McDOWELL RACKNER GIBSON PC

WENDY McINDOO
Direct (503) 595-3922
wendy@mrg-law.com

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VIA ELECTRONIC FILING

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Public Utility Commission of Oregon
PO Box 1088
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Re: UM 1802 – Investigation to Examine PacifiCorp d/b/a Pacific Power's Non-Standard Avoided Cost Pricing.

Attention Filing Center:

Attached for filing in the above-captioned docket is an electronic copy of PacifiCorp's Response Brief.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo

Wendy McIndoo
Office Manager

Attachment

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation to Examine PacifiCorp d/b/a Pacific Power's Non-Standard Avoided-cost Pricing.	**UM 1802**

PACIFICORP'S RESPONSE BRIEF

September 25, 2017

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I. INTRODUCTION

PacifiCorp d/b/a Pacific Power respectfully submits this response brief to the Public Utility Commission of Oregon (Commission), which responds to the opening briefs of Staff, Community Renewable Energy Association (CREA), Renewable Energy Coalition (Coalition), Industrial Customers of Northwest Utilities (ICNU), and Renewable Northwest.

The primary dispute here is how to calculate the avoided capacity cost and whether the Commission should presume that all renewable qualifying facilities (QFs) are interchangeable, or whether avoided-cost prices should assume that a renewable QF defers the next similar renewable resource in PacifiCorp's most recent integrated resource plan (IRP). PacifiCorp presented largely undisputed evidence that the avoided-cost prices produced by its Partial Displacement Differential Revenue Requirement (PDDRR) methodology are more accurate when they assume like-for-like resource deferral.

Parties' opposition to the PDDRR methodology rests largely on the misconception that the PDDRR methodology is uniquely unsuited to calculated avoided-cost prices when QFs are treated interchangeably. But any avoided-cost calculation that assumes interchangeable QFs less-accurately captures real-world costs incurred and risks imposed when the renewable resources in PacifiCorp's least-cost, least-risk preferred portfolio are replaced by renewable QFs with fundamentally different operating characteristics. This limitation in avoided-cost modeling exists whether the avoided-costs are calculated using the PDDRR methodology, or the methodology approved in Order No. 07-360. Thus, parties' recommendation to revert to the old methodology for non-standard renewable avoided-cost prices will not remedy their criticisms. Ironically, reversion to the old methodology will produce less accurate avoided-costs, and therefore harm customers.

II. ARGUMENT

A. The PDDRR methodology calculates more accurate renewable avoided-cost prices when it assumes the deferral of a similar resource.

PacifiCorp's proposed PDDRR methodology calculates the avoided-cost of capacity by assuming that a renewable QF will allow PacifiCorp to avoid acquiring the next renewable resource of the same type (*i.e.*, a resource with similar operating characteristics) identified in its IRP preferred portfolio.[1] By assuming like-for-like resource deferral, PacifiCorp's proposal better ensures customer indifference. Staff, CREA, the Coalition, and Renewable Northwest all recommend that the Commission require PacifiCorp to revert to the less accurate methodology PacifiCorp used before the Commission approved the PDDRR methodology in Order No. 16-174.[2] But the parties' recommendations misapprehend how the PDDRR methodology actually works.

1. Calculating avoided costs by assuming all renewable QFs are interchangeable is less accurate, regardless of the methodology.

PacifiCorp has never testified that the PDDRR methodology cannot calculate avoided costs if renewable QFs are treated interchangeably. Indeed, PacifiCorp's testimony explicitly demonstrates that the PDDRR methodology can be used to calculate avoided costs based on the deferral of wind resources by solar and thermal resources.[3] Nonetheless, Staff mistakenly claims that, "according to PacifiCorp, its PDDRR methodology is not able to produce accurate avoided cost prices for QFs that are of a different resource type than the deferred proxy resources taken from PacifiCorp's IRP."[4] The Coalition similarly mischaracterizes

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[1] PAC/100, MacNeil/3-4.
[2] Staff Opening Brief at 4; Renewable Energy Coalition Opening Brief at 7; Opening Brief of the Community Renewable Energy Coalition at 8; Renewable Northwest Opening Brief at 3-4.
[3] PAC/400, MacNeil/12-13.
[4] Staff Opening Brief at 8.

PacifiCorp's testimony.[5] To be clear, PacifiCorp's testimony simply states that the avoided-cost prices are *more accurate* when like-for-like resources are deferred.[6]

Assuming a like-for-like deferral better maintains the cost and risk profile of the IRP preferred portfolio.[7] This is true regardless of the methodology used to calculate the avoided capacity cost because the same costs and risks that are not captured by the PDDRR methodology are also missing from the old methodology. Thus, it is not the PDDRR methodology that is flawed, it is the notion that an avoided-cost price can produce customer indifference when resources with vastly different operational profiles are assumed to be interchangeable simply because the resources are both renewable. Reverting to the old methodology will not remedy this deficiency in avoided-cost pricing; in fact, it will exacerbate it.

2. The PDDRR methodology calculates the avoided-cost of capacity.

Without any citation to the record or further explanation, Staff claims that the PDDRR methodology "does not have functionality to incorporate the avoided fixed costs of a resource into the price."[8] This is untrue. PacifiCorp described at length precisely how the PDDRR methodology incorporates the avoided fixed costs of the next deferrable resource of the same type into the avoided-cost calculation, or if no resources of the same type remain in the preferred portfolio during the QFs term, the PDDRR methodology incorporates the avoided fixed costs of the deferrable non-renewable resource.[9] Simply put, Staff's claims are baseless.

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[5] Renewable Energy Coalition Opening Brief at 5 (claiming that PacifiCorp testified that the PDDRR methodology cannot calculate avoided-cost prices for all types of renewable QFs).
[6] PAC/400, MacNeil/7.
[7] PAC/400, MacNeil/8; PAC/300, MacNeil/18.
[8] Staff Opening Brief at 7-8 ("PacifiCorp's PDDRR method does not calculate avoided capacity costs based on the fixed prices of the avoided resource.").
[9] *See, e.g.*, PAC/100, MacNeil/5-6.

3. The Commission is not required treat all renewable QFs as interchangeable.

Federal Energy Regulatory Commission (FERC) regulations state that avoided cost prices may "differentiate among qualifying facilities using various technologies on the basis of the supply characteristics of the different technologies."[10] Despite is unambiguous rule, Staff claims the Commission has no legal basis to calculate avoided-costs by assuming like-for-like resource deferral.[11] Staff's argument exclusively relies on an order where FERC indicated that avoided-cost pricing must reflect "all sources able to sell to the utility[.]"[12] But FERC's holding does not support Staff's argument.

FERC found that California's avoided-cost calculation did not reflect all sources because avoided-costs were based on a bidding process that was limited to only QFs.[13] The limited ruling in that case does not support Staff's contention that there is no legal basis for like-for-like deferrals. Indeed, such a conclusion would conflict with FERC's own regulations.

Here, PacifiCorp's proposal calculates avoided-costs based on the specific operating characteristics of the QF, consistent with FERC's regulations allowing the avoided-cost price to "differentiate among various technologies on the basis of the supply characteristics of such technologies."[14] In this respect, PacifiCorp's proposal is a more refined approach to the Commission's standard price calculation that adjusts the avoided-cost price based on the

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[10] 18 C.F.R. § 292.304(c)(3)(ii).
[11] Staff Opening Brief at 9-10.
[12] Staff Opening Brief at 9 (citing *So. Cal. Ed. Co.*, 70 FERC ¶ 61,215, reh'g denied, 71 FERC ¶ 61,269, 62,078 (1995))
[13] *So. Cal. Ed. Co.*, 70 FERC ¶ 61,677 (when a state determines avoided-cost by relying on bidding procedures, "the bidding cannot be limited to certain sellers (QFs); rather, it must be all-source bidding.").
[14] *Id.* at n. 15 ("Section 292.304(c)(3)(ii) of the Commission's regulations allows states in setting standard rates for purchases to differentiate among various technologies on the basis of the supply characteristics of such technologies. However, the preceding subsection (section 292.304(c)(3)(i)) requires that any such differentiation by technologies 'be consistent with' paragraph (a) of this section, which . . . does not require any purchasing utility to pay more than its avoided-cost.").

capacity contribution of different types of QFs.[15] PacifiCorp's proposal accounts for additional characteristics of the renewable QF to more accurately reflect the costs that PacifiCorp will avoid due to QF generation from a particular generating technology.

Staff mistakenly argues that the Commission cannot legally assume like-for-like deferral because a megawatt-hour of energy generated by any renewable resource provides the same renewable portfolio standard (RPS) compliance value.[16] Staff's argument, however, improperly conflates the avoided-cost of capacity and energy, and the avoided RPS compliance costs. PacifiCorp agrees that a renewable energy credit (REC) from a solar resource is the same as a REC from a wind resource and therefore the avoided RPS compliance cost for both those resources should be the same (indeed, this is the basis for PacifiCorp's proposal for a new framework for calculating renewable avoided-cost prices).[17] But that does not mean that renewable QFs are interchangeable with one another for purposes of the avoided-cost of capacity and energy.

Both the Public Utility Regulatory Policies Act (PURPA) and FERC precedent require that the avoided-cost prices reflect, as accurately as possible, the avoided-cost of capacity and energy, and, if applicable, the avoided RPS compliance cost.[18] There is nothing in PURPA that requires the Commission to assume that any renewable QF will defer any other renewable resource in PacifiCorp's IRP—particularly when the undisputed evidence shows that PacifiCorp is not acquiring renewable resources for their RPS compliance value.[19]

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[15] *See, e.g.*, *In the Matter of the Public Utility Commission of Oregon, Investigation into Qualifying Facility Contracting and Pricing*, Docket No. UM 1610, Order No. 16-174 at 8-12 (May 13, 2016).
[16] Staff Opening Brief at 10.
[17] *See* PAC/300, MacNeil/7.
[18] *In the Matter of the Public Utility Commission of Oregon Staff's Investigation Relating to Electric Utility Purchases from Qualifying Facilities*, Docket No. UM 1129, Order No. 05-584 at 11, 19 (May 13, 2005); *In the Matter of Public Utility Commission of Oregon, Investigation Into Resource Sufficiency Pursuant to Order No. 06*-538, Docket No. UM 1396, Order No. 11-505 at 4 (Dec. 13, 2011).
[19] PAC/300, MacNeil/9.

4. PacifiCorp's proposal provides avoided-cost pricing for all types of renewable QFs.

The Coalition repeatedly—and misleadingly—claims that "most renewable resources will generally not qualify for a renewable rate" under PacifiCorp's like-for-like methodology.[20] This is untrue—PacifiCorp testified that under its proposal, wind, solar, geothermal, biomass, biogas, and hydro QFs would all be eligible for a renewable avoided-cost price.[21] The Coalition ignores this testimony, opting instead for obfuscation.

The Coalition also argues that because the resource sufficiency period is so long for some types of resources, QFs of the same type will not receive capacity payments for some time.[22] But this criticism is a function of the Commission's resource sufficiency/deficiency methodology, which limits capacity payments to only the resource deficiency period. The fact that PacifiCorp is resource sufficient for many renewable QFs for the near-term is no basis to arbitrarily inflate avoided-cost prices for certain types of QFs.

5. The record shows that overall avoided-cost prices are either excessive or negative when all renewable QFs are treated as interchangeable.

The Coalition erroneously claims that PacifiCorp focuses on only the capacity value when it argues in favor of like-for-like resource deferrals.[23] According to the Coalition, when the avoided-cost of both capacity and energy are considered together, the overall avoided-cost price is reasonable even if the PDDRR methodology assumes QFs with different operating characteristics are interchangeable.[24] The Coalition presented only anecdotal evidence on this point, not actual avoided cost calculations, and ignored PacifiCorp's evidence that the overall avoided-cost price—including both energy and

[20] Renewable Energy Coalition Opening Brief at 6, 10.
[21] PAC/300, MacNeil/19; PAC/400, MacNeil/4-6.
[22] Renewable Energy Coalition Opening Brief at 10.
[23] Renewable Energy Coalition Opening Brief at 12.
[24] Renewable Energy Coalition Opening Brief at 12.

capacity—is either excessive or negative when renewable QFs are assumed to be interchangeable.[25]

6. PacifiCorp's proposal reasonably limits a renewable QF's ability to defer a thermal resource.

Under PacifiCorp's proposal, a renewable QF can only displace a thermal resource if there are no more similar renewable QFs identified in PacifiCorp's most recent IRP. The Coalition recommends that the Commission reject this aspect of PacifiCorp's proposal for two misguided reasons. First, the Coalition incorrectly claims PacifiCorp did not make this recommendation until its reply testimony.[26] This is untrue—PacifiCorp made this proposal in its July testimony.[27]

Second, the Coalition argues that calculating renewable QFs avoided-costs based on a similar renewable resource violates the Commission's rules that allow a QF to retain ownership of its RECs.[28] On the contrary, PacifiCorp's proposal does not require renewable QFs to transfer their RECs. Instead, PacifiCorp's proposal appropriately recognizes that whether a QF retains its RECs has no bearing on how the energy and capacity from the QF will defer alterative resources.[29] Thus, the avoided-cost of energy and capacity should not differ depending on REC ownership. PacifiCorp's proposal also removes the excessive implied REC price that is currently embedded in standard renewable avoided-cost prices.[30]

B. The old methodology relies too heavily on standard avoided-cost pricing with excessive avoided RPS compliance costs.

PacifiCorp's standard renewable avoided-cost prices include unreasonable avoided RPS-compliance costs. The implied price of RECs from renewable QFs will rise to $33.16

[25] PAC/401.
[26] Renewable Energy Coalition Opening Brief at 18.
[27] PAC/300, MacNeil/3.
[28] Renewable Energy Coalition Opening Brief at 19.
[29] PAC/400, MacNeil/10.
[30] PAC/300, MacNeil/13.

per MWh in 2028.[31] If customers pay QFs $33.16 per REC, they are not indifferent under PacifiCorp's standard renewable avoided-cost prices and are, in fact, paying substantially more for RPS compliance than PacifiCorp would otherwise.

Moreover, PacifiCorp's 2017 IRP has numerous cost-effective renewable resources that are all cost-effective assuming zero RPS-compliance costs.[32] Under the parties' proposal, non-standard avoided-cost prices would be grounded in these inaccurate and excessive standard prices. Even after accounting for the specific QF characteristics, the avoided-cost prices will not produce customer indifference. Moreover, because the old methodology does not assume like-for-like resource deferral, it will also fail to fully account for the operational costs and risks associated with different types of renewable QFs, just like the PDDRR methodology.

C. The market price floor harms customers and is contrary to state and federal law.

The market price floor imposed on PacifiCorp's non-standard prices is contrary to state and federal law because it impermissibly inflates the payments to QFs, in violation of PURPA's explicit customer indifference standard.[33] Despite the floor's patently obvious flaws, Staff, the Coalition, and Renewable Northwest continue to support the imposition of the price floor.[34]

Staff supports the market price floor by analogizing it to the use of market prices during the sufficiency period for standard avoided-cost prices.[35] Staff's analogy, however, does not hold because the Commission's stated rationale for imposing market prices for non-standard renewable avoided costs is not based on avoided market purchases during the

[31] PAC/300, MacNeil/13.
[32] PAC/400, MacNeil/8.
[33] PacifiCorp's Opening Brief at 15-21.
[34] *See, e.g.*, Renewable Energy Coalition Opening Brief at 21-22; Renewable Northwest Opening Brief at 4.
[35] Staff Opening Brief at 11.

sufficiency period. In the context of standard prices calculated via the proxy method, the Commission uses market prices as avoided-costs during the sufficiency period based on an explicit finding that the QF will displace market purchases during the sufficiency period.[36] This is a permissible use of market prices under both the state and federal definition of avoided-costs.[37]

Here, on the other hand, the Commission justified the market price floor based on the fiction that PacifiCorp can resell the QF power if the market price exceeds PacifiCorp's avoided-cost.[38] This rationale has no support in state or federal law, as the Commission itself has previously ruled.[39] While the IRP preferred portfolio includes market purchases necessary to maintain adequate capacity to meet peak requirements, the capacity needs and associated purchases occur seasonally during peak periods. The market price floor improperly assumes that market purchases are needed during all months and all hours.

Further, the uncontroverted record in this case demonstrates that the market price floor compels PacifiCorp to offer prices that exceed its actual avoided costs.—a fact neither Staff nor the Coalition disputes.[40] Staff discounts this modeling, claiming that unless the modeling is applied to a specific QF project, the "operating assumption is that power that can reach a market can be sold at that market."[41] But there is no support in the record for this "operating assumption." On the contrary, the only modeling in the record shows that this assumption is wrong and that PacifiCorp's avoided-costs are impermissibly higher when the market price floor is applied.

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[36] Order No. 05-584 at 28.
[37] 18 C.F.R. § 292.101(b)(6); ORS 758.505(1).
[38] Order No. 16-337 at 6.
[39] *In the Matter of the Investigation of Avoided Costs and of Cost Effective Fuel Use and Resource Development*, Docket No. UM 21, Order No. 84-720 at 21-22 (Sept. 12, 1984).
[40] PAC/300, MacNeil/37.
[41] Staff Opening Brief at 12.

D. Assuming deferral of the 2021 Wyoming wind resources produces unreasonable avoided-cost prices.

PacifiCorp demonstrated that avoided-cost prices should not assume the deferral of the 2021 Wyoming wind resources included in the 2017 IRP preferred portfolio. The resources will lose their PTC-eligibility if deferred, and there is no reasonable methodology to model PTCs in the avoided-cost pricing—either customers lose out on the PTC benefits, or the avoided-cost prices are unreasonably low.[42] Moreover, the economics of the transmission line that enables interconnection of these new wind resources also relies on building cost-effective wind generation in Wyoming, so PacifiCorp will still pursue cost-effective wind resources even with Oregon QFs.[43]

The Coalition argues that if avoided-cost prices are based on the yet-to-be-acknowledged 2017 IRP, then the 2021 Wyoming wind resources should be considered deferrable.[44] The Coalition contends that, "PacifiCorp essentially admits that unacknowledged resources like the Wyoming wind in 2021 should be used for setting large renewable avoided-cost rates."[45] This mischaracterizes PacifiCorp's testimony. First, PacifiCorp has proposed setting avoided cost rates based on unacknowledged wind, solar, and geothermal resources from the 2017 IRP. Second, PacifiCorp has not argued that the 2021 Wyoming wind resources are non-deferrable because they are included in a yet-to-be-acknowledged IRP. PacifiCorp presented persuasive evidence that avoided-cost prices that assume the wind resources are deferrable are unreasonable because of the unique factual

[42] PAC/300, MacNeil/6, 26; PAC/400, MacNeil/14.
[43] PAC/300, MacNeil/26-27; PAC/400, MacNeil/15.
[44] Renewable Energy Coalition Opening Brief at 13.
[45] Renewable Energy Coalition Opening Brief at 14.

circumstances of the resources, particularly their PTC-eligibility.[46] The Coalition never challenged PacifiCorp's modeling of PTCs (nor did Staff or any other party).

The Coalition then claims that PacifiCorp has not adequately explained the factual circumstances that make deferral improper.[47] But the Coalition cites testimony from its expert that was filed *before* PacifiCorp provided extensive testimony addressing the treatment of the Wyoming wind resources in avoided-cost pricing. PacifiCorp has now filed over 12 pages of testimony, including detailed avoided-cost modeling, demonstrating exactly why avoided-cost prices that assume the deferral of the 2021 Wyoming wind resources are unreasonable.[48]

The Coalition next claims that, "[f]or the first time ever in an avoided-cost case, PacifiCorp has proposed that the next deferrable resource should not be accounted for in rates because it is located in another state."[49] Once again, the Coalition mischaracterizes PacifiCorp's position. As discussed above, the location of the wind resources is only one reason they are non-deferrable (and even their location is tied to the proposed transmission line, not just the fact the resources are out-of-state).[50] The primary reason the Wyoming wind resources are non-deferrable is because of their PTC eligibility and the inability to reasonably model PTCs in the avoided-cost calculation. Notably, the Coalition never disputes PacifiCorp's evidence that the PTCs cannot be reasonably modeled, nor does the Coalition provide any alternative proposal for modeling the PTCs that would produce a reasonable avoided-cost price that maintains customer indifference.

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[46] PAC/300, MacNeil/6, 26; PAC/400, MacNeil/14; PAC/401.
[47] Renewable Energy Coalition Opening Brief at 15.
[48] PAC/300, MacNeil/25-29; PAC/400, MacNeil/10-17; PAC/401, MacNeil/1-3.
[49] Renewable Energy Coalition Opening Brief at 16.
[50] PAC/300, MacNeil/26-27.

Finally, the Coalition argues that if the Wyoming wind resources are deferrable, the avoided-costs should also assume a value for the avoidance of the proposed transmission line that is required to interconnect the Wyoming wind resources.[51] PacifiCorp, however, has demonstrated that Oregon QFs will not defer the Wyoming wind resources and therefore will not allow the company to avoid the transmission line.[52]

E. To protect customers, indicative avoided-cost pricing must account for all potential QFs.

To improve the accuracy of non-standard avoided-cost prices, the PDDRR methodology accounts for the aggregate impact of all QFs on PacifiCorp's system.[53] The Coalition and Renewable Northwest argue that it is unrealistic to assume that every QF that requests indicative pricing will be developed.[54] Setting aside the Coalition's and Renewable Northwest's remarkable concession about the speculative nature of power purchase agreement requests, PacifiCorp has no way of knowing which QFs will be developed and which will not and therefore assumes, until otherwise notified, that the QF is proceeding with development and that PacifiCorp will be subject to a must-take obligation to that QF under PURPA. Any method for assuming which QFs will or will not be developed would simply be arbitrary. There is no dispute that avoided-costs decrease as more QFs enter the system.[55] If the queue is limited to only those QFs with executed contracts, or to only a certain percentage of QFs that have requested pricing, then there is a real risk that PacifiCorp will be required to execute contracts with excessive avoided-cost prices.[56]

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[51] Renewable Energy Coalition Opening Brief at 17.
[52] PAC/300, MacNeil/26-27; PAC/400, MacNeil/15.
[53] 18 C.F.R. § 292.304(e)(2)(vi).
[54] Renewable Energy Coalition Opening Brief at 23; Renewable Northwest Opening Brief at 4-5.
[55] *See, e.g.*, Renewable Energy Coalition Opening Brief at 23.
[56] PAC/300, MacNeil/43-45; PAC/302.

The Coalition also proposes that the Commission require PacifiCorp to provide simultaneous renewable and non-renewable indicative pricing to a QF.[57] As discussed above, PacifiCorp's proposal would provide the same avoided cost of energy and capacity in both price streams, making this point moot.

F. ICNU's recommended sufficiency period is arbitrary and unsupported.

ICNU recommends that the Commission affirm the current renewable resource sufficiency demarcation of 2028.[58] ICNU contends that because the Commission has not acknowledged the 2017 IRP, it is premature in this docket to alter the renewable resource sufficiency date.[59] But, the PDDRR methodology approved by the Commission relies on the most recent IRP in the calculation of avoided-cost prices, even if that IRP is not yet acknowledged.[60] The 2017 IRP includes the most up-to-date information on resource cost and resource need and forms a reasonable basis for determining avoided-cost pricing. Maintaining the current 2028 sufficiency date would be arbitrary and untethered from Commission precedent and PacifiCorp's resource planning process.

G. PacifiCorp's proposal is fully developed and explained in the record.

CREA disingenuously claims that PacifiCorp's proposal for using the PDDRR methodology in this case is a "moving target."[61] According to CREA, PacifiCorp only introduced the like-for-like aspect of the renewable avoided-cost pricing in response to its 2017 IRP.[62] This claim, however, is simply untrue—PacifiCorp's opening testimony clearly

[57] Renewable Energy Coalition Opening Brief at 17.
[58] Opening Brief of ICNU at 4.
[59] Opening Brief of ICNU at 6-7.
[60] PAC/400, MacNeil/11-12.
[61] Opening Brief of the Community Renewable Energy Coalition at 9.
[62] Opening Brief of the Community Renewable Energy Coalition at 9.

described that under a renewable PDDRR, "renewable QFs would instead defer the next major renewable resource *of the same type*[.]"[63]

Next, CREA incorrectly claims that PacifiCorp changed its position so that the next deferrable resource in its IRP should not be used for avoided-cost pricing if the resource predated the date when penalties for RPS non-compliance would begin due to a REC shortfall.[64] This misleading claim ignores the fact that PacifiCorp did not ask the Commission to resolve that proposal here. Instead, PacifiCorp requested a separate, generic investigation into the framework for determining avoided RPS compliance costs. PacifiCorp's proposed renewable PDDRR methodology has never relied on the proposed framework for calculating avoided RPS compliance costs.

CREA then incorrectly alleges that PacifiCorp changed how PTCs should be modeled.[65] To be clear, however, PacifiCorp's testimony regarding the treatment of PTCs in avoided-cost pricing was used to illustrate the problem that results from calculating avoided-costs based on the deferral of the 2021 Wyoming wind resources. PacifiCorp's position that the 2021 wind resources are not deferrable has never changed.[66] CREA never challenged PacifiCorp's PTC modeling.

PacifiCorp's proposed methodology here has been the subject of five rounds of testimony and is fully developed and fully vetted. The Commission has already found that the complexities associated with the PDDRR methodology outweigh the reduced accuracy of

[63] PAC/100, MacNeil/3-4 (emphasis added).
[64] Opening Brief of the Community Renewable Energy Coalition at 9.
[65] Opening Brief of the Community Renewable Energy Coalition at 9.
[66] *See, e.g.*, PAC/300, MacNeil/25-29; PAC/400, MacNeil/10-17.

the old methodology, and there is nothing in the record here to suggest that the Commission was wrong.[67]

H. PacifiCorp's proposal for an RPS-avoided-cost price should be addressed in a generic investigation.

Staff recommends that the Commission reject PacifiCorp's proposal for a new framework for calculating renewable avoided-cost prices based on the avoided RPS compliance costs.[68] To be abundantly clear, PacifiCorp is not asking the Commission to address the merits of this proposal in this case.

PacifiCorp requests that the Commission open a generic investigation into the framework for calculating RPS-avoided-cost prices. It is unclear if Staff objects to the proposal for a generic investigation, because Staff notes that if the Commission were to adopt PacifiCorp's proposal, it should do so only after all stakeholders have an opportunity for comment.[69] PacifiCorp agrees and that is why it requested a generic investigation.

The Coalition contends that an avoided RPS compliance cost should be based on deferred renewable resources regardless of whether the deferred resource was acquired for RPS compliance purposes.[70] But this distorts FERC's reasoning in allowing renewable avoided-cost prices. FERC made clear that a state can include in an avoided-cost calculation an avoided RPS compliance costs, if the transaction with the QF actually allows the utility to avoid an RPS compliance cost. PacifiCorp's proposed framework would conform precisely to FERC's rationale by calculating the RPS compliance costs actually avoided. PacifiCorp's proposed RPS-avoided-cost framework also appropriately recognizes that the ownership of

[67] Order No. 16-174 at 23.
[68] Staff Opening Brief at 13.
[69] Staff Opening Brief at 13.
[70] Renewable Energy Coalition Opening Brief at 26-27.

the RECs generated by the QF has no bearing on the value of the avoided-cost of energy and capacity.

III. CONCLUSION

To protect customers from excessive avoided cost pricing, PacifiCorp requests that the Commission: (1) approve the PDDRR methodology for calculating renewable avoided-cost prices, including: the deferral of like-for-like renewable resources; the elimination of the market-price floor for non-standard avoided-cost prices; and the calculation of avoided-cost prices based on all the QFs that have previously requested indicative pricing and are timely proceeding with negotiations; (2) find that the 2021 Wyoming wind resources are not deferrable for purposes of avoided-cost pricing because of their unique factual circumstances; and (3) open a generic investigation to change the framework for determining avoided-cost prices for RPS-eligible QFs.

Respectfully submitted this 25th day of September 2017.

By: Adam Lowney
Adam Lowney
McDowell Rackner Gibson PC

Dustin T. Till
Senior Counsel
PacifiCorp d/b/a/ Pacific Power

Attorneys for PacifiCorp