

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1728

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Application to Update Schedule 201
Qualifying Facility Information.

**PORTLAND GENERAL ELECTRIC
COMPANY’S MOTION FOR
TEMPORARY RELIEF FROM
SCHEDULE 201 PRICES**

Expedited Consideration Requested

I. INTRODUCTION

Portland General Electric Company (“PGE”) respectfully requests that the Public Utility Commission of Oregon (“Commission”) issue an order immediately relieving PGE of the obligation to offer or enter into power purchase agreements with qualifying facilities (“QFs”) at prices based on the inaccurate avoided cost prices currently in effect under PGE’s Schedule 201.

The need for relief is urgent. As of July 28, 2017, PGE had requests for contracts from 61 solar QF projects representing 607.8 MW of combined nameplate capacity.¹ These applications will be reaching the end of the Schedule 201 and Schedule 202 processes soon. The prices to be paid to these projects will be based on the Schedule 201 standard avoided cost prices in effect when each project obtains a fully executed contract or a legally enforceable obligation.²

¹ See Docket No. UM 1854, PGE/200 at 2 and PGE/203 at 2 (Aug. 3, 2017). PGE recently filed testimony and exhibits addressing the volume of current QF activity in Docket No. UM 1854. PGE requests that the Commission take official notice of that testimony and those exhibits in support of this motion, all as authorized by OAR 860-001-0460.

² Both standard and negotiated prices are based on Schedule 201 prices. Prices under Schedule 201 contracts are established directly by the price tables contained in Schedule 201. Prices under Schedule 202 contracts are negotiated, but the starting point for indicative prices is the Schedule 201 price.

The currently effective Schedule 201 prices are inaccurate and significantly higher than PGE’s actual average avoided costs. The Commission partially acknowledged PGE’s 2016 integrated resource plan (“IRP”) on August 8, 2017.³ PGE is required to update its Schedule 201 prices by September 7, 2017.⁴ PGE filed updated prices on August 18, 2017—the same day it filed this Motion. The updated prices reflect PGE’s actual avoided costs more closely than the currently effective Schedule 201 prices. The updated prices are based on the capital costs and other key inputs acknowledged on August 8, 2017. In contrast, the currently effective prices are based on capital costs and other key inputs that are more than four years old.⁵

The new prices filed August 18, 2017, are substantially lower than the currently effective Schedule 201 prices. For example, on a 15-year levelized basis, the newly proposed standard renewable prices for solar QF projects are \$24.61 per megawatt hour (“MWh”) or 38.4 percent *lower* than the currently effective Schedule 201 prices.⁶

If the 61 solar QF projects (607.8 MW) seeking contracts from PGE as of July 28, 2017, are allowed to achieve legally enforceable obligations before PGE’s new prices become effective, then PGE—and ultimately its customers—will be obligated to pay

³ The Commission partially acknowledged the 2016 IRP at its August 8, 2017 public meeting. The Commission did not acknowledge the renewable action item contained in PGE’s 2016 IRP. Rather, the Commission directed PGE to work with stakeholders and Commission Staff to see whether it is possible to develop a modified renewable action item with broader support than the renewable action item proposed in PGE’s 2016 IRP. Because the Commission has not acknowledged a renewable action item, PGE is planning on the basis of a 2029 sufficiency/deficiency date.

⁴ OAR 860-029-0040(4)(a) (Utility must file updated standard avoided cost prices within 30 days of acknowledgment of an IRP. Unless otherwise directed by the Commission, updated prices are effective 30 days after they are filed).

⁵ The currently effective Schedule 201 prices are based on capital costs and other key inputs proposed by PGE when it filed its 2013 IRP on March 27, 2014, and acknowledged by the Commission on December 2, 2014. *See* Docket No. LC 56, PGE’s 2013 Integrated Resource Plan (Mar. 27, 2014); Docket No. LC 56, Order No. 14-415 (Dec. 2, 2014).

⁶ Declaration of Robert Macfarlane in Support of PGE’s Motion for Temporary Relief from Schedule 201 Prices (Aug. 17, 2017) at paragraph 3 (declaration filed contemporaneously with this motion).

approximately \$492 million *more* than actual avoided cost for QF power.⁷ Even if only half of the solar QF projects seeking contracts become operational, allowing such projects to obtain currently effective but inaccurate prices would result in PGE and its customers overpaying for QF power by approximately \$246 million. The Commission can and should prevent this unnecessary and inappropriate harm to customers.

The Commission can prevent this outcome by temporarily suspending PGE's obligation to offer or enter into Schedule 201 contracts with QF projects larger than 100 kilowatts ("kW") until new prices based on the 2016 IRP become effective. This is not a novel solution. In 2012, the Commission provided similar relief to Idaho Power Company ("Idaho Power").⁸

If the Commission provides this relief to PGE, the Commission should also suspend PGE's obligation under Schedule 202 to use currently effective but inaccurate Schedule 201 prices as the starting point for indicative prices under Schedule 202. PGE suggests that the Commission authorize PGE to use the updated prices filed on August 18, 2017, as the starting point for indicative prices under Schedule 202 until new Schedule 201 prices that are based on the 2016 IRP become effective.

Alternatively, if the Commission decides not to provide the relief requested above, PGE requests the Commission declare that the updated prices filed on August 18, 2017 are effective immediately. The updated prices are based on the most recently acknowledged avoided cost inputs and are far more representative of PGE's actual avoided costs than the outdated prices currently contained in Schedule 201. If a QF

⁷ Declaration of Robert Macfarlane at paragraph 2.

⁸ Docket No. UM 1575, Order No. 12-042 (Feb. 14, 2012) (Commission suspended Idaho Power's obligation to provide Schedule 85 standard contracts until Idaho Power's avoided costs could be updated through the IRP process).

believes the updated prices are inaccurate in any way, the QF can request an investigation to occur *after* the updated prices become effective, and the QF can forego entering into a new contract until the investigation is complete.⁹ If the investigation indicates that the updated prices were incorrect in any way and need to be adjusted, the QF could wait until the updated prices are adjusted before entering into a contract.

Alternatively, if the Commission decides not to provide any of the relief requested above, PGE requests the Commission issue an order granting such relief as the Commission deems appropriate to prevent QF projects from qualifying for long-term contracts or legally enforceable obligations at the currently effective but substantially inaccurate Schedule 201 prices.

QF developers and their trade associations are likely to argue that temporary relief is inappropriate because it upsets the predictable and routine process of updating prices. But PGE has been arguing that current prices are inaccurate for years and has raised its concerns in multiple Commission proceedings.¹⁰ PGE has been told to complete the IRP process and obtain acknowledgment of its critical inputs before prices can be adjusted.¹¹

⁹ The Commission has previously allowed updated avoided cost prices to become effective ahead of an investigation of those prices. *See* PacifiCorp Advice No. 09-012, Staff Report at 3 (Sep. 3, 2009) (Staff recommended the Commission allow new standard avoided cost prices to become effective before investigation of the new prices; the Commission accepted this recommendation and the prices were allowed to become effective *before* an investigation into the prices was conducted); Docket No. UM 1449, Order No. 09-439 at 6 (Nov. 4, 2009) (“As Staff noted in its Report on PacifiCorp’s Advice Filing 09-012, suspending PacifiCorp’s filing pending investigation of the reasonableness of its revised rates ‘would leave the current higher avoided costs in place, potentially harming customers.’”).

¹⁰ *See* Docket No. UM 1728, PGE’s Application to Update Schedule 201 Qualifying Facility Information at 1 (May 1, 2015) (PGE notified the Commission that PGE’s cost of capital had decreased and asked to adjust standard avoided cost prices accordingly; the Commission declined to do so until after acknowledgement of the 2016 IRP); Docket No. UM 1752, PGE’s Revised Schedule 201 Qualifying Facility Information (Dec. 3, 2015) (PGE requested mid-cycle updates to avoided costs based on its recent IRP update; PGE noted that the effect of the changes on avoided cost prices was significant and any delay in adoption would harm customers; the Commission did not approve the updates); Docket No. UM 1854, PGE’s Motion for Interim Relief (June 30, 2017), PGE Reply in Support of PGE’s Motion for Interim Relief (Aug. 3, 2017) (arguing that current standard avoided cost prices do not accurately reflect actual avoided costs).

¹¹ *See*, e.g., Docket No. UM 1752, Order No. 16-027 at Appendix A, page 5 (Jan. 26, 2016) (Commission adopts Staff’s recommendation to reject mid-cycle price update and require IRP acknowledgment of new cost inputs).

PGE has done so and it is now time to correct the inaccurate price signal being sent by PGE's currently effective prices.

PGE is committed to adding renewables to its generation portfolio and understands its customers' interest in renewable resources. But additional renewable resources—whether utility-owned or provided by independent power producers through PURPA or bilateral contracts—must be accurately, realistically and competitively priced to ensure that PGE's customers receive the benefits of renewable resources at appropriate costs.

Whatever relief the Commission grants, it is critical that the relief become effective immediately. If the Commission waits weeks or months to allow parties to fully brief this matter before issuing an order providing temporary relief, dozens of solar QF projects representing hundreds of megawatts of capacity are likely to obtain fully executed contracts or to achieve legally enforceable obligations at the current outdated prices before the relief takes effect.

At the very least, the Commission should provide all stakeholders with immediate notice that whatever relief it decides to grant in response to this motion will be effective from the August 8, 2017 date on which the Commission acknowledged the capital costs and other key inputs underlying PGE's new Schedule 201 prices. The Commission should also provide immediate notice that any relief granted in response to this motion will apply to all QF's with pending requests for contract that did not obtain a fully

before approving new prices); Docket No. UM 1728, Order No. 15-206 at Appendix A, page 4 (Commission adopts Staff's recommendation to require PGE to re-file price update without adjustment to capital costs because such an adjustment is not authorized as part of an annual price update).

executed contract or achieve a legally enforceable obligation (as defined in Order No. 16-174)¹² before August 8, 2017.

II. ARGUMENT

A. The Current Schedule 201 Prices are Inaccurate.

PGE's currently effective Schedule 201 prices are inaccurate and significantly higher than PGE's actual average avoided costs. The currently effective prices underwent an annual update on May 1, 2017, and the updated prices became effective June 1, 2017.¹³ But the annual update only addressed three factors: natural gas prices, forward market electricity prices, and a change in the status of the production tax credit.¹⁴ The capital costs and other key assumptions for the current schedule 201 prices are based on study results completed in February 2013 for the 2013 IRP,¹⁵ which was filed in March 2014 and acknowledged in November of 2014.¹⁶

This means that the currently effective Schedule 201 prices are based on capital costs and other key inputs that are more than four years out of date. Reliance on such dated assumptions is problematic at the best of times; but over the last several years the capital costs for solar projects have decreased precipitously, making the dated assumptions underlying PGE's current prices even more problematic.

¹² Docket UM 1610, Order No. 16-174 at 3 (May 13, 2016) ("A LEO will be considered established once a QF signs the final draft of an executable contract provided by a utility to commit itself to sell power to the utility. A LEO may be established earlier if a QF demonstrates delay or obstruction of progress towards a final draft of an executable contract, such as a failure by a utility to provide a QF with required information or documents on a timely basis.").

¹³ Docket No. UM 1728(2), Order No. 17-177 (May 19, 2017).

¹⁴ *Id* at Appendix A, page 2.

¹⁵ See Docket No. LC 56, PGE's 2013 Integrated Resource Plan (Mar. 27, 2014).

¹⁶ See Docket No. UM 1631, Order No. 15-009 at page 2 of Appendix A (Jan. 13, 2015) (order granting waiver of OAR 860-029-0040(4)(a) requirement to file new prices within 30 days of the November 12, 2014 acknowledgment of PGE's 2013 IRP because PGE had filed avoided costs on November 25, 2014, in compliance with Order No. 14-058 in Docket No. UM 1610 and that filing incorporated the relevant inputs from PGE's 2013 IRP).

In contrast, the new prices filed by PGE on August 18, 2017, are based on capital costs and other key inputs and assumptions that were proposed by PGE in November 2016,¹⁷ and acknowledged by the Commission during its public meeting on August 8, 2017. These new cost assumptions are based on studies completed in November 2015. As a result, all of the inputs underlying the new prices are based on much more recent information. The new prices therefore provide a much closer approximation to PGE's actual average avoided costs than do the currently effective Schedule 201 prices, which are based on capital costs and other key assumptions that are more than four years old. The following tables compare the two sets of prices on a 15 year levelized basis:¹⁸

Table 1. Standard Nonrenewable Prices (\$/MWh)

	Base load	Wind	Solar
Proposed	\$35.54	\$30.42	\$31.32
Current	\$46.64	\$27.06	\$31.62
\$ Difference	(\$11.10)	\$3.36	(\$0.30)
% Difference	(23.8%)	12.4%	(0.9%)

Table 2. Standard Renewable Prices (\$/MWh)

	Baseload	Wind	Solar
Proposed	\$43.33	\$40.13	\$39.52
Current	\$79.56	\$56.27	\$64.13
\$ Difference	(\$36.23)	(\$16.14)	(\$24.61)
% Difference	(45.5%)	(28.7%)	(38.4%)

As these tables make clear, the new prices are substantially lower than PGE's currently effective Schedule 201 prices. For example, on a 15-year levelized basis the

¹⁷ See Docket No. LC 66, PGE's 2016 Integrated Resource Plan (Nov. 15, 2016); and PGE's Application to Update Schedule 201 Qualifying Facility Information filed contemporaneously with this Motion.

¹⁸ Declaration of Robert Macfarlane in Support of PGE's Motion for Temporary Relief from Schedule 201 Prices at paragraph 3. PGE has assumed a 15-year period from 2020 through 2034 for both the currently effective Schedule 201 prices and the new prices filed August 18, 2017, because in PGE's experience QF projects that secure a contract or legally enforceable obligation typically select a commercial operation date that is three years after the contract execution date.

newly proposed standard renewable price for a solar QF project is about \$24.61/MWh or 38.4% lower than the currently effective price.¹⁹

B. PGE is Experiencing an Extraordinary Level of QF Activity.

In early 2014, PGE had 19 QF projects that were either operational or under contract with combined nameplate capacity of 68 MW.²⁰ Since that time, PGE has experienced tremendous growth in QF activity. As of July 28, 2017, PGE had 78 QF projects that were either operational or under contract with combined nameplate capacity of 469.5 MW.²¹ More important for the purposes of this motion, as of July 28, 2017, PGE was processing pending requests for contracts from 76 QF projects with combined nameplate capacity of 686.1 MW.²² The majority of these pending requests for contract are from solar QF projects: as of July 28, 2017, PGE had pending requests for contract from 61 solar QF projects with combined nameplate capacity of 607.8 MW.²³ Importantly, these numbers continue to grow—since July 28, 2017, PGE has received 11 more requests for contracts from solar QF projects with an additional combined capacity of 37 MW.²⁴

C. Unless the Commission Takes Action, PGE May Become Obligated to Pay Inaccurate Prices for Hundreds of Megawatts of QF Output.

Under the Commission’s regular process, it will take at least 30 days, or until September 18, 2017, for PGE’s new prices to become effective.²⁵ However, if Commission Staff or stakeholders challenge the new prices and seek an investigation, it could take much longer for the new prices to become effective. As Staff has explained:

¹⁹ Declaration of Robert Macfarlane at paragraph 3.

²⁰ See Docket No. UM 1854, PGE/200 at 3 (Aug. 3, 2017).

²¹ See Docket No. UM 1854, PGE/202 at 2 (Aug. 3, 2017).

²² *Id.*

²³ See Docket No. UM 1854, PGE/203 at 2 (Aug. 3, 2017).

²⁴ See Docket No. UM 1854, PGE/200 at 2, footnote 1 (Aug. 3, 2017).

²⁵ OAR 860-029-0040(4)(a).

Under the Commission’s current process, utilities file update[d] avoided cost rates within 30 days of IRP acknowledgment. Stakeholders and Staff then have the opportunity to seek suspension of the avoided cost prices to allow additional investigation into whether the prices comply with the Commission’s methodologies for establishing avoided cost prices. If no party asks for additional investigation, the prices will become effective 30 days after the utility filed them.²⁶

The Commission has made it clear that parties should “seek suspension of an avoided cost filing when necessary to address concerns about ... any ... aspect of a utility’s filing.”²⁷ Staff and stakeholders have repeatedly sought and obtained suspension of avoided cost filings in order to allow for investigation of new prices.²⁸ Once suspended, it could take months before an investigation is complete and new prices are allowed to become effective.

As of July 28, 2017, PGE had pending requests for contracts from 76 QFs.²⁹ That number is continuing to grow. Many of these requests will obtain a fully executed contract or achieve a legally enforceable obligation (“LEO”) in a matter of weeks; and over the next month or two, most of the pending requests will obtain a contract or achieve a LEO. If the Commission takes no action to modify its regular process, PGE will become obligated to pay outdated prices that are substantially in excess of actual avoided costs for a tremendous amount of QF capacity, causing considerable and irreparable harm to PGE’s customers.

²⁶ Docket No. UM 1610, Staff’s Post-Hearing Brief in Phase II at 8-9 (Oct. 13, 2015).

²⁷ Docket No. UM 1129, Order No. 06-538 at 44 (Sep. 20, 2006).

²⁸ *See e.g.*, Docket No. UM 1610, Staff Brief at 9 (Oct. 13, 2015) (“Within the last year, Staff asked that avoided cost filings be suspended for PGE, PacifiCorp, and Idaho Power ...”); Docket No. UM 1610, Order No. 14-148 (Apr. 30, 2014) (Commission suspends price update filed by PacifiCorp and initiates investigation of prices); Docket No. UM 1610, Order No. 14-181 (May 28, 2014) (Commission suspends price update filed by Idaho Power and initiates investigation).

²⁹ Docket UM 1754, PGE/202 at 2 (Aug. 3, 2017).

For example, if the 61 solar QF projects (607.8 MW) seeking contracts as of July 28, 2017,³⁰ are allowed to qualify for inaccurate current prices, PGE and its customers will become obligated to pay approximately \$492 million more than they would pay under the new, more accurate, prices.³¹ Even if only half of the 61 solar QF projects eventually become operational, PGE and its customers would end up paying approximately \$246 million more than PGE's actual average avoided costs. This outcome would occur not because the Commission lacks a good estimate of PGE's actual avoided costs—the new prices based on recently acknowledged inputs provide such an estimate—but rather because the timing of the Commission's administrative process would allow dozens of QF projects to lock-in inaccurate prices on hundreds of megawatts of future output before the new, more accurate prices are allowed to become effective. The Commission can and should prevent such an outcome by temporarily modifying its process.

D. The Commission Should Grant Temporary Relief to Avoid Substantial and Irreparable Harm to PGE's Customers.

The Commission does not have to allow QF projects with pending requests for contract to secure contracts or establish legally enforceable obligations at current Schedule 201 prices that substantially exceed PGE's actual avoided costs. Such a result would be contrary to the basic mandate of PURPA and Oregon law that a utility pay its actual avoided cost for QF output and that customers remain indifferent to purchases from QFs.³² Such a result would also be contrary to ORS 756.040(1), which charges the

³⁰ Docket UM 1754, PGE/203 at 2 (Aug. 3, 2017).

³¹ Docket UM 1754, PGE/200 at 8 (Aug. 3, 2017); Declaration of Robert Macfarlane at paragraph 2.

³² See 16 U.S.C. § 824a-3(b) (providing that avoided costs shall not exceed the incremental cost to the electric utility of alternative energy); Docket No. R 58, Order No. 81-319 (May 6, 1981) (established Commission policy that rates for QF purchases would be at avoided costs); Docket No. UM 1129, Order No. 05-584 at 20 (May 13, 2005) (“[T]he goal of calculating avoided costs is to accurately estimate the

Commission to “represent the customers of any public utility ... in all controversies . . . [and to] make use of the jurisdiction and powers of the office to protect such customers ...from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates.”

The Commission has the authority to modify its existing orders and temporarily suspend the requirement that PGE offer Schedule 201 contracts to QF projects above 100 kW.³³ Indeed, the Commission did exactly that in 2012 when it temporarily suspended Idaho Power’s obligation to enter into standard contracts under Schedule 85 until Idaho Power’s avoided costs could be updated through the IRP process.³⁴

In early 2012, Idaho Power received requests for standard contracts from nine QFs with combined capacity of 73 MW.³⁵ Idaho Power argued that its currently effective standard avoided cost prices greatly exceeded its actual avoided costs and requested a reduction in the eligibility cap for standard contracts from 10 MW to 100 kW.³⁶ Two weeks later, the Commission issued an order temporarily suspending Idaho Power’s obligation to offer standard contracts under its Schedule 85 until Idaho Power’s standard

costs a utility would incur to obtain an amount of power that it purchases from a QF, either by the utility’s self generation or by purchase from a third party.”); Docket No. UM 1610, Order No. 14-058 at 3 (Feb. 24, 2014) (“PURPA requires that the rates utilities pay for electric energy purchased from QFs may not exceed the incremental cost to the electric utility of alternative electric energy, and defines ‘incremental cost’ as ‘the cost to the electric utility of the electric energy which, but for the purchases from such [QF], such utility would generate or purchase from another source.’”); ORS 758.515 (rates paid to qualifying facility “shall over the term of a contract be just and reasonable to the electric consumers of the electric utility, the qualifying facility, and in the public interest”); *So. Cal. Ed. Co.*, 71 FERC ¶ 61,269 at 62,079 (1995) (customers should remain “indifferent as to whether the utility used more traditional sources of power or the newly-encourage [PURPA] alternatives.”).

³³ See e.g., ORS 756.568 (authorizing the Commission to rescind, suspend or amend any order made by the Commission); ORS 756.515 (authorizing the Commission, on its own motion and with or without notice, to summarily investigate any matter relating to a public utility and to make findings and issue any orders the Commission deems to be justified by the results of its investigation).

³⁴ Docket No. UM 1575, Order No. 12-042 (Feb. 14, 2012).

³⁵ Docket No. UM 1575, Idaho Power’s Application to Lower Standard Contract Eligibility Cap at 2 (Jan. 27, 2012).

³⁶ *Id.*

avoided cost prices could be updated through the IRP process.³⁷ The temporary relief lasted about two months until Idaho Power’s new prices based on its IRP became effective.³⁸

The Commission suspended Idaho Power’s obligation to offer standard contracts to QF projects of all sizes; however, the Commission subsequently acknowledged that this was an error “to the extent it precluded QFs that are 100 kW and less from obtaining standard, fixed-cost prices during that period.”³⁹ The Commission reached this conclusion because “Federal law explicitly requires that standard avoided cost prices be available to QFs that are 100 kW and less.”⁴⁰ In this case, PGE is requesting suspension of its obligation to offer or enter into Schedule 201 contracts with regard to QF projects in excess of 100 kW. As such, the request is not in conflict with federal law. The existing requirement to offer Schedule 201 contracts to QF projects between 100 kW and 10 MW is a requirement established by Commission order, not federal law, and the Commission has the authority to suspend that requirement just as it did in 2012 under similar circumstances.

Temporarily suspending the requirement that PGE offer standard contracts to QF projects larger than 100 kW is equitable. QF’s have no right to obtain inaccurate prices that exceed a utility’s actual avoided costs. It is clear that stakeholders are well aware that current prices are too high and will need to be adjusted downward following IRP acknowledgment in order to reflect PGE’s actual avoided costs.⁴¹ Moreover, on August

³⁷ Docket No. UM 1575, Order No. 12-042 at 1 (Feb. 14, 2012).

³⁸ See Docket No. UM 1725, Order No. 15-199 at footnote 8 (Jun. 23, 2015).

³⁹ *Id.*

⁴⁰ *Id.* at 6 (Jun. 23, 2015) (citing to 18 C.F.R. § 292.304(c)(1)).

⁴¹ See e.g., Docket No. UM 1854, NIPPC, REC and CREA’s Joint Response to PGE’s Motion for Interim Relief at 9-10 (Jul. 27, 2017) (arguing that PGE’s standard avoided cost prices “are inevitably going to drop again in the near future” once PGE’s 2016 IRP is acknowledged).

4, 2017, PGE provided stakeholders and Commission Staff with express notice of its intent to seek relief of the sort requested in this motion.⁴²

During the interim between the effective date of the temporary relief requested here and the date PGE's new prices become effective, a QF larger than 100 kW can still obtain a negotiated contract under Schedule 202. Or, if the QF prefers to obtain a standard contract it can simply wait until the new prices have been allowed to become effective and obtain a standard contract after the temporary relief requested in this motion has expired. The only thing that QF projects lose if temporary relief is granted is the ability to take advantage of regulatory delay to secure an outdated price that no longer reflects PGE's actual avoided cost.

If the Commission grants PGE relief similar to that granted to Idaho Power in 2012, the Commission will temporarily suspend PGE's obligation to offer standard contracts to QF projects larger than 100 kW until new Schedule 201 prices based on the 2016 IRP become effective. During this interim, most QF contract requests will need to be processed under PGE's Schedule 202. But under Schedule 202, PGE is required to use the Schedule 201 standard avoided cost prices as the starting point for developing indicative prices.⁴³ Continuing to use current Schedule 201 prices for indicative pricing under Schedule 202 would undercut the purpose in temporarily suspending the obligation to offer standard contracts to QF projects larger than 100 kW because such projects

⁴² Docket No. LC 66, PGE's Response to Staff's July 28, 2017 Report at 8 (Aug. 4, 2017) ("PGE will be asking the Commission to ensure that the avoided cost prices paid to QFs that enter into contracts or achieve a legally enforceable obligation after the Commission's acknowledgment match PGE's actual avoided cost based on the Commission's IRP order. ... The request will also recognize that QF projects of less than 100 kW will be permitted to receive PGE's currently filed avoided cost prices until completion of PGE's standard avoided cost update.").

⁴³ PGE Schedule 202 at Sheet 202-3 (Effective Jan. 19, 2013) ("The Avoided Cost Prices specified in Schedule 201 provide a starting point for indicative prices, and will be modified to address the ... factors established in OPUC Order No. 07-360 and FERC 18 CFR § 292.304(e) ...").

would receive indicative pricing under Schedule 202 that is based on the inaccurate prices currently in effect under Schedule 201.

PGE proposes that the Commission address this concern by temporarily suspending PGE's obligation under Schedule 202 to use Schedule 201 prices as the starting point for indicative prices. PGE proposes that the Commission instead authorize PGE to temporarily use the new prices filed August 18, 2017, as the starting point for indicative prices under Schedule 202. This temporary approach would apply only until new Schedule 201 prices that are based on the 2016 IRP are allowed to become effective.

This approach would be equitable because the new prices filed August 18, 2017 are based on inputs acknowledged August 8, 2017, and are therefore a much better representation of PGE's actual avoided costs than are the currently effective Schedule 201 prices which rely on assumptions for capital cost and other key inputs that are more than four years old. If any particular QF project believes that the new prices filed August 18, 2017, are inaccurate, they can wait to enter into a new contract until new prices have been investigated and allowed to go into effect. The Commission has the authority to allow the new prices filed August 18, 2017, to become effective before September 18, 2017,⁴⁴ so that they can serve as a starting point for indicative prices under Schedule 202.

Alternatively, if the Commission decides not to temporarily suspend PGE's obligation to offer Schedule 201 contracts to QF projects larger than 100 kW, and not to temporarily suspend PGE's obligation to use Schedule 201 prices as the starting point for

⁴⁴ See e.g., Docket No. UM 1728(2), Order No. 17-177 (May 19, 2017) (granting early effective date to PGE's May 1, 2017 submission of updated Schedule 201 prices); PacifiCorp Advice No. 09-012, Staff Report at 3 (Sep. 3, 2009) (Staff recommended the Commission allow new standard avoided cost prices to become effective before investigation of the new prices; the Commission accepted this recommendation and the prices were allowed to become effective *before* an investigation into the prices was conducted); Docket No. UM 1449, Order No. 09-439 at 6 (Nov. 4, 2009) ("As Staff noted in its Report on PacifiCorp's Advice Filing 09-012, suspending PacifiCorp's filing pending investigation of the reasonableness of its revised rates 'would leave the current higher avoided costs in place, potentially harming customers.'").

indicative pricing under Schedule 202, then PGE requests that the Commission declare that the new prices filed August 18, 2017, are immediately effective. OAR 860-029-0040(4)(a) provides that new prices filed after an IRP acknowledgement become effective 30 days after they are filed. But OAR 860-029-0005(4) authorizes the Commission, upon request or on its own motion, to waive any of the Division 029 rules for good cause shown.

PGE submits that waiting 30 days to allow the new prices filed on August 18, 2017, to become effective would result in substantial and irreparable harm to PGE's customers because it would allow dozens of QF projects representing hundreds of megawatts of combined nameplate capacity to qualify for outdated and inaccurate prices rather than the more accurate prices submitted August 18, 2017. As such, good cause exists to waive the 30-day requirement of OAR 860-029-0040(4)(a) and to allow the new prices to become effective immediately.

QF developers and their trade associations are likely to argue that the relief requested by PGE is unfair, upsets their expectations, and is unnecessary. Indeed, counsel for Renewable Energy Coalition, Irion Sager, attempted to voice a number of these objections during the Commission's August 8, 2017 public meeting discussing the 2016 IRP. During the meeting, Commissioner Decker asked Mr. Sanger the following question:

This is the forum where we are talking about how best to get PGE on a steady path to a high percentage of renewable energy at the lowest possible cost to customers ... I'd like you to address ... what role QF projects play in that effort to achieve the system transformation at the lowest cost for customers given that the PURPA construct ... doesn't

make those [QF] projects subject to price competition as projects would be in an RFP.⁴⁵

Mr. Sanger responded:

PURPA projects play an important role in the process of meeting the utility's renewable resource need, their capacity need, all of those various needs, and the way in which the Commission has asked or answered that question is—you set the prices right, you adjust the prices on a regular, consistent, stable basis—and that is going to be happening here, where within a one, two, three month period of time, the prices will change and that will send the right market signals. So whatever PGE's prices are, if you set the renewable avoided cost rate based on a 2029 date because you don't think PGE needs renewable resources, then that will send the right price signal and there will be fewer projects that will be entering into contracts because you will have decided that they don't have that need.⁴⁶

PGE agrees that it is critical to “set the prices right” and thereby send the right price signal. But PGE does not believe that it makes any sense to wait for “a one, two, three month period of time” to correct prices when there is an unprecedented volume of requests for QF contracts (686.1 MW as of July 28, 2017 and growing)⁴⁷ that will qualify for the current inaccurate prices *before* the Commission's regular process corrects the price signal in “a one, two, three month period of time.” Mr. Sanger advocates closing the barn door after all the horses are given months to bolt. Putting process ahead of substance would allow many more QFs to take advantage of prices that are known to be inaccurate and markedly higher than actual avoided costs and this would unnecessarily harm PGE's customers.

⁴⁵ August 8, 2017 Public Meeting of the Commission, video of hearing at approximately 1:19:03 to 1:20:13 (archived video available at <http://www.puc.state.or.us/Pages/Live-Stream.aspx>).

⁴⁶ August 8, 2017 Public Meeting of the Commission, video of hearing at approximately 1:20:20 to 1:21:20 (archived video available at <http://www.puc.state.or.us/Pages/Live-Stream.aspx>).

⁴⁷ Docket No. UM 1854, PGE/202 at 2 (Aug. 3, 2017) (indicating that as of July 28, 2017, PGE had contract requests proposed by a total of 76 QF projects representing 686.1 MW of combined capacity; a large subset of this total—67 projects representing 607.8 MW of combined capacity—are solar QF projects).

This Commission can and should provide temporary relief to ensure that hundreds of megawatts of QF output do not establish a legally enforceable obligation to receive inaccurate prices that are substantially higher than PGE's actual avoided costs. Such relief protects PGE's customers from hundreds of millions of dollars of inappropriate costs; and it does no harm to QF projects seeking new contracts because such projects have no legitimate basis upon which to expect to receive long-term prices that are substantially in excess of PGE's actual avoided costs. The Commission should send a strong signal that the time required by the Commission to review and approve price updates will not be allowed to provide dozens of QFs an opportunity to obtain long-term contracts at outdated and substantially inaccurate prices.

E. Temporary Relief is Compatible with a Predictable Process.

Some stakeholders have resisted PGE's efforts to ensure that its Schedule 201 prices are accurate on the grounds that the Commission process for updating prices should be regular and predictable and should proceed along a path that takes many months to complete.⁴⁸ From PGE's perspective, this objection appears to be calculated to put form ahead of substance and to slow price updates for the purpose of allowing the maximum volume of pending contract requests to qualify for currently effective but inaccurate prices.

All parties have been on notice for years that PGE's currently effective prices are too high and substantially out of alignment with PGE's actual avoided costs. PGE has

⁴⁸ See, e.g., Docket No. UM 1752, Comments by Renewable Energy Coalition at 8 (Dec. 28, 2015); Docket No. UM 1752, Comments in Opposition of the Community Renewable Energy Association at 4 (Dec. 28, 2015).

raised this concern in multiple forums including public meetings of the Commission.⁴⁹ The response from many quarters has been that PGE should obtain acknowledgement of an IRP or IRP Update and then update its prices.⁵⁰ PGE has now done so, and PGE's inaccurate current prices should not be allowed to persist for weeks or months while dozens of QF projects lock-in inaccurate prices all in the name of predictability.

PGE's IRP, including the calculations underlying the prices filed August 18, 2017, has been vetted in a robust public process; it is disingenuous to suggest that it would not be predictable for the Commission to impose temporary relief to ensure that a substantial volume of new QF capacity does not qualify for inaccurate prices when all parties have known for months that the current prices are inaccurate and would be updated following acknowledgement of PGE's 2016 IRP.

III. CONCLUSION

On August 18, 2017, PGE filed new standard avoided cost prices based on the capital costs and other key inputs acknowledged by the Commission on August 8, 2017. These new prices are substantially lower than PGE's currently effective Schedule 201 prices. The new prices represent PGE's actual average avoided costs with significantly greater accuracy than the currently effective Schedule 201 prices.

As of July 28, 2017, PGE had 61 solar QF projects representing 607.8 MW of combined capacity seeking Schedule 201 and Schedule 202 contracts. These QF projects

⁴⁹ See, Docket No. UM 1728, PGE Application to Update Schedule 201 Qualifying Facility Information at 1 (May 1, 2015) (PGE notified the Commission that its cost of capital had decreased and asked to have it adjusted; the Commission declined to do so until after IRP acknowledgment); Docket No. 1752, PGE's Revised Schedule 201 Qualifying Facility Information Consistent with the 2013 Integrated Resource Plan Update (Dec. 3, 2015) (PGE requested mid-cycle updates to avoided costs based on its recent IRP Update; PGE noted that without the updates customers would pay substantially more than they would with the existing inaccurate avoided cost prices; the Commission did not approve the updates).

⁵⁰ Docket No. UM 1752, Comments by Renewable Energy Coalition at 8 (Dec. 28, 2015); Docket No. UM 1752, Comments in Opposition of the Community Renewable Energy Association at 4 (Dec. 28, 2015).

may qualify for contracts or achieve legally enforceable obligations before the Commission completes its regular process and allows the new Schedule 201 prices to become effective. If PGE is required to contract with so much new capacity at the inaccurate prices currently in effect under Schedule 201, it could result in the utility and its customers paying approximately \$492 million more than actual avoided costs for QF power. In order to prevent this unnecessary and inappropriate outcome, PGE respectfully requests an order:

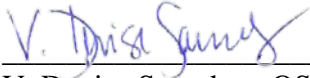
- (1) Suspending PGE's obligation to offer or enter into standard contracts under Schedule 201 with any QF project with nameplate capacity exceeding 100 kW until new Schedule 201 prices based on the 2016 IRP become effective; and
- (2) Suspending PGE's obligation to use Schedule 201 prices as the starting point for indicative prices under Schedule 202, and authorizing PGE to use the new prices filed August 18, 2017 as the starting point for indicative prices under Schedule 202 until new Schedule 201 prices based on the 2016 IRP become effective; or
- (3) Alternatively, if the Commission declines to grant the relief requested in (1) and (2) above, then declaring that the new prices filed August 18, 2017 are immediately effective; or
- (4) Alternatively, if the Commission declines to grant the relief requested in (1), (2) and (3) above, then such other relief as the Commission deems appropriate to prevent PGE from being required to pay prices based on the currently effective but inaccurate Schedule 201 prices.

PGE requests that any relief granted in response to this motion be deemed effective as of August 8, 2017, the date the Commission acknowledged the capital costs and other key inputs from the 2016 IRP that underlie the updated standard offer prices. PGE requests that the Commission make it clear that any relief granted in response to this motion will apply to all new requests for Schedule 201 or Schedule 202 contracts filed from the date of this motion and to any and all pending requests for contract that were

filed before the date of this motion but which did not obtain a fully executed contract or achieve a legally enforceable obligation before August 8, 2017.

Dated this 18th day of August 2017.

Respectfully submitted,



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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1728

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Application to Update Schedule 201
Qualifying Facility Information.

**DECLARATION OF ROBERT
MACFARLANE**

I, Robert Macfarlane, declare under penalty of perjury under the laws of the state of Oregon:

1. My full name is Robert Macfarlane. I am employed by Portland General Electric Company (PGE or the Company) as a Senior Analyst in Pricing and Tariffs.

2. If the solar QF projects seeking contracts from PGE as of July 28, 2017 are allowed to achieve legally enforceable obligations before PGE’s new prices become effective, then PGE—and ultimately its customers—will be obligated to pay approximately \$492 million more than actual avoided cost for QF power.

3. I prepared the following tables which compare PGE’s proposed avoided cost prices with PGE’s current avoided cost prices on a 15 year levelized basis:

Table 1. Standard Nonrenewable Prices (\$/MWh)

	Base load	Wind	Solar
Proposed	\$35.54	\$30.42	\$31.32
Current	\$46.64	\$27.06	\$31.62
\$ Difference	(\$11.10)	\$3.36	(\$0.30)
% Difference	(23.8%)	12.4%	(0.9%)

Table 2. Standard Renewable Prices (\$/MWh)

	Baseload	Wind	Solar
Proposed	\$43.33	\$40.13	\$39.52
Current	\$79.56	\$56.27	\$64.13
\$ Difference	(\$36.23)	(\$16.14)	(\$24.61)
% Difference	(45.5%)	(28.7%)	(38.4%)

I hereby declare that the above statement is true to the best of my knowledge and belief, and that I understand it is made for use as evidence before the Public Utility Commission of Oregon and is subject to penalty for perjury.

SIGNED this 17th day of August, 2017, at Portland, Oregon.

Signed:

