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.	STAFF COMMENTS

Pursuant to Administrative Law Judge (ALJ) Power's decision to receive comments regarding a proposed decision outline that would establish a new framework for the determination of resource sufficiency for the purpose of calculating avoided cost payments to Qualifying Facilities, Staff of the Public Utility Commission of Oregon (Staff) submits the following comments on the individual points of the framework.

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RESOURCE SUFFICIENCY

- Utilities shall file their avoided costs every two years and, also, 30 days after an IRP order is issued (same as today).

Staff supports the continued use of the current avoided cost filing rules. A utility must file avoided costs within 30 days of acknowledgement of its integrated resource plan (See OAR 860-029-0080(3)) and at least every two years (See OAR 860-029-0080(8)).

- Parties may seek to update avoided costs based on the results from an RFP

Staff interprets this statement to mean that if avoided costs are being updated and the utility has an RFP that includes prices for the resource identified by the action plan for the future deficiency date, then parties may seek to update the deficiency pricing based on the RFP pricing (rather than, for instance, the pricing of the proxy resource). Staff further assumes the Commission intends that the RFP price would be used at the time of setting the avoided cost rate and be fixed just as the market pricing and the sufficiency/deficiency demarcation are set for the term of the avoided cost filing.

Staff believes that parties will need to work through a number of issues before this approach can be implemented. One issue, for instance, is that it may not be appropriate for RFP pricing to substitute for the IRP proxy resource price if a utility benchmark resource is the highest scoring resource proposal. Staff is willing to work with the utilities and other parties to investigate the criteria for determining which substitution is appropriate.

- For both off-cycle and post-IRP filings, the start date for a "major resource acquisition" in an action plan of the most recent acknowledged IRP demarcates the resource "sufficiency" and "deficiency" periods.

Staff supports the use of start date of the first "major resource" in a utility IRP Action Plan as the demarcation between the utility's resource sufficiency and resource deficiency periods. Staff recommends that the Commission clarify that the start date for a major resource is the date that the resource is forecast to be on- line and in-service.

- A "major resource" is defined as it is in the competitive bidding rules.

Staff supports using the definition of a Major Resource from the Commission's Competitive Bidding Guidelines for the purpose of demarcating a utility's resource sufficiency and resource deficiency periods. Competitive Bidding Guideline No. 1 defines Major Resources as resources with durations greater than 5 years and quantities greater than 100 MW (See Order 06-446).

- For off-cycle (every two year) filings, the utility may seek acknowledgement of updated action plans.

Staff supports using a utility's updated IRP Action Plan as the basis for determining the utility's resource sufficiency and resource deficiency periods and avoided costs in off-cycle avoided cost filings. Prior to making an off-cycle avoided cost filing the utility should review its prior IRP Action Plan and, if necessary, update the Action Plan. This review and update process is required by Commission IRP Guideline 3(f) (See Order No. 07-002). If the utility updates its IRP Action Plan, then the utility should seek Commission acknowledgement of the updated Action Plan prior to making an off-cycle avoided cost filing.

- Renewable resource acquisitions may be major resource acquisitions for purposes of determining the avoided costs for a renewable resource QF eligible under the RPS.

Staff supports the creation of separate avoided cost rates for Qualifying Facilities that are eligible for compliance with the Oregon Renewable Portfolio Standard (RPS). Staff recommends that the Commission clarify that the RPS-eligible avoided cost rates are only available to Qualifying Facilities that agree to transfer their Renewable Energy Certificates (RECs) to the utility. Staff also recommends that the Commission limit the offering of RPS-eligible avoided cost rates to utilities that have not achieved the RPS target for 2025. For PacifiCorp and Portland General Electric the RPS target in 2025 is 25 percent of total generation from renewable resources. Staff is uncertain whether the RPS-eligible avoided cost rates should include RPS sufficiency and RPS deficiency periods. The ability of utilities to "bank" RECs for RPS compliance complicates the determination of RPS sufficiency and RPS deficiency periods. One resolution to this issue may be for the Commission to simply declare a utility to be RPS deficient until they have fully achieved the 2025 renewable target. Staff is willing to work with the utilities and other parties to investigate this issue. Finally, Staff recommends that the filing of RPS-eligible avoided cost rates occur 30-days after IRP acknowledgement and at least every two years.

- Gas peakers may be major resource acquisitions if they have an earlier on-line date than other acknowledged major resource acquisitions (such as a Gas CCCT).

Staff supports inclusion of an adder above wholesale market prices to avoided cost rates during the period between the on-line date of a planned peaking resource and a planned Major Resource in the IRP Action Plan.

- For partially acknowledged plans, the Commission will indicate how the utility shall determine avoided costs.

Staff supports this provision. When parties to an IRP proceeding recommend partial acknowledgement of a utility IRP Action Plan, the parties should also recommend any needed adjustment to the determination of the utility's calculation of avoided cost rates. If the Commission orders partial acknowledgement of a utility IRP Action Plan, Staff believes it may be appropriate for the Commission to also order an adjustment to the determination of the utility's calculation of avoided cost rates.

- For resource sufficiency periods, avoided costs will be based on appropriate wholesale market price forecasts.

Staff supports the continued use of forecasted wholesale market prices for utility avoided costs during the resource sufficiency period.

- For resource deficiency periods, avoided costs will be based on one of the following:

- If a peaking resource precedes another major resource, avoided cost will be based on market prices plus a premium for capacity contribution. (This premium would depend on whether the QF provides power when the utility would use the peaker.) The market-plus rate will be in effect until the start date of another major resource.

Staff supports the concept of capacity adder to avoided cost rates associated with the planned addition of the peaking resource prior to the planned addition of a major base load resource. Staff notes that the premium for the capacity contribution described in this section would be difficult to value. QF power is not under any sort of dispatch control and, although it has capacity value over the long term, it does not provide the same capacity value as a peaking resource whose function is to be available at the beck and call of the dispatch controller. Staff is willing to work with the utilities and other parties to develop an appropriate methodology for calculating this premium.

- For a proposed renewable QF (eligible under the RPS) in which the developer will cede RECs over to the utility, the proposed QF may choose an avoided cost stream based on the avoided cost of the major renewable acquisition.

Staff supports of this new provision regarding how avoided costs are determined. As stated earlier, Staff would add several limits on the provision of RPS-eligible avoided cost rates.

- When the major avoidable resource is a Gas CCCT, all QFs may choose an avoided cost stream based on the cost of the Gas CCCT.

Staff supports the ability of RPS-eligible Qualifying Facilities to choose either the utility's RPS-eligible avoided cost rates or the utility's avoided cost rates based on the cost of a natural gas combined-cycle proxy resource.

- For off-cycle (every two year) filings, market prices and generation costs may be updated. The start date for the resource deficiency period shall not be updated unless the utilities receive acknowledgement of an updated action plan.

As stated earlier, Staff supports using a utility's updated IRP Action Plan as the basis for determining the utility's resource sufficiency and resource deficiency periods and avoided costs in off-cycle avoided cost filings. Staff also believes that requiring any change in the utility's resource deficiency period to be acknowledged by the Commission is consistent with its earlier decision in Order No. 07-002 that action plans be updated annually and major changes be filed and acknowledged prior to being used for setting avoided costs.

This concludes staff's comments on the proposed decision outline.

Dated at Salem, Oregon, this 15th day of October, 2009

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CERTIFICATE OF SERVICE

I certify that on October 15, 2009, I served the foregoing Staff Comments upon all parties of record in this proceeding by delivering a copy by electronic mail and by mailing a copy by postage prepaid first class mail or by hand delivery/shuttle mail to the parties accepting paper service.

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