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October 23, 2009

Via Electronic and U.S. Mail

Public Utility Commission
Attn: Filing Center
550 Capitol St. NE #215
P.O. Box 2148
Salem OR 97308-2148

Re: Investigation into determination of resource sufficiency
Docket No. UM 1396

Dear Filing Center:

Enclosed please find an original and one copy of the Reply Comments on behalf of the Industrial Customers of Northwest Utilities in the above-referenced docket.

Thank you for your assistance.

Sincerely yours,

/s/ Allison M. Wils
Allison M. Wils

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Reply Comments of the Industrial Customers of Northwest Utilities upon the parties on the service list, shown below, by causing the same to be sent by electronic mail to all parties, as well as, deposited in the U.S. Mail, postage-prepaid, to parties which have not waived paper service.

Dated at Portland, Oregon, this 23rd day of October, 2009.

/s/ Allison M. Wils
Allison M. Wils

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1396

In the Matter of)	
)	
THE PUBLIC UTILITY COMMISSION OF)	REPLY COMMENTS OF THE
OREGON)	INDUSTRIAL CUSTOMERS OF
)	NORTHWEST UTILITIES ON THE
Investigation into determination of resource)	PROPOSED DECISION OUTLINE
sufficiency, pursuant to Order No. 06-538.)	
_____)	

I. INTRODUCTION

The Industrial Customers of Northwest Utilities (“ICNU”) submits these reply comments regarding the proposed decision outline issued by the Administrative Law Judge in this proceeding. ICNU recommends that the Oregon Public Utility Commission (“OPUC” or the “Commission”) adopt either the resource sufficiency and deficiency standard proposed in ICNU’s testimony and briefing, or the proposed decision outline, with the clarifications explained in ICNU’s initial comments.

The current methodology for resource sufficiency acts as an unnecessary bar to Qualifying Facility (“QF”) development in Oregon; therefore, ICNU urges the Commission to expeditiously issue an order in this proceeding establishing a new methodology for determining the resource sufficiency period and avoided costs pricing. While certain aspects of the Commission’s proposed decision outline may require additional proceedings, there is sufficient evidence in the record for the Commission to adopt the basic provisions of the proposed decision outline. Postponing a final order in this proceeding and continuing the current methodology would unfairly penalize

qualifying facilities (“QFs”) during a period in which the utilities have proposed dramatically lower and inaccurate avoided costs.

II. COMMENTS

1. **The Commission Should Set a New Resource Sufficiency/Deficiency Methodology**

ICNU strongly urges the Commission to issue an order which abandons the current methodology for determining resource sufficiency and deficiency periods. In 2006, ICNU raised the issue of when a utility should be considered resource deficient in Docket No. UM 1129. ICNU specifically argued that PacifiCorp should be considered resource deficient because the Company was resource deficient for the summer peak, and the Company was building new capacity, acquiring new resources, and engaging in substantial short-term purchases.

The Commission did not resolve the resource sufficiency issue in UM 1129, but deferred the issue to this proceeding. History has shown that PacifiCorp was in fact deficient, with PacifiCorp acquiring significant amounts of new energy and capacity resources, some of which were purchased in a manner inconsistent with its integrated resource plan (“IRP”). During the past three years, however, QF avoided costs have been based on a resource sufficiency/deficiency period which has failed to accurately predict either when the utilities will acquire new resources or the value of QF power. The current methodology is broken, which is demonstrated by PacifiCorp and Portland General Electric Company’s (“PGE”) recent avoided cost tariff filings which show dramatic reductions in avoided cost prices at the same time the utilities power costs have not dramatically declined and the utilities are still acquiring new resources.

PAGE 2 – REPLY COMMENTS OF ICNU

The Commission should not delay the adoption of a remedy to the problems of the current resource sufficiency/deficiency methodology. PacifiCorp and Idaho Power Company's ("IPC") joint comments primarily argue that the Commission should not adopt the decision outline until the record is further developed. Although PGE's comments are more constructive and recognize that the decision outline's goals are to better match up avoided cost pricing with the resources the utilities will acquire, PGE also states that "further administrative process is likely necessary" PGE Comments at 1. Delaying a final order and continuing to use the current methodology could significantly harm QFs and further the utilities' goals of eliminating these competitive generators from their service territories. A delayed resolution of this proceeding will not help those QFs which are rendered uneconomic because the Commission allowed the utilities to set inaccurate avoided cost prices, which is a real danger given the utilities' low avoided cost tariffs and the current state of the economy.

If the Commission believes additional procedures beyond these initial and reply comments are warranted on any issues, ICNU recommends that the Commission adopt a new methodology, and then allow subsequent proceedings to clarify and/or revise the new methodology. There is sufficient information in the record and sufficient clarity in the Commission's proposed decision outline to make significant changes in the resource sufficiency/deficiency process. For example, there is no dispute that PGE and PacifiCorp have acquired significant amounts of new renewable resources during their alleged sufficiency periods. The Commission can rely upon this evidence to adopt a new sufficiency period definition for renewable resources which more closely matches the

utilities' plans for renewable acquisitions. The Commission should make this change and many other changes in the proposed decision outline and require the utilities to revise their avoided cost rates, even if the Commission decides to have subsequent proceedings.

2. Renewable QFs Should Be Able to Select the Appropriate Pricing Option

The utilities argue that the renewable QFs should not be allowed to select between the multiple pricing options of a renewable avoided cost or gas combined cycle combustion turbines ("CCCT") cost. PGE Comments at 5, 10; PacifiCorp/IPC Comments at 8-9. Allowing renewable QFs the option of selecting between these pricing options is consistent with the purpose of most appropriately calculating the full avoided costs the utilities would incur but for the purchase from QFs. Assuming that the utilities plan to acquire both a CCCT and renewable resources during any period, a renewable QF should be allowed to select the best pricing option. If the renewable QF selects the CCCT avoided cost option and retains its renewable energy credits ("RECs"), then the renewable QF should be assumed to replace a CCCT resource. If the renewable QF selects the renewable avoided cost option (and sells its RECs to the utility), then the renewable QF should be assumed to replace a renewable resource. This would allow the renewable QF the option of selecting a pricing methodology which best reflects the value of the energy it is replacing, the central goal and purpose of the Public Utility Regulatory Policies Act.

III. CONCLUSION

ICNU urges the Commission to issue an order in this proceeding which remedies the majority of the problems caused by the inaccurate and harmful resource

sufficiency methodology currently in place. If the Commission does not adopt the resource sufficiency methodology proposed by ICNU witness Randall Falkenberg, then the Commission should adopt the proposed decision outline, as clarified and modified in ICNU's initial comments. Further proceedings may be warranted to implement certain aspects of the decision outline; however, those additional proceedings should not result in a continued delay in eliminating the current methodology.

Dated this 23rd day of October, 2009.

Respectfully submitted,

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/s/ Irion A. Sanger

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