard QF tariff that already includes monthly on-peak and off-peak granularity (though with a PacifiCorp-specific on-peak definition) and would replace PacifiCorp's existing baseload pricing, which consists of one on-peak and one off-peak price per year. More importantly, rather than apply these definitions solely to a specific configuration of solar+storage resources, these rates would be applicable for all baseload/other QF output.

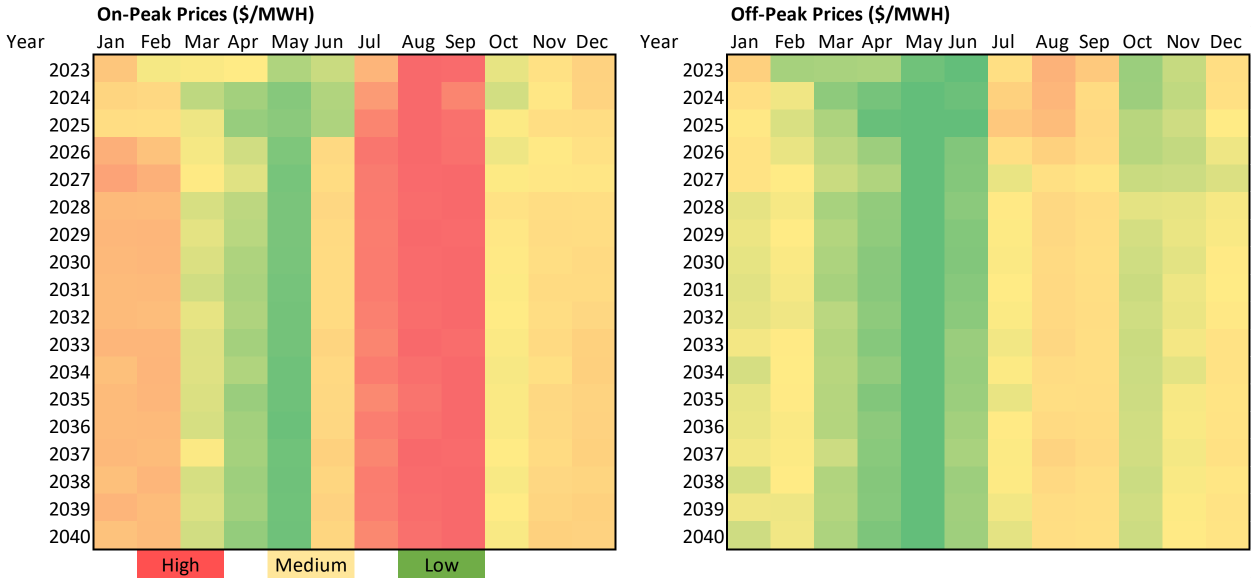
These example four-hour on-peak periods are shown in Figure 1 below.

Figure 1: Example Four-Hour On-Peak Definition



This example would not change the average annual price for a QF that delivers uniform amounts in all hours, but would result in significantly higher hourly prices for a QF that delivers during the four hour on-peak period. This standard pricing would be applicable to any baseload/other QF (i.e., other than wind or solar), and is otherwise resource agnostic. PacifiCorp believes this more granular rate structure would encourage other power production technologies in addition to battery storage, to the benefit of both QFs and retail customers. Under this proposal, the timing and volume of deliveries would dictate the value provided to the system and corresponding payment to the QF, rather than the technology. Periods of higher and lower avoided costs under this example methodology are shown by month and on/off period in Figure 2 below.

Figure 2: Avoided Cost by Monthly On and Off Peak Period



The Commission could address this incremental revision for PacifiCorp while it continues to investigate more material issues over the course of this docket. To ensure uniformity between the utilities, the Commission could also incorporate any remaining solar+storage specific terms and conditions from its Phase 0 Scoping Memo decision into PacifiCorp's standard tariff (for example the recommended eligibility guidelines). This revision could also potentially remove the need for a more substantial July 31 solar+storage interim filing.

Second, returning to specific issues for a solar+storage interim rate, PacifiCorp supports the Straw Proposal's amended definitions of on-peak and off-peak hours, though to the extent the Commission establishes a rate specific to resources with storage, it requests the Commission consider permitting utilities to update these hours over the course of a QF contract to better reflect evolving system needs. These amendments could be relatively easy to update based on a utility's most recent integrated resource plan, and would not change the number of on-peak hours (remain at four), nor the QF's expected capacity compensation based on its proposed resource at the time of contract execution. It would only shift those four on-peak hours to more adequately reflect then-current system demands.

Third, regarding QF eligibility requirements, the Straw Proposal requires a 1:1 nameplate capacity ratio for solar and storage facilities, and batteries cannot dispatch longer than four hours. PacifiCorp assumes that the Commission is only permitting four-hour batteries to interconnect under this interim rate, and battery durations that are less than four-hours would be required to pursue non-standard pricing (because utility modeling of four-hour batteries would not be appropriate for three-hour batteries, for example). The Commission's guidance on this issue would be helpful.

Fourth, PacifiCorp would like assurance that these interim solar+storage rates are not precedential for non-standard negotiated rates for larger QFs paired with storage resources.

While utilities and QFs can negotiate terms and conditions that could resemble some of the provisions identified in the Straw Proposal, provisions from this interim solar+storage rate do not govern non-standard negotiated rates.

Fifth, PacifiCorp largely agrees that the Scoping Memo will not result in material changes to the Company's Oregon Standard Avoided Cost Rates Schedule. However, the Company might need to include several new definitions (e.g., "Storage Qualifying Facilities," "Solar Qualifying Facilities," and for "Hybrid Qualifying Facilities," "on-peak hours and off-peak hours," and "other eligibility requirements"), and amend several others (e.g., "On-Peak Hours," "Off-Peak Hours") to implement the Commission's decision on the Scoping Memo. There could also be additional amendments that result from the Commission's work in docket AR 631. At this time, PacifiCorp does not believe these amendments would be material, and the Commission and stakeholders would have the ability to review these amended tariff provisions in the July 31 filing.

Finally, PacifiCorp does not believe it will need more time to model QF-dispatched batteries to inform a July 31 filing. However, the Company requests guidance on whether utilities could file requests for reasonable extensions of time if unexpected circumstances arise.

PacifiCorp appreciates the opportunity to comment on establishing avoided costs for QFs that are paired with storage facilities and respectfully requests the Commission consider the comments provided above.

Sincerely,

Matthew McVee
Vice President, Regulatory Process and Operations
PacifiCorp