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October 23, 2009

VIA ELECTRONIC FILING AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket UM 1396

Enclosed for filing in the above docket are an original and one copy of the Reply Comments of PacifiCorp and Idaho Power. A copy of this filing has been served on all parties to this proceeding as indicated on the attached Certificate of Service.

Very truly yours,

A handwritten signature in black ink, appearing to read "Amie Jamieson".

Amie Jamieson

cc: Service List

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document in
3 Docket UM 1396 on the following named person(s) on the date indicated below by email
4 and first-class mail addressed to said person(s) at his or her last-known address(es)
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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1396

In the Matter of:

PUBLIC UTILITY COMMISSION OF
OREGON Investigation into determination
of resource sufficiency, pursuant to Order
No. 06-538

**REPLY COMMENTS
OF PACIFICORP AND IDAHO POWER**

Pursuant to Administrative Law Judge ("ALJ") Patrick Power's Ruling on September 29, 2009, PacifiCorp d/b/a/ Pacific Power ("PacifiCorp") and Idaho Power Company ("Idaho Power") (together the "Joint Utilities") hereby submit these Reply Comments to the Public Utility Commission of Oregon ("Commission").

In response to the Commission's Proposed Decision Outline (hereinafter, "Decision Outline"), Initial Comments were filed by the Joint Utilities, Portland General Electric Company ("PGE"), Industrial Customers of Northwest Utilities ("ICNU"), and Commission Staff ("Staff"). In addition, after the Decision Outline was issued, two new entities intervened and filed comments as well—Renewable Energy Coalition ("REC") and Biomass One, L.P. ("Biomass One"). The Initial Comments offer various opinions on the specific components of the Decision Outline. However, one overarching theme emerges from the comments taken as a whole—the Decision Outline represents a broad new framework for calculating the avoided cost payments that goes far beyond the scope of this docket, will have far-reaching implications, and raises numerous questions.

First, as noted by the Joint Utilities, PGE, and REC, the Decision Outline improperly seeks to substantially expand the scope of the docket while allowing the parties an

1 insufficient opportunity to be heard on the issues.¹ Second, as noted by the Joint Utilities,
2 because the Decision Outline presents a new framework, there is no evidence in the
3 record to support its proposals; the Commission therefore should not adopt the Decision
4 Outline before all issues are fully explored and an adequate record developed. Finally, all
5 parties, with the exception of ICNU, point out the numerous areas where the Proposal is
6 ambiguous and incomplete, and suggest that additional process will be necessary before
7 the Proposal can even be understood.²

8 Indeed, only ICNU seems to suggest that the Commission might appropriately
9 adopt the Decision Outline after only two rounds of comments.³ That said, ICNU does not
10 accept the Decision Outline as proposed. On the contrary, ICNU argues that without
11 "changes and clarifications" to the Decision Outline "the proposed new methodology could
12 have unintended consequences and put some QFs in a worse position than the current
13 methodology."⁴ ICNU then attempts to correct the perceived defects in the Decision
14 Outline with additional proposals for which there is no supporting evidence.

15 For instance, ICNU objects to the Decision Outline's reliance on the utilities'
16 Integrated Resource Plans ("IRP") to determine resource sufficiency/deficiency, and
17 suggests that the Commission adopt additional provisions that will protect qualifying
18 facilities ("QFs") from the harm ICNU believes will flow from this framework. Specifically,
19 ICNU suggests that the Commission consider suspending the resource sufficiency period
20 when the utility enters into a contract to purchase a major new resource that was not
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22 ¹ Initial Comments of PacifiCorp and Idaho Power at 3; PGE Comments at 1; Initial Comments of
REC at 2-3, 5-6.

23 ² See, e.g., Staff Comments at 2 ("Staff believes that parties will need to work through a number of
24 issues before this approach can be implemented.")

25 ³ Biomass One's comments consist of one paragraph endorsing several of ICNU's specific proposals.
However, given the brevity of the comments, it is not clear whether Biomass One believes that
additional process is called for or not.

26 ⁴ ICNU's Initial Comments at 2.

1 contemplated by the IRP.⁵ Alternatively, ICNU suggests that the Commission simply
2 provide the QFs with some extra “compensation” on the assumption that the sufficiency
3 period will always be probably too long.⁶ Both of these proposals are rooted in ICNU’s
4 flawed understanding of how utilities develop IRPs and the reasons why they might depart
5 from them, and ignores the realities of resource planning and prudent utility practice.⁷
6 More significantly, for the purposes of these comments, neither of these proposals are
7 developed enough to be fully understood, and they are unsupported in the record.⁸

8 Similarly, ICNU takes issue with the Decision Outline’s proposal that major
9 resources defined as resources 100 MW and above be used to trigger the resource
10 deficiency period. Instead, ICNU suggests that the Commission refine its Decision Outline
11 by lowering the capacity threshold for major renewable resources from 100 MW to 40 MW,
12 and to 15 MW for projects built at or adjacent to existing renewable plants.⁹ Here, ICNU is
13 improperly requesting, without any supporting evidence in the record, to alter the definition
14 of “major resource” that was adopted by the Commission in UM 1182.

15 The Joint Utilities are not necessarily opposed to the overall intent of the Decision
16 Outline, which appears to be to develop avoided cost pricing that better matches the
17 resource costs that the utility will actually avoid by purchasing QF power. However, this
18 docket was opened to determine the last remaining issue stemming from UM 1129, in
19 order to complete the Commission’s investigation into avoided cost methodologies. It is
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22 ⁵ *Id.* at 3-4.

23 ⁶ *Id.* at 4.

24 ⁷ See PacifiCorp’s Opening Brief at 7-10.

25 ⁸ Staff has also proposed additional provisions to clarify and fill in the Decision Outline, which are also
26 unsupported by evidence and raise more unanswered questions. For instance, Staff proposes that
the Commission limit the offering of RPS-eligible avoided cost rates to utilities that have not achieved
the RPS target for 2025. Staff Comments at 3. This is a new concept that raises new questions.

27 ⁹ ICNU’s Initial Comments at 6-7.