



1 Standard non-renewable avoided cost prices are available to both renewable and “non-  
2 renewable” QFs that qualify for a standard contract.<sup>4</sup> Non-renewable QFs are all QFs that gener-  
3 ate energy that cannot be counted towards Oregon’s RPS. Standard non-renewable avoided cost  
4 prices paid during the utility’s deficiency period are based on the costs of a Combined Cycle  
5 Combustion Turbine (CCCT), even if a CCCT is not the next planned “non-renewable” resource  
6 in the utility’s IRP.<sup>5</sup> Under PacifiCorp’s proposal standard non-renewable avoided cost prices  
7 would no longer be available to any QF. Instead, any QF that enters into a standard contract  
8 with PacifiCorp would receive PacifiCorp’s standard “renewable avoided cost prices” based on  
9 the assumed deferral of a new wind resource in 2021.

10 Staff supports PacifiCorp’s request in part. Staff recommends that the Commission grant  
11 the request with respect to renewable QFs. Staff recommends that the Commission deny the re-  
12 quest with respect to all other QFs.

13 **A. Background.**

14 In its 2005 investigation into QF pricing and contracting policies (Docket No. UM 1129),  
15 the Commission ordered PacifiCorp and Portland General Electric Company (PGE) to calculate  
16 standard avoided cost prices “apply[ing] the methodology historically used in Oregon[.]” The  
17 Commission specified that “[p]ursuant to this methodology, avoided cost rates for PacifiCorp  
18 and PGE, when either utility is in a resource deficient position, will reflect the variable and fixed  
19 costs of a natural gas-fired CCCT.”<sup>6</sup> The Commission noted that it would allow parties to ad-

20 <sup>4</sup> *Id.*, p. 2.

21 <sup>5</sup> *In the Matter of Public Utility Commission of Oregon Staff’s Investigation Relating to Electric Utility*  
*Purchases from Qualifying Facilities* (UM 1129), Order No. 05-584, p. 27.

22 <sup>6</sup> *Id.* The Commission described how PacifiCorp used the costs of the CCCT to calculate avoided cost  
23 prices in Order No. 05-584:

24 PacifiCorp determines avoided costs based on the fixed and variable costs of a CCCT  
25 as a proxy for the planned resource that could be avoided or deferred. Since CCCTs  
26 are built as base load units that provide both capacity and energy, it is appropriate to  
split the costs of this unit into capacity and energy components. To determine the  
portion of fixed costs allocated to capacity, PacifiCorp uses the fixed cost of a single-  
cycle combustion turbine (SCCT), which is usually acquired as a capacity resource,  
to define the portion of the fixed cost of the CCCT that’s assigned to capacity. Fixed  
costs for a CCCT in excess of SCCT costs are assigned to energy and are added to

1 dress in “Phase II” of Docket No. UM 1129 “whether the new resource used to determine avoid-  
2 ed costs in the deficit portion should instead be identified in the utility’s IRP (which may select  
3 something other than a natural-gas fired CCCT).”<sup>7</sup> To Staff’s knowledge, the issue was not ad-  
4 dressed again in Docket No. UM 1129.

5 In 2010, the Commission decided that PGE and PacifiCorp should offer a second avoided  
6 cost price stream that would only be available to renewable QFs.<sup>8</sup> The Commission concluded  
7 that deficiency-period prices for the standard renewable avoided cost price stream would be  
8 based on costs of the utility’s “next major renewable resource acquisition.”<sup>9</sup> The Commission  
9 deferred deciding many details of the avoided cost prices to a second phase of the docket, but  
10 decided in 2010 that a QF would be eligible to (1) sell its net output at the utility’s renewable  
11 avoided cost prices as long as the QF transferred RECs associated with the output to the utility  
12 during the utility’s deficiency period, or (2) keep its RECs and sell its output at the utility’s non-  
13 renewable prices based on the costs of an avoidable gas CCCT.<sup>10</sup>

14 The Commission specified that the acquisition of a renewable resource would trigger the  
15 resource deficiency period for the renewable avoided cost price stream and that the renewable  
16 avoided costs would be based on the planned resource.<sup>11</sup> However, the Commission also clari-  
17 fied that to the extent a “renewable QF chooses avoided costs based on an avoidable Gas CCCT,  
18 the deficiency date and resource costs used must be based on that Gas CCCT.”<sup>12</sup>

19 ///

20 ///

21

---

22 the variable production (fuel) cost of the CCCT to determine the total avoided energy  
23 costs. The fuel cost of the CCCT, based on gas price forecasts, defines the variable  
24 energy costs. (Order No. 05-584, p. 22.)

24 <sup>7</sup> *Id.*

25 <sup>8</sup> *In the Matter of Public Utility Commission of Oregon Investigation into Resource Sufficiency, pursuant  
26 to Order No. 06-538 (UM 1396), Order No. 10-488.*

26 <sup>9</sup> *Id.*, p. 3.

<sup>10</sup> *Id.*, p. 4.

<sup>11</sup> *Id.*, p. 3.

<sup>12</sup> *Id.*, p. 4.



1 In 2011, the Commission decided many of the details of the renewable avoided cost price  
2 option.<sup>13</sup> The Commission affirmed that during periods of resource deficiency, the rate will be  
3 based on the cost of the next renewable resource acquisition in the utility's IRP and that the QF  
4 will keep cede its RECs to the utility during the period of a contract when the utility is resource  
5 deficient.<sup>14</sup>

6 The Commission also re-examined whether renewable QFs should have the option of  
7 choosing between the renewable and non-renewable avoided cost price streams. The Commis-  
8 sion rejected PacifiCorp's assertion that the renewable QF should only be allowed to select the  
9 non-renewable avoided cost price when it is lower than the renewable avoided cost price.<sup>15</sup> The  
10 Commission concluded that "[a]doption of such a rule would be contrary to our decision to allow  
11 the renewable QF to choose the standard avoided cost rate to better reflect the value of a base  
12 load renewable resource."<sup>16</sup>

13  
14 **B. The Commission should conclude that renewable QFs are not eligible for  
PacifiCorp's standard non-renewable avoided cost prices.**

15 Order No. 11-505 reflects that the Commission provided renewable QFs the opportunity  
16 select the non-renewable avoided cost price stream to ensure that baseload renewable QFs would  
17 be able to select prices based on a generator with similar characteristics.<sup>17</sup> If the Commission  
18 had not given renewable QFs the option to select either the renewable avoided cost price stream  
19 or non-renewable avoided cost price stream in 2011, renewable baseload QFs would have been  
20 required to receive avoided cost prices based on a proxy resource with a capacity factor signifi-  
21 cantly lower than that of a baseload QF. Under the Commission's 2011 order, a renewable base-  
22

23 <sup>13</sup> *In the Matter of Public Utility Commission of Oregon Investigation into Resource Sufficiency, pursuant*  
24 *to Order No. 06-538 (UM 1396), Order No. 10-488.*

24 <sup>14</sup> *Id.*

25 <sup>15</sup> *Id.*, p. 9.

25 <sup>16</sup> *Id.*

26 <sup>17</sup> Order No. 11-505, p. 9 (Concluding that adoption of a rule allowing renewable QFs to choose non-  
renewable prices only when the non-renewable prices are lower than the renewable prices "would be con-  
trary to our decision above to allow the renewable QF to choose the standard avoided cost rate to better  
reflect the value of a base load renewable resource.")

1 load QF (and all other renewable QFs) had the choice selecting the renewable avoided cost price  
2 based on the costs and capacity factor of the next renewable resource acquisition in the utility's  
3 IRP or the non-renewable avoided cost price based on the costs and capacity factor of a CCCT.

4 As PacifiCorp points out in its motion, it is no longer necessary for renewable QFs to  
5 have the option to select between the renewable and non-renewable avoided cost price streams to  
6 ensure the QFs have the opportunity to select avoided cost prices based on a resource with a ca-  
7 pacity contribution like the contracting QF. In Order No. 14-058, the Commission requires that  
8 for both standard renewable and non-renewable contracts, PGE and PacifiCorp must offer stand-  
9 ard avoided cost prices that take into account the capacity contribution of different resource  
10 types.<sup>18</sup>

11 Typically, Staff does not support changing the Commission's policies implementing  
12 PURPA during review of utility's avoided cost price filings. But, Staff agrees with PacifiCorp  
13 that emergency relief is warranted in this instance because any benefit of allowing renewable  
14 QFs the opportunity to choose between standard renewable and non-renewable avoided cost  
15 prices is easily outweighed by the potential harm.

16 The general concern addressed by the Commission's decision to allow renewable QFs the  
17 choice between the renewable and non-renewable avoided cost price streams is now addressed  
18 by Order No. 14-058. Allowing a renewable QF to select the higher non-renewable rate for its  
19 energy, and sell its RECs in a separate transaction, creates a windfall for the QF at the expense of  
20 ratepayers. Staff recommends that the Commission eliminate the opportunity for this windfall by  
21 eliminating a renewable QF's ability to choose the standard non-renewable avoided cost price  
22 stream.

23 ///

24 ///

25 ///

26 \_\_\_\_\_  
<sup>18</sup> *In the Matter of the Public Utility Commission of Oregon Investigation into Qualifying Facility Con-  
tracting and Pricing* (UM 1610), Order No. 14-058, p. 15.

1           **C.     The Commission should deny PacifiCorp’s request for emergency relief with**  
2           **respect to non-renewable QFs.**

3           PacifiCorp asks the Commission to eliminate the non-renewable avoided cost price  
4 stream entirely because the renewable resource acquisition in PacifiCorp’s IRP is in fact the  
5 least-cost resource, period. Staff recommends that the Commission deny this request.

6           “Non-renewable” QFs are not eligible for PacifiCorp’s standard renewable avoided cost  
7 prices. These QFs are only eligible for PacifiCorp’s “non-renewable” avoided cost prices. The  
8 Commission’s choice of the proxy resource used to calculate the standard “non-renewable”  
9 avoided cost prices dates back at least to 2005. In 2005, the Commission concluded that alt-  
10 hough a resource deficiency period would be determined by the utility’s planned acquisition of a  
11 “major resource,” the utility’s avoided cost prices during periods of resource deficiency would be  
12 based on the costs and characteristics of a proxy gas-fired CCCT.<sup>19</sup> At the time it made this de-  
13 cision, the Commission noted the possibility of using the costs and characteristics of the resource  
14 that triggers the deficiency period to determine deficiency-period prices, but did not do this.<sup>20</sup>  
15 Meaning, the Commission recognized in 2005 that the costs of the utility’s planned resource may  
16 differ from the costs of a CCCT but still required PacifiCorp and PGE to use the costs of the  
17 CCCT to determine their avoided cost prices.

18           It is not clear to Staff that it is appropriate to issue emergency relief eliminating the non-  
19 renewable avoided cost price option because the proxy resource, the CCCT may not be least cost  
20 resource available. The Commission has discretion to establish standard avoided cost rates using  
21 a proxy resource. In its 2011 order, the Commission noted that a CCCT is well-suited for deter-  
22 mining deficiency-period avoided cost prices because the “CCCT proxy avoided cost calculation  
23 can be reduced to basic assumptions regarding capacity, capacity factor, capital costs, and heat  
24 rate[.]”<sup>21</sup>

25  
26 <sup>19</sup> Order No. 05-584, p. 27.

<sup>20</sup> *Id.*

<sup>21</sup> Order No. 11-505, pp. 4-5.



1 Further, while PacifiCorp is planning to acquire a lesser-cost wind resource in the near  
2 future, PacifiCorp is also planning to acquire a CCCT in 2030. The non-renewable avoided cost  
3 price stream assumes that the costs PacifiCorp avoids until 2030 are market purchases.

4 Staff believes the issues raised by PacifiCorp's request as to the availability of renewable  
5 and non-renewable avoided cost price streams and when they should be available are issues the  
6 Commission should consider. However, Staff disagrees with PacifiCorp that potential harm  
7 from using a CCCT as the proxy resource for standard non-renewable prices requires emergency  
8 relief. Nonrenewable QFs do not have the opportunity to receive a windfall from the sale of  
9 RPS-compliant RECs. And, given the Commission's discretion to establish standard avoided  
10 cost rates using a proxy resource, it is not clear that a price stream based on market prices until  
11 2030 and a proxy CCCT thereafter, violates the ratepayer indifference standard.

12 To the extent any stakeholder may argue that the deficiency period for the non-renewable  
13 price stream begins in 2021, the year of PacifiCorp's planned acquisition of the utility-scale wind  
14 project, the argument is incorrect. The Commission specified in Order No. 10-488 that to the  
15 extent a QF selects the avoided cost price stream based on the utility's next major renewable re-  
16 source acquisition, the deficiency date and resource costs used in the calculation must be based  
17 on that major renewable resource. The Commission also concluded that "conversely, if the re-  
18 newable QF chooses avoided costs based on an avoidable Gas CCCT, the deficiency date and  
19 resource costs used must be based on that Gas CCCT."<sup>22</sup>

20 **D. Conclusion.**

21 Staff recommends that the Commission

- 22 (1) Eliminate the requirement that renewable QFs have the option of choosing either  
23 PacifiCorp's standard non-renewable avoided cost price stream or its standard re-  
24 newable avoided cost price stream and require that renewable QFs entering into a  
25  
26

---

<sup>22</sup> Order No. 10-488, p. 4.

1 standard PURPA contract with PacifiCorp receive PacifiCorp's standard "renewable"  
2 avoided cost prices.

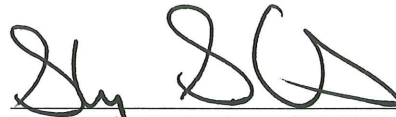
3 (2) Decline PacifiCorp's request to require that non-renewable QFs entering into a  
4 standard contract with PacifiCorp must receive standard renewable avoided cost pric-  
5 es.

6 (3) Decline PacifiCorp's request to eliminate the standard non-renewable avoided cost  
7 price stream that is based on the costs of a proxy CCCT.

8  
9 DATED this 11<sup>th</sup> Day of May 2018.

10 Respectfully submitted,

11  
12 ELLEN F. ROSENBLUM  
13 Attorney General

14  
15 

16 Stephanie S. Andrus, #92512  
17 Senior Assistant Attorney General  
18 Of Attorneys for Staff of the Public Utility  
19 Commission of Oregon  
20  
21  
22  
23  
24  
25  
26