

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1396

In the Matter of the PUBLIC UTILITY
COMMISSION OF OREGON
Investigation into the Determination of
Resource Sufficiency, Pursuant to Order
No. 06-538

PHASE II REPLY COMMENTS
OF RENEWABLE ENERGY
COALITION

I. Introduction

Renewable Energy Coalition ("Coalition"), whose members are vintage baseload hydroelectric and biomass project QFs (*i.e.*, QFs in operation prior to the Oregon RPS eligibility deadline) ("Vintage QFs"), have power purchase agreements in place with PacifiCorp. The Coalition continues to be concerned about the focus of this docket; its major concern is the apparent assumption that changes might be made to the avoided-cost options applicable to new non-baseload QFs without regard for existing Vintage QFs that are not Oregon RPS-eligible. This concern results from the fact that projects not eligible under Oregon RPS standards may in many cases qualify to participate in California's RPS program through the sale of tradeable renewable energy credits ("TRECs"). In order to allow Coalition members that anticipate negotiating new power-purchase agreements with PacifiCorp to receive benefits from the California RPS program, the Coalition respectfully suggests that the Commission adopt the policies set forth in these Reply Comments.

II. Discussion

A. Renewable Resource as Determinant for Avoided Cost Prices

In its Appendix A to Order 10-488 (Dec. 22, 2010), the Commission inquired whether each Oregon utility should be required to determine its avoided cost for a renewable resource. While the Coalition does not categorically oppose this approach, it is critical that such avoided-cost prices based on a renewable resource not be the *exclusive* way for determining avoided-cost prices for projects that can realize either no benefits from the Oregon RPS or benefits only from "banking" of renewable energy credits ("RECs") in Oregon¹ More specifically, it is critical that Vintage QFs be given the option to determine their avoided-cost prices using a *non-renewable* approach because their RECs will remain with the project owner and thus be available for sale to a third party other than the utility purchasing the Vintage QF's power. In this way the utility obligated under the Oregon RPS will not be required to pay for renewable benefits that it cannot receive (since the project is not eligible for Oregon RPS benefits), which would free the project owner to market its RECs elsewhere and thereby derive benefits to which it is entitled. As a consequence of these considerations, it appears clear that there must be at least two avoided-cost price methodologies in place to cover the spectrum of possible QF participants -- those that are eligible for Oregon RPS benefits and those that are not.

The Coalition is uncomfortable with the utilities' approach in this docket. The utilities' objectives seem to be (1) to reduce their avoided-cost prices (especially to non-

¹ The Coalition earlier expressed its concern that using a wind resource as a surrogate for all renewable resources would unfairly penalize non-wind projects that provide higher capacity values to the utility. Those concerns will not be repeated here.

baseload QFs), and (2) to assert ownership over RECs through the application of a renewable-based avoided-cost prices that include the ceding of REC ownership to the purchasing utility. Addressing the first issue, our first concern stems largely from the nature of large-scale wind projects that by their very nature produce fewer capacity benefits than hydro and baseload thermal projects and consequently are less valuable to the purchasing utility. If such intermittent and unpredictable renewable resources are allowed to influence the price to be paid all renewable QFs the projects with higher capacity values could be grossly undercompensated. Addressing the second, establishing a renewable resource price stream for renewable QFs may be a stealth undertaking for utilities to assert ownership over RECs notwithstanding both the Commission's and Oregon Legislative Assembly's clear policy mandates to the contrary. The latter point is a particular worry for the Coalition, for none of the Coalition's members in any state is an intermittent QF; accordingly, all have robust, higher capacity values and thus should be entitled to higher avoided-cost payments than intermittent QFs, and all should have the ability to sell their RECs separately from the power generated.

As a result of the foregoing, the Coalition urges the Commission, even if it does decide to recognize a renewable resource as a basis for determining avoided-cost prices, that such prices not be applied to QF projects of a dissimilar nature; rather, such renewable avoided-cost prices should be based on a similar renewable resource (e.g., wind for wind, hydro for hydro, etc.). Moreover, any avoided-cost prices available for similar QF projects should incorporate the terms of PacifiCorp's Schedule 37 (firm prices for 15 years, etc.). Finally, if the Commission does recognize a renewable

resource as the basis for determining avoided-cost prices it should state explicitly (and in conformance with Oregon policy) that, if a QF cedes its ownership to the utility of RECs under such an avoided-cost methodology, the utility must compensate the QF separately for the relinquishment of such RECs.

B. A Concern about the Complexities of Implementation

The Coalition is also concerned that pursuing a renewable alternative for avoided-cost prices could frustrate the realization of all of the benefits from the presence of renewable energy resources in Oregon. There are many issues, most related and intertwined with one another, that are still open and require resolution,² and adding a renewable-price alternative will complicate many of these open questions. For example, adding a renewable alternative pricing approach would, for projects such as the Coalition's members, require them to keep current with both the renewable and non-renewable options in matters relating to timing of utility filings, anticipated changes in avoided-cost prices, and overall policies for each type of resource. These concerns may argue that it is premature to establish a renewable option for determining avoided-cost prices, at least without an significant effort to fully understand the “devil in the details.” This is especially true given the nature of the discussions at the May 24 workshop and the expectation that the current round of comments will produce a still incomplete (albeit better) understanding of the issues or concerns of the parties.

III. Conclusion

The Coalition submits that, if the Commission does decide to create a new category for determining avoided-cost payments to renewable resources, that such

² See, e.g., issues raised in Commission Docket No. UM-1457.

avoided-cost prices be linked only to the type of resource that would displace the renewable option. In other words, a renewable wind project's avoided-cost prices could not be used to determine the avoided-cost prices to be paid to a hydro or biomass QF. In all circumstances the renewable option should be precisely that: An option for the renewable QF to choose in lieu of the standard method for determining avoided-cost prices.

DATED: June 28, 2011

Respectfully submitted,

A handwritten signature in black ink that reads "Thomas Nelson". The signature is written in a cursive, flowing style.

Thomas H. Nelson
Attorney for Renewable Energy Coalition

CERTIFICATE OF SERVICE

I certify that I have served RENEWABLE ENERGY COALITION'S PHASE II COMMENTS on all parties of record as set forth on the Commission's website by electronic filing. I further certify that I have served the foregoing by U.S. Mail from Las Vegas, Nevada, on the following entities which have not waived paper service (**W** denotes waiver of paper service):

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DATED at Las Vegas, Nevada, this 28th day of June 2011.

A handwritten signature in black ink that reads "Thomas Nelson". The signature is written in a cursive style with a large initial "T" and a long, sweeping underline.

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