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VIA ELECTRONIC MAIL (puc.filingcenter@state.or.us)

Commission Chair Lisa Hardie
Commissioner Jon Savage
Commissioner Steve Bloom
Oregon Public Utility Commission
2930 Fairview Industrial Drive SE
Salem, OR 97302-1166

**Re: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY (PGE)
Application to Update Schedule 201 Qualifying Facility Information
Docket No. UM 1728**

Dear Commissioners:

Obsidian Renewables, LLC (“Obsidian”) submits these comments on the filing made by Portland General Electric (“PGE”) on April 29, 2016 to revise its Schedule 201 avoided cost rates. As explained below, the Commission should defer implementation of PGE’s proposed changes both to: (i) allow parties and Commission Staff reasonable time understand and verify the very complicated cost inputs used in PGE’s filing; and (ii) avoid multiple and piecemeal modifications to PGE’s avoided cost rates over the next few months.

1. Verify Cost Inputs

Order 14-058 generally allows utilities to submit annual avoided cost updates on May 1 of each year based on four factors, including the changes to the status of the federal Production Tax Credit (“PTC”). In the past, PGE has been agreeable to confirm that it is updating its numbers from the same database used in its last acknowledged IRP or advise of any differences. This update does not confirm that PGE’s new, lower numbers for market power and gas costs are derived from the same database and methodology used in the IRP. In this case, PGE has cited three “major drivers” of the proposed change. PGE states, for example, that “forward electricity prices have fallen significantly during the sufficiency period.” PGE also states that “[p]rices in the most recent gas forecast are lower than those in the previous forecast . . .” PGE does not confirm however, where these numbers come from. Obsidian is concerned whether these inputs are derived from PGE’s unacknowledged IRP update filed last year, in which case they may not provide a sufficient basis for revising avoided cost rates.

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Obsidian also questions whether PGE's revised avoided costs accurately reflect changes to the PTC. PGE states that "[t]he PTC was approved with phase down and phase out provisions. The PTC is not included in current avoided costs and the addition of the PTC at a 60% level has the effect of reducing Renewable Avoided Costs prices during the deficiency period." In 2020 the PTCs are only 20% and not 60%. Order 14-058 states that PGE is to use the law on PTC's then in effect. PGE is apparently making assumptions that projects coming on line after 2020 have "grandfathered" most of their PTC, and assumption not covered by the proceedings in UM 1610 nor adequately explained by PGE.

Obsidian requests that the Commission direct PGE to hold a workshop for the benefit of Staff and interested parties in which PGE explains the inputs, assumptions and calculations behind its proposed avoided costs updates. The Commission should defer action on PGE's proposed changes to Schedule 201 until after such workshop.

2. Avoid Piecemeal Changes to Schedule 201

In addition to verifying PGE's cost inputs and understanding the situation with the use of the PTC, the Commission also should defer action on PGE proposed changes to its avoided costs in order to avoid having to address and evaluate frequent and piecemeal avoided cost updates over the next few months. Order 14-058 allows for annual updates to the utilities' avoided costs in order to reduce the number of update filings and to make the contracting process more stable and transparent for QFs. In this case, however, allowing the annual update sought by PGE would have exactly the *opposite* affect. As explained below, PGE will likely seek changes to its avoided cost rates over the next few months and it would be better for these changes to be done as one comprehensive filing.

First and foremost, the Commission's Order No. 16-174 in Docket UM 1610 was issued on May 13, 2016—two weeks after PGE requested an annual update to its avoided cost rates. Order 16-174 requires the utilities to submit compliance filings within 60 days that will amend their avoided costs rates and terms. It makes little sense for the Commission to act on PGE's annual adjustment filing only to have PGE submit another compliance promptly thereafter. One workshop can address all of the compliance and update changes at the same time.

PGE also notes in its April 29 filing that SB 1547 modifies the Renewable Portfolio Standard, which could directly affect PGE's deficiency period for renewable power. PGE's annual update does not, however, take into account the impact of SB 1547. PGE states that it is "examining the impact of SB 1547 in the Company's 2016 IRP, which will be filed later this year." Again, it would be inefficient to approve an annual update now, review a compliance filing in July, and then deal with the impact of SB 1547 "later this year."

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Rather than submitting sequential filings over the course of the next year, the Commission should direct PGE to make a single comprehensive filing that fully and accurately addresses the changes to forward gas and electricity prices, the PTC, Order 16-174 and SB 1547. Obsidian submits that this would be a better use of the Commission's and Staff's resources and would be more consistent with the intent of Order 14-058.

Very truly yours,

Handwritten signature of Richard Lorenz in black ink. The signature is written in a cursive style and includes a small 'JB' monogram at the end.

Richard Lorenz

RGL:tb