PACIFIC POWER
A DIVISION OF PACIFICORP

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June 27, 2022

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: UM 1729(6) – PacifiCorp's Comments on Staff's Recommendation for April 28, 2022 Avoided Cost Filing and PacifiCorp's Response to Joint QF Parties Comments

PacifiCorp, d/b/a Pacific Power (PacifiCorp or Company) respectfully provides these comments in response to Public Utility Commission of Oregon (Commission) Staff's Report issued June 22, 2022, recommending approval of PacifiCorp's April 28, 2022, avoided cost filing subject to the Company correcting the non-renewable proxy's fixed operations and maintenance (O&M) costs in the above captions matter. PacifiCorp's comments also respond to the June 22, 2022, comments of the Community Renewable Energy Association (CREA), the Oregon Solar + Storage Industries Association, and the Renewable Energy Coalition, hereinafter collectively referred to as the "Joint QF Parties."

On April 28, 2022, PacifiCorp submitted an update to its standard avoided cost schedule (formerly known as Schedule 37) to the Commission. To allow more time for review, the Commission suspended the Company's filing at the May 31, 2022, public meeting. On June 3, 2022, Staff hosted a workshop where PacifiCorp provided an overview of its filing and methodology and responded to questions from stakeholders. The issue at question is whether the Company's filing is consistent with the methodology approved by the Commission. Any changes to the methodology would more appropriately be considered in docket UM 2000.[1] The Company believes its filing is consistent with the currently-approved Commission methodology for computing avoided cost rates.

Proxy Combined Cycle Combustion Turbine (CCCT) Resource Assumptions

As an initial matter, while the avoided cost calculation is appropriate because it is consistent with the 2021 Integrated Resource Plan (IRP), PacifiCorp does not oppose Staff's recommendation to correct the non-renewable proxy's fixed operations and maintenance costs, as identified in the Company's response to CREA data request 2.5. Incorporating the 2019 IRP fixed O&M costs for a CCCT would increase the capitalized energy cost by $3.28/megawatt-hour starting in 2026. This has the same impact on the non-renewable rates for all resource types.

In PacifiCorp's initial filing, non-renewable standard pricing for solar exceeded the standard renewable pricing for solar. With the correction to non-renewable proxy fixed O&M, non-

[1] *In the Matter of the Public Utility Commission of Oregon, Investigation into PURPA Implementation,* Docket No. UM 2000, Order No. 19-254, Appendix A at 3-4 (July 31, 2019).

renewable standard pricing for wind exceeds the standard renewable pricing for wind. PacifiCorp would reiterate its concern that non-renewable standard pricing exceeds the renewable pricing implies that renewable resources are the most cost-effective option for serving customers. Paying more for the same energy and capacity while not receiving renewable energy attributes would not be in the public interest. The Company raised this issue in its Motion for Emergency Relief filed on April 26, 2018. Even though it did not grant PacifiCorp's request for interim relief at the time, the Commission instructed the Company that "if it begins to see signs of new wind development acting to take advantage of its current cost spread, it may return with a request for interim relief that provides clear and specific showings of potential customer harm."[2]

Gas Price Forecast

PacifiCorp is contracting with Siemens Industry, Inc (also known as Siemens Power Technologies International) (Siemens). Under the contract, Siemens provides an updated power forecast on a quarterly basis, but the associated long-term gas forecast is only updated twice a year. The gas forecast is next scheduled to be updated in the Company's September 2022 Official Forward Price Curve (OFPC), so the June OFPC would not necessarily capture any additional impacts to gas markets that parties have identified as a concern. The first 36 months of the gas price forecast are based on the latest market pricing each quarter (not the long-term forecast), and months 37–48 are a blend of market and the long-term forecast. Because gas pricing is not a direct input to standard avoided costs until 2026, updated market pricing would only impact a few months of 2026, and that period would only reflect a blend of the latest market prices and the long-term forecast. As a result, the updated gas price forecast which will be available at the end of June would have limited impact on the calculation of avoided costs.

Solar rates

The Joint QF Parties recommend the Commission require PacifiCorp to use a capacity allocation method that does not result in a negative capacity value for solar QFs, as Portland General Electric Company does. PacifiCorp is not assuming a negative capacity value for solar qualified facilities (QFs). The capacity contribution of the deferred wind proxy is higher than the solar QF, some of capacity value embedded in the wind resource cost must be removed, in accordance with the methodology adopted in Commission Order 14-058. This results in the solar QF receiving capacity value equivalent to what it provides to the system.

The Joint QF Parties also recommend imposing a market price floor on the solar renewable on-peak rates to ensure that the negative capacity price PacifiCorp calculates does not deprive renewable solar QFs of at least the energy value they supply. The existing on-peak rates reflect a 16-hour block of hours. In docket UM 1910, Resource Value of Solar (RVOS) proceeding, the Commission recognized that there is a diurnal pattern to energy value.[3] Rising solar penetration across the west has decreased the value of solar during the portion of those on-peak hours that falls during the day and as a result the capacity value that exists within on-peak market products

[2] Order No. 18-289 at 6.
[3] *In the Matter of PacifiCorp, dba Pacific Power, Resource Value of Solar,* Docket No. UM 1910.

is largely absent from a solar generation profile. This trend, sometimes described as a deepening duck curve, is expected to continue in the future, and reflected in the heavy load hours (HLH) / light load hours (LLH) market price forecast. A simplistic market price floor would exacerbate this existing flaw in the avoided cost methodology.

While the Company has not looked at this in detail, applying the hourly energy scalars adopted by the Commission in RVOS could provide an indication of the extent to which the existing HLH / LLH split is misrepresenting the energy value for solar. It could also provide an indication of the energy value of wind and baseload resources, which are also likely not well represented in the existing methodology. While improvements from RVOS are possible, the approved RVOS methodology largely reflects historical hourly patterns so it would not be responsive to a deepening duck curve as described above.

The Joint QF Utilities also recommend requiring PacifiCorp to allocate some portion of capacity value to off-peak hours instead of allocating all capacity value to on-peak hours. While this would increase avoided cost pricing during on-peak hours and decrease pricing during off-peak hours, it would have no impact on the expected total compensation over the course of a year. This effect could also be achieved by using the annual average avoided cost values for solar listed in Table 8.2 for both on-peak and off-peak periods. While the Company does not oppose this change, changes to the on-peak and off-peak definitions and compensation for capacity may be outside the scope of this proceeding and more appropriately examined in docket UM 2000.

Solar-plus-Storage

The Joint QF Utilities recommend that the Commission require PacifiCorp to offer a solar-plus-storage standard rate to enable small solar QFs to deliver and sell in the hours PacifiCorp appears to assert to be the hours of highest need and value. The inclusion of storage is highly project specific, and the standard contract is lacking a number of features necessary to facilitate storage resources. PacifiCorp is not opposed to entering a non-standard contract that includes deliveries from a storage resource. As indicated above, the determination of on-peak and off-peak definitions, or a storage specific definition, and compensation for capacity in such periods may be outside the scope of this proceeding and more appropriately examined in docket UM 2000.

Capacity Contribution Values

The Joint QF Parties recommend the Commission require PacifiCorp to recalculate its capacity contribution values based on PacifiCorp's existing portfolio of committed resources, not its Preferred Portfolio in 2030 with almost 1,900 megawatts of hypothetical and uncommitted solar resources. For a 15-year qualifying facility contract term starting in 2023 or later, the majority of the contract term would be in 2030 or later, so the capacity value in 2030 is certainly pertinent to the value the contract will provide to customers over its term. The IRP preferred portfolio accounts for the benefits resources contribute over the 20-year IRP horizon and selects resources based on the totality of their costs and benefits over that horizon. Ignoring the plan identified in the 2021 IRP preferred portfolio to procure increasing amounts of low-cost solar energy would disregard the intent of having a long-term plan and would be inconsistent with the methodology adopted by the Commission that relies upon the IRP for cost and performance data as well as the capacity deficiency date, among other things.

Non-Renewable Deficiency Rates

For the non-renewable deficiency period rates, the Joint QF Parties recommend rejecting PacifiCorp's proposal to reduce its CCCT proxy's capital costs by 25 percent, and instead require PacifiCorp to use the same costs as the gas-fired proxy resource that were approved from the 2019 IRP, which would increase PacifiCorp's non-renewable rates to a level they claim is more reasonable. To the extent the rules require non-renewable standard rates based on a proxy CCCT, it is appropriate to select a proxy CCCT which represents the least-cost option. Selecting a more efficient and lower cost resource is consistent with PacifiCorp's resource planning requirements and procurement obligations.

PacifiCorp appreciates the opportunity to respond to the June 22, 2022, Staff Report and comments submitted by the Joint QF Parties. Informal questions regarding this advice filing may be directed to Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,

Shelley McCoy

Shelley McCoy
Director, Regulation