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June 28, 2011

Attention: Filing Center
Oregon Public Utility Commission
550 Capitol Street N.E., Suite 215
P.O. Box 2148
Salem, Oregon 97308-2148
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Re: In the Matter of an Investigation into Determination of Resource Sufficiency Pursuant to
Order No. 06-538
Docket No. UM 1396
DOJ File No. 330-050-GN0604-08

Enclosed are an original and five copies of Oregon Department of Energy's REPLY
COMMENTS in the above-captioned matter for filing with the Commission today.

Sincerely,

Janet L. Frewitt
Senior Assistant Attorney General
Natural Resources Section

Enclosures
JLP:jrs/#2875541
c: UM 1396 Service List

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**
 UM 1396

3 In the Matter of Public Utility Commission of
4 Oregon Investigation into Determination of
5 Resource Sufficiency, pursuant to Order No.
6 06-538.

OREGON DEPARTMENT OF ENERGY'S
REPLY COMMENTS

6 The Oregon Department of Energy (“ODOE”) appreciates the opportunity to file these reply
7 comments in this docket, pursuant to Order 10-488 that attempts to determine resource
8 sufficiency for Portland General Electric (“PGE”), Idaho Power Co. (“IPCo”) and PacifiCorp,
9 dba Pacific Power (“PAC”), for purposes of avoided cost assessments for payments to
10 Qualifying Facilities (“QFs”) based on their respective Integrated Resource Planning (“IRPs”)
11 proceedings.

12 ODOE’s focus in this docket is to encourage the development of clean renewable energy
13 resources in ways that are competitive and yet predictable. ODOE participated in the Oregon
14 Public Utility Commission (“Commission”)’s Staff (“Staff”) hosted settlement conference on
15 May 24, 2011 to discuss Opening Comments from all parties. On reviewing the initial opening
16 comments of all parties and ensuing discussions from the settlement conference, ODOE’s key
17 observations are summarized below:

18 **I. Substantive Issues**

19 1. Renewable avoided cost determination: ODOE reiterates its goal of a stable RPS
20 compliance environment that preferably promotes the use of bundled renewable energy credits
21 by Oregon’s investor-owned utilities. While ODOE recognizes that Staff and a number of
22 parties recommend the use of IRPs for determining a renewable avoided cost (if the utility’s IRP
23 Action Plan includes the acquisition of a Renewable Portfolio Standard (“RPS”) resource),
24 ODOE continues to find relevance in the use of an RPS Implementation plan in conjunction with
25 an IRP Action Plan. Doing so would ensure a utility’s resource planning efforts accurately
26 reflect the full avoided costs of integrating an unplanned renewable QF into its system. Orders

1 10-172 and 10-173 also acknowledged Staff proposal for an RPS Implementation Plan to provide
2 information on a utility's "incremental costs, type and quantity" of renewable energy resources
3 "being currently acquired and to compare it with the levelized cost of a proxy resource" ("proxy
4 resource" referring either to a "proxy plant" as defined in OAR 860-083-0010(30) or, in this
5 case, possibly a renewable proxy resource). Such information complements what is needed as
6 part of the definition of a renewable avoided cost as stated in Order 10-488 (Staff comments,
7 Page 4). ODOE further notes that during the settlement conference on 24th May 2011, contents
8 of an RPS Implementation Plan were often referred to as part of the deliberations.

9 Lastly, ODOE supports a future docket to better determine how a renewable avoided cost
10 process will be determined for a QF in regards to an IRP's resource sufficiency versus deficiency
11 period(s). Such an investigation should include, at a minimum: (1) the ability for a QF to choose
12 between a traditional and renewable avoided cost rate, and (2) a mechanism for pricing of
13 environmental attributes associated with the energy and capacity provided by an Oregon RPS-
14 eligible QF.

15 2. Proxy resource: ODOE expresses caution about relying on large wind as a proxy
16 resource as identified by a few interveners, as each renewable resource has significant site and
17 production specific factors. ODOE is encouraged by Idaho Power's approach to developing a
18 renewable avoided cost that reflects each renewable energy resource's unique supply
19 characteristics. ODOE supports future investigation into the methodology aspects of a
20 renewable avoided cost that includes resource specificity in regards to pricing.

21 3. Out-of-state RPS: ODOE supports Staff's position that out-of-state RPS should not be
22 taken into account as part of any renewable avoided cost determination process.

23 4. Irreversible commitment: On reviewing the comments by all parties, ODOE reiterates
24 its original position that a planned resource acquisition should be considered avoidable up to the
25 point the resource is commissioned and in operation.

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1 5. Evidentiary proceedings: In consensus with all parties, ODOE recommends the
2 current proceedings to be generic or not subject to evidentiary proceedings. ODOE supports an
3 evidentiary proceeding if the details of how to implement an actual renewable avoided cost rate
4 or related mechanisms become the focus of this docket. Furthermore, ODOE would support
5 evidentiary proceedings to be utility-by-utility based, if the issues are relevant to each utility.


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DATED this 28th day of June 2011.

Respectfully submitted,

JOHN R. KROGER
Attorney General

OSRH
043944

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UM 1396 Service List

W=Waive Paper service

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UM 1396 Service List (continued)

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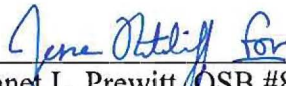
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CERTIFICATE OF SERVICE

I hereby certify that on June 28, 2011, I served the foregoing OREGON DEPARTMENT OF ENERGY'S REPLY COMMENTS upon the persons named on the service list, by mailing a full, true and correct copy thereof and to such persons waiving such service by mail who were served at their e-mail address as listed on the service list.

DATED: June 28, 2011

OSB# 043944



Janet L. Prewitt, OSB #853070
Senior Assistant Attorney General