

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 27, 2023

REGULAR CONSENT EFFECTIVE DATE June 28, 2023

DATE: June 20, 2023

TO: Public Utility Commission

FROM: Ryan Bain

THROUGH: Caroline Moore and Scott Gibbens **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 1729(7))
Update to Standard Avoided Cost Schedule for Qualifying Facilities.

STAFF RECOMMENDATION:

Approve Pacific Power's (Company) annual May 1 update to its standard avoided cost schedule.

DISCUSSION:

Issue

Whether the Commission should approve Pacific Power's annual May 1 update of its standard avoided cost schedule.

Applicable Orders and Rules

ORS 757.205(1) provides that "every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it."

ORS 758.525(1) provides that “at least once every two years each electric utility shall prepare, publish and file with the Public Utility Commission a schedule of avoided costs equaling the utility’s forecasted incremental cost of electric resources over at least the next 20 years. Prices contained in the schedules filed by public utilities shall be reviewed and approved by the commission.”

OAR 860-029-0080(7)(a) specifies that on May 1 of each year, a public utility must file with the Commission updates to the avoided cost information filed under section (2) of this rule to be effective within 60 days of filing to reflect:

- (A) Updated natural gas prices;
- (B) On- and off-peak forward-looking electricity market prices;
- (C) Changes to the status of the Production Tax Credit [PTC]; and
- (D) Any other action of change in an acknowledged IRP update relevant to the calculation of avoided costs.

Analysis

Background

On April 28, 2023, in compliance with the above stated order, rules, and statutes, Pacific Power filed its revised standard avoided cost schedule, Sheet Nos. 37-6 through 37-9. This filing includes updates to the Natural Gas Forward Prices, Electric Forward Prices, and Production Tax Credit.

Filing Overview

Staff has reviewed the Company’s application and workpapers and finds that they are in compliance with the Commission approved methodology for Pacific Power’s avoided cost rates. Staff finds that overall, the rates were properly calculated and recommends that the rates be allowed to go into effect. Staff’s review included verifying the accuracy of updated inputs, and scrutiny of the workpaper calculations for accurate references and output. Staff held a workshop with the Company and stakeholders on June 6, 2023, and it is Staff’s understanding that no stakeholder has an objection to the inputs that were updated or the calculations themselves.

Natural Gas Forward Prices

Pacific Power filed their annual update utilizing the Company’s Official Forward Price Curve from March 2023 (OFPC 2303).

Staff reviewed the updated forward gas inputs and believes the vintage used is appropriate and commensurate with previous filings and Commission precedent. In the updated forecast, gas prices have risen by an average of 39 percent over the 2026-

2040 forecast horizon.

Electric Forward Prices

Pacific Power updated its Official Market Price Forecast on-peak and off-peak electric market prices using a weighted blend of forward monthly market prices for Mid-Columbia, California-Oregon Border (COB), and Palo Verde for their sufficiency period pricing ending December 31, 2025. Forward electric market prices in the near term, the January 2023 through December 2025 combined (flat) On- and Off-peak monthly rates, have increased by approximately 83 percent since the Company’s previous avoided cost schedule update.

Production Tax Credit

With the passing of the Inflation Reduction Act of 2022, the renewable proxy wind plant in Wyoming is now assumed to be eligible for a 100 percent PTC. The PTC change reduces the Company’s 15-year levelized avoided cost for renewables by approximately \$6.64 on average.

Price Comparison

The Company’s proposed standard fixed levelized avoided costs for a 15-year contract (2024 through 2038), as shown in Table 1, saw an average increase of 39 percent across resource types. The Company’s proposed standard renewable fixed levelized avoided costs for a 15-year contract saw an average increase of 8 percent across resource types.

Table 1 Current and Proposed 15-year Levelized Avoided Costs (2024-2038)

Standard Fixed Avoided Costs (\$/MWh)

	Baseload	Wind	Fixed Solar	Tracking Solar
Current	\$ 48.64	\$ 48.12	\$ 42.98	\$ 43.20
Proposed	\$ 65.79	\$ 65.24	\$ 61.64	\$ 61.76

Standard Renewable Fixed Avoided Costs (\$/MWh)

	Baseload	Wind	Fixed Solar	Tracking Solar
Current	\$ 55.15	\$ 47.66	\$ 36.67	\$ 39.41
Proposed	\$ 57.20	\$ 49.66	\$ 41.29	\$ 43.86

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Conclusion

Staff believes Pacific Power followed the requirements for updating its avoided cost rates, implementing methodology appropriately and using appropriate updated inputs, consistent with its obligations under Oregon statutes ORS 757.205 and ORS 758.525. Staff finds that the filed rates are just, fair, and reasonable.

PROPOSED COMMISSION MOTION:

Approve Pacific Power's update to its standard avoided cost schedule.

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