

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 30, 2024**

**REGULAR**   X   **CONSENT**        **EFFECTIVE DATE**       May 1, 2024      

**DATE:** April 22, 2024

**TO:** Public Utility Commission

**FROM:** Ryan Bain

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

**SUBJECT:** PACIFIC POWER:  
(Docket No. UM 1729(9))  
Update to Standard Avoided Cost Schedule for Qualifying Facilities.

**STAFF RECOMMENDATION:**

Suspend Pacific Power’s (Company or PAC) post Integrated Resource Plan (IRP) partial acknowledgement update to its standard avoided cost schedule for investigation and approve the Company’s request to waive the Company’s May 1 annual avoided cost update, conditioned on Pacific Power re-filing its post-IRP avoided cost prices updating the following inputs, using the most current information available on May 1, 2024: 1) natural gas prices; (2) on-peak and off-peak forward looking electricity market prices; and (3) production tax credit status.

**DISCUSSION:**

Issue

Whether the Commission should approve Pacific Power’s post-IRP partial acknowledgement update of its standard avoided cost schedule and approve its waiver of May 1 annual avoided cost updates.

Applicable Orders and Rules

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 860-029-0085(1) specifies that each public utility must file with the Commission standard avoided cost rates within 30 days of a Commission decision regarding acknowledgement of the public utility’s IRP to be effective 30 days after filing unless otherwise determined by the Commission.

OAR 860-029-0085(3) provides the standard avoided cost rates filed by a public utility under sections (1) of this rule are subject to review and approval as well as modification by the Commission. The Commission may suspend the standard avoided cost rates during review. In any such review, the public utility has the burden of supporting and justifying its standard avoided cost rates. The standard avoided cost rates will be effective 30 days after filing unless otherwise determined by the Commission.

OAR 860-029-0085(4)(a) states additionally that on May 1 of each year, a public utility must file with the Commission updates to its standard avoided cost rates.

OAR 860-029-0085(4)(b) In the event a utility's integrated resource plan is acknowledged within 60 days of May 1 in a particular year, the utility may seek a waiver of either the May 1 update or the post IRP-acknowledgement filing.

OAR 860-029-0005(4) provides that the Commission may waive any of the Division 29 rules for good cause shown upon request or its own motion.

Oregon Commission Order No. 10-488, “For partially acknowledged plans or acknowledged plans with a range of on-line years for the next major resource acquisition, the Commission will indicate how the utility shall determine avoided costs.”

## Analysis

### *Background*

On March 5, 2024, the Oregon Public Utility Commission (OPUC or Commission) acknowledged, in part, Pacific Power’s 2023 IRP at its public meeting. In Order No. 24-073 (IRP Order), the Commission opined:

In this particular IRP proceeding, we are asked to review a plan and portfolio that PacifiCorp had already abandoned by suspending the 2022 All-Source RFP, and that was further impacted by the stay of the federal Ozone Transport Rule. We are left without a plan that reflects PacifiCorp’s reality, and without any willingness by PacifiCorp to adjust its action plan to reflect that reality. Therefore, we have no basis on which to

acknowledge the majority of PacifiCorp's IRP, nor can we acknowledge its CEP without the foundation of a viable IRP action plan.<sup>1</sup>

The Commission declined to acknowledge many planning elements that provide clarity into the Company's planned resource acquisition actions and, therefore, into its avoided costs. This included non-acknowledgement of the preferred portfolio, long-term resource strategy, and the Company's New Resource Action items. Further, the Commission invited the Company to use its IRP Update to present a revised resource strategy that can lay the foundation for correcting the deficiencies in its 2023 IRP/CEP and can be considered for acknowledgment and demonstration of continual progress toward the Company's HB 2021 targets.<sup>2</sup>

Following the Commission's IRP acknowledgment decision, the Company filed an IRP Update on April 1, 2024. As of the time of this memo, the procedural schedule for the IRP Update has not been established, but Staff anticipates the IRP Update review will consider elements relevant to establishing the Company's avoided costs.

On April 4, 2024, PAC filed its post-IRP update to its standard avoided cost schedule, Sheet Nos. 37-8 through 37-15, additionally seeking a waiver of their May 1 annual avoided cost updates. This filing includes updates to multiple inputs including: the Natural Gas Forward Prices from December 2023, Electric Forward Prices from December 2023, certain proxy and avoided resource cost and characteristics, integration costs and resource Sufficiency/Deficiency period.

#### *Staff Concerns*

PacifiCorp's current deficiency period start date for setting avoided cost rates is January 1, 2026.<sup>3</sup> In this post-IRP avoided cost filing, PacifiCorp has changed the deficiency period start date to January 1, 2025. However, the Commission's non-acknowledgement of the long-term resource strategy, preferred portfolio, and New Resource Action items leaves uncertainty about the appropriate start date of the deficiency period. As such, and in light of Commission Order No. 10-488, Staff understands that the Commission should indicate when the deficiency start date should be. Further investigation is necessary before Staff can make a recommendation on the appropriate deficiency period start date. Suspension of the filing will provide for additional stakeholder input and review and allow for a more robust process given the

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<sup>1</sup> See LC 82, Commission Order No. 24-073, p. 2.

<sup>2</sup> Id.

<sup>3</sup> See UM 1726(6) PacifiCorp's Standard Avoided Cost Filing, App. 2, p. 3 ("Therefore, the resource sufficiency period for the standard avoided cost rates is from 2022-2025 and the non-renewable and renewable resource deficiency period starts in 2026."); and *Standard Avoided Cost Purchases from Eligible Qualifying Facilities*, Order No. 22-253 (July 11, 2022).

complexity added by the Commission's partial acknowledgement of Pacific Power's 2023 IRP.

Further, Staff is evaluating the reasonableness of other inputs such as integration costs, and the proxy and avoided resource considering the non-acknowledged items in the IRP. Staff will use the additional time it has requested to determine the reasonableness of these updates to ensure the avoided cost reflect the appropriate values.

As an alternative, the Commission could suspend the Company's post-IRP update during the pendency of the IRP Update and direct the Company to make more holistic updates following the conclusion of the IRP Update review in LC 82. This may allow stakeholder parties more time to identify, review, and analyze the appropriate resource actions and other inputs for use in avoided cost pricing. However, this approach risks PURPA pricing being stale and assumes that the IRP Update will result in identification of a reasonable resource strategy for the Company. Therefore, Staff's primary recommendation is to allow the Commission to make a determination about the appropriate deficiency start date in the near term and identify any further avoided cost changes at the conclusion of the IRP Update review.

#### *May 1 Update Waiver*

The Company's March 5, 2024, IRP partial acknowledgement occurred approximately 57 days before May 1, 2024, within the 60-day window provided by OAR 860-029-0085(4)(b), allowing waiver of either the May 1 or post-IRP acknowledgment update at the Company's discretion. Staff recommends allowing the Company's request of waiving its May 1 annual update, conditioned on Pacific Power re-filing its post-IRP acknowledgment filing for the following inputs based on the most current information available on May 1, 2024: (1) natural gas prices; (2) on-peak and off-peak forward looking electricity market prices; and (3) production tax credit status. These are the inputs that would be updated in the May 1 Update. If these inputs are updated to use current information, no stakeholder should be prejudiced by the waiver of the May 1 Update.

Staff recommends the Commission specify in its order waiving the May 1 Update filing that the waiver is conditional on PacifiCorp filing its post-IRP avoided cost filing with updated inputs no later than 14 calendar days from the date of the Commission's order.

#### Conclusion

Consistent with ORS 860-029-0005(4) and Commission Order No. 10-488, Staff recommends that the Commission suspend the Company's filing for further investigation

and recommends waiving the Company's May 1 annual update, as provided by OAR 860-029-0085(4)(b), subject to the condition discussed above.

**PROPOSED COMMISSION MOTION:**

Suspend Pacific Power's (Company or PAC) post Integrated Resource Plan (IRP) partial acknowledgement update to its standard avoided cost schedule for investigation and approve the Company's request to waive the Company's May 1 annual avoided cost update, conditioned on Pacific Power re-filing its post-IRP avoided cost prices updating the following inputs using the most current information available on May 1, 2024: 1) natural gas prices; (2) on-peak and off-peak forward looking electricity market prices; and (3) production tax credit status.