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Via Electronic Mail

October 20, 2017

Filing Center
Public Utility Commission of Oregon
201 High St. SE
Salem, OR 97301

Re: In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation to Examine PacifiCorp, dba Pacific Power's Non-Standard Avoided Cost Pricing
Docket No. UM 1802

Dear Filing Center:

Enclosed please find the correction pages for COALITION and CREA's Reply Testimony of Kevin Higgins (REC-CREA/100, Higgins) on behalf of the COALITION and CREA.

We have replaced "2017" with "2021" on:

Higgins/4, line 13
Higgins/17, line 11
Higgins/17, line 13
Higgins/18, line 5

Please do not hesitate to contact me with any questions.

Sincerely,

Min Hu

Q Please summarize your primary conclusions and recommendations.

A I offer the following primary conclusions and recommendations:

(1) The Company's proposal to limit the deferral of a renewable resource to resources *of the same type* as the QF is unduly restrictive and unreasonable. Instead, any renewable QF should be able to have its avoided cost pricing determined based on deferral of the next renewable resource irrespective of type, with appropriate adjustments for capacity equivalence. The total avoided capacity and energy cost that results will reasonably reflect the avoided cost of the deferred resource within the framework of the PDDRR method that has been accepted by the Commission, and is therefore a reasonable basis for pricing power produced by non-standard renewable QFs.

(2) I recommend that the Commission rule affirmatively that the 2021 Wyoming Wind resource identified in PacifiCorp's 2017 IRP should be considered as partially displaceable or deferrable for the purpose of determining avoided capacity and energy costs. The Company has not sufficiently explained its assertion made in discovery that, because this resource is linked to Energy Gateway transmission and expiring production tax credits ("PTCs"), it cannot be partially displaced or deferred by resources outside of Wyoming Northeast. In addition, the Commission should consider whether Oregon QFs should be credited with avoided transmission costs for partially displacing or deferring the 2021 Wyoming Wind resource.

resource from outside Wyoming Northeast, such as an Oregon QF, from partially displacing this resource. Indeed, if anything, the Company's statement raises the question as to whether an Oregon QF should be credited *additionally* with avoided transmission costs for displacing a resource that apparently requires incremental transmission investment from the Company in order to get built. Further, the Company's reference to the PTC expiration as somehow precluding deferability does not make sense on its face. As I discussed above, the displacement of a Company resource that is PTC-eligible is addressed in the calculation of avoided costs.

Q What is your recommendation to the Commission regarding the treatment of the 2021 Wyoming Wind resource in the determination of avoided costs?

A I recommend that the Commission rule affirmatively that the 2021 Wyoming Wind resource should be considered as partially displaceable or deferrable for the purpose of determining avoided capacity and energy costs. The Company has not sufficiently explained its assertion that this resource cannot be partially displaced or deferred by resources outside of Wyoming Northeast. As such, the Company's claim should be considered unsupported. The burden of proof for demonstrating that its position is not unreasonable should rest with PacifiCorp.

In addition, the Commission should consider whether Oregon QFs should be credited with avoided transmission costs for partially displacing or deferring the 2021 Wyoming Wind resource. I recognize that in Order 16-174 the Commission established a rebuttable presumption that if the proxy resource used to calculate a utility's avoided cost is an on-system resource, there are no avoided transmission costs.[14] However, PacifiCorp's assertions regarding the linkage between development of the 2021 Wyoming Wind resource and the Energy Gateway transmission capability suggest a set of facts that are contrary to this presumption.

Q In recommending that the 2021 Wyoming resource should be considered partially displaceable or deferrable for the purpose of determining avoided capacity and energy costs, are you also attesting to the reasonableness of the Company's preferred portfolio in its 2017 IRP?

A No. My recommendation is based on the principle that the next deferrable renewable resource should be the basis of avoided cost pricing. I am not taking a position on whether the IRP itself is reasonable.

Q Please summarize your recommendation to the Commission on the question of whether avoided cost calculations for renewable resources should be limited to deferring resources of the same type.

A For the purpose of avoided cost pricing using the PDDRR method, the deferral of a renewable resource in the IRP by a renewable QF should not be limited to resources of the same type. Rather, any renewable QF should be able to have its avoided cost pricing determined based on deferral of the next renewable resource irrespective of type, with appropriate adjustments for capacity equivalence. The total avoided capacity and energy cost that results will reasonably reflect the avoided cost of the deferred resource and is therefore a reasonable basis for pricing power produced by non-standard renewable QFs.

[14] UM 1610, Order No. 16-174 at 8.