

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

Docket No. UM 2032

In the matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

Investigation into the Treatment of Network
Upgrade Costs for Qualifying Facilities

REPLY TESTIMONY OF JOHN LOWE

December 11, 2020

I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is John Lowe. I am the Executive Director of the Renewable Energy Coalition (the “Coalition”). My business address is 88644 Hwy. 101, Gearhart, OR 97138.

Q. On whose behalf are you appearing in this proceeding?

A. I am testifying on behalf of the Coalition, Northwest & Intermountain Power Producers Coalition (“NIPPC”), and the Community Renewable Energy Association (“CREA”) (collectively, the “Interconnection Customer Coalition”).

Q. Are you the same John Lowe that previously filed testimony in this proceeding on behalf of the Interconnection Customer Coalition?

A. Yes, I am.

Q. To what testimony are you responding?

A. My testimony addresses the Response Testimony submitted by Caroline Moore on behalf of the Public Utility Commission of Oregon (the “Commission”) Staff.

Q. What was your overall impression of Staff’s Response Testimony?

A. I agreed with many of the points made in Staff’s Response Testimony. First, Ms. Moore asks the right questions and identifies the correct issues for the Commission to resolve. Second, she provides a robust and overall reasonable analysis of the issues, including both Oregon’s interconnection policies and the implementation that has (and has not) occurred. Ultimately, I agree with much of Staff’s Response Testimony. I am starting my testimony with this general observation because I do not want the portions of the Staff Response Testimony that I disagree with to leave the Commission with the impression that I am overly critical of the Staff’s Response Testimony as a whole.

1 **Q. Are you responding to everything in Staff's Response Testimony?**

2 **A.** No, I agree with Staff on many points, and my testimony will not exhaustively discuss
3 those. Nor does my testimony agree with all of Staff's analysis and recommendations.
4 Instead, my testimony focuses on Staff's recommendations for resolving the issues in this
5 proceeding because I disagree in part. One aspect of my disagreement is about timing, as
6 Staff appears to recommend waiting to resolve the issues until certain other proceedings
7 move forward. I find this overly cautious, and I would welcome clarity from Staff on
8 how they envision moving forward in this proceeding. Finally, I appreciate that Staff
9 recognized the relevance of PacifiCorp's interconnection queue reform ("Queue
10 Reform"), which I did not previously testify on. I agree with Staff that the new
11 regulatory construct for PacifiCorp is important to consider, and I provide my opinion on
12 how queue reform relates to the issues in this proceeding.

13 **Q. Has the Commission approved the final Queue Reform proposal?**

14 **A.** Yes. With one modification, the Commission rejected the reconsideration requests
15 regarding Queue Reform in Docket No. UM 2108, and it is now final. I am not testifying
16 about the merits of Queue Reform, and I recognize that the Commission approved Queue
17 Reform intending to ultimately improve the interconnection process. Therefore, I do not
18 want the Commission to consider this testimony as criticizing its Queue Reform
19 decisions. Instead, I would like the Commission to focus its attention on how its
20 decisions interact with other interconnection issues, including who should pay for
21 network upgrades and whether QFs should have the option to use Energy Resource
22 Interconnection Service ("ERIS").

1 The interconnection rules and policies, at least for PacifiCorp, have significantly
2 changed, and I believe that the Commission should holistically consider the questions in
3 this proceeding based on the rules and policies that will go forward. Overall, Queue
4 Reform changes support state jurisdictional interconnection customers being treated the
5 same as federal jurisdictional interconnection customers in terms of cost responsibility
6 for network upgrades and options to select ERIS or NRIS.

7 **Q. What is your understanding of the issues in this proceeding?**

8 **A.** The administrative law judge adopted the following issues:

- 9 1. Who should be required to pay for Network Upgrades necessary to
10 interconnect the QF to the host utility?
11 2. Should on-system QFs be required to interconnect to the host utility with
12 Network Resource Interconnection (NRIS) or should QFs have the option
13 to interconnect with Energy Resource Interconnection Service (ERIS) or
14 an interconnection service similar to ERIS?¹

15 In addition, if there is a second phase, that phase will address the following issue:

- 16 3. If the answer to Issue No. 1 is that users and beneficiaries of Network
17 Upgrades (which typically are primarily utility customers) should pay for
18 the Network Upgrades necessary to interconnect the QF to the host utility,
19 how should that policy be implemented? For example, should utility
20 customers, and other beneficiaries and/or users, fund the cost of the
21 Network Upgrades upfront, or should the QF provide the funding for the
22 Network Upgrade subject to reimbursement from utility customers?
23 Should the QF, utility customers, and other beneficiaries and users, if any,
24 share the costs of Network Upgrades?²

¹ ALJ Ruling at 2, 4 (May 22, 2020).

² *Id.*

1 **II. ISSUE 1: COST ALLOCATION FOR NETWORK UPGRADES**

2 **Q. What is your understanding of Staff’s recommendations on the first issue?**

3 **A.** Staff recommends that “the Commission order that a mechanism or process for
4 reimbursement for system benefits be addressed in Phase II of this investigation,”³ and
5 Staff recommended a Phase II occur “[i]f the answer to Issue No. 1 is that users and
6 beneficiaries of Network Upgrades (which typically are primarily utility customers)
7 should pay for the Network Upgrades necessary to interconnect the QF to the host
8 utility.”⁴ My understanding is that Staff believes that at least some QFs may be paying
9 for (or asked to pay for) the costs of Network Upgrades that provide quantifiable system-
10 wide benefits, and that this end-result is inconsistent with the Commission’s policy that
11 QFs receive refunds for those benefits.

12 **Q. Do you agree?**

13 **A.** Yes, I agree with Staff’s recommendations above entirely. I believe the answer is clear
14 that users and beneficiaries should pay the costs of Network Upgrades, and I support
15 proceeding to a Phase II to explore options for ensuring this result. To be clear, I do not
16 understand Staff to be providing a recommendation regarding a specific policy to adopt
17 or implement. Therefore, I am neither agreeing nor disagreeing with Staff’s policy
18 recommendation. I agree with Staff that Phase II can provide the space to explore
19 various options.

³ Staff/100, Moore/28:5-7.
⁴ ALJ Ruling at 2 (May 22, 2020).

1 **Q. Do you have any other comments on this issue?**

2 **A.** Yes. Although I agree with Staff about proceeding to a Phase II, I am concerned we may
3 disagree about the timeframe. Staff also recommends that “the Commission investigate
4 the calculation of avoided interconnection costs in the investigation in the avoided cost
5 methodology in Docket No. UM 2000.”⁵ It is unclear to me if Staff recommends that the
6 Commission conclude that investigation before a Phase II occurs in this docket.

7 If that is the case, I disagree. I urge the Commission to move forward without
8 delay and allow stakeholders to engage in discussing the full range of possible policies
9 that could more accurately assign the costs of Network Upgrades to all users and
10 beneficiaries.

11 Oregon’s interconnection issues have been, and are, a major impediment to
12 developing cost-effective Oregon renewable energy projects. These issues also put
13 existing projects at risk. If the Commission does not get interconnection policy right,
14 then nothing else really matters. Other than the community solar program (“CSP”), the
15 Commission has given the utilities the green light to use the interconnection process to
16 effectively stop non-CSP small scale renewable energy development in this state. I do
17 not believe the Commission intended this result, and I urge the Commission to rectify the
18 problem promptly.

⁵ Staff/100, Moore/35:18-20.

1 **III. ISSUE 2: QFS SHOULD HAVE THE OPTION TO BE STUDIED USING ERIS**

2 **Q. What is your understanding of Staff’s recommendations on the second issue?**

3 **A.** I understand that Staff is sympathetic to allowing QFs to use ERIS in principle.
4 However, for the immediate future, Staff is recommending that QFs be required to
5 interconnect using NRIS and to maintain the status quo, at least for now. Staff notes that
6 the CSP “interconnection process is expected to provide data and insights into this by
7 allowing generators to interconnect as ERIS and addressing Network Upgrades if they
8 arise in the TSR process.”⁶ This statement is unclear, but I think Staff is essentially
9 recommending that the Commission consider making changes, but not until new data
10 becomes available.

11 **Q. Do you agree?**

12 No. I disagree with any mandate to use NRIS because I think such a mandate forecloses
13 the possibility of alternatives that could be cost-effective for utilities, QFs, and
14 ratepayers. In addition, I disagree with waiting for the results from the CSP. Notably,
15 the CSP only includes small solar QFs. Thus the insights and data will be limited. In my
16 opinion, large QFs, not CSP QFs, may well lead the way in revealing cost-effective
17 alternatives. Large QFs benefit from economies of scale and are more sophisticated, so
18 they are better equipped to identify innovative solutions. Ultimately, I recommend that
19 the Commission create space for innovation and investment to occur, and that means
20 allowing QFs to use non-NRIS options. Further, projects can switch between being
21 studied under the state jurisdictional process or the federal jurisdictional process

⁶ Staff/100, Moore/34:18-20.

1 depending on changes to their ultimate purchaser. So, forcing a state jurisdictional
2 project to be studied for NRIS unnecessarily limits its access to information about what
3 an ERIS interconnection would look like and whether it makes sense to pursue other
4 potential purchasers and switch its interconnection to federal jurisdictional.

5 IV. QUEUE REFORM

6 **Q. Please explain some key elements of the Queue Reform that are relevant to this**
7 **proceeding.**

8 **A.** Under Queue Reform, the interconnection policies and rules for PacifiCorp
9 interconnection customers involve a cluster study approach where it conducts system
10 impact studies in groups or “clusters.” The resulting study is called a Cluster Study and
11 replaces what was known as the System Impact Study. At the Cluster Study’s
12 conclusion, all interconnection customers will need to elect to move forward with a
13 Facilities Study within a relatively brief period of time. The interconnection customers
14 will need to post deposits and be subject to withdrawal penalties and fees if they
15 withdraw from the interconnection process. If interconnection customers withdraw from
16 the process, then all remaining interconnection customers in that cluster may need to be
17 re-studied.

18 **Q. Does the requirement that state jurisdictional interconnection customers are not**
19 **reimbursed for their network interconnection costs make it more difficult for them**
20 **to be successfully interconnected?**

21 **A.** Yes. A federal jurisdictional interconnection customer pays for network upgrades but is
22 later reimbursed for them. All things being equal, an independent power producer may
23 be able to build a project and sell power as a federal jurisdictional entity because it will
24 face lower overall construction costs. However, the same company with the same project

1 may not be able to build the project as a state jurisdictional interconnection because its
2 construction costs will be higher solely due to interconnection policies. This makes it
3 more difficult for QFs to be constructed and make it through the interconnection process
4 than non-QF independent power producers or utility-owned resources. Another aspect of
5 the current policy is that it ignores that a project could interconnect as a federal
6 jurisdictional project receiving the reimbursements for network upgrades, and later
7 decide to sell its output as a QF. The net effect is that QFs are treated unequally.

8 **Q. How do the changes in the Queue Reform support reimbursing QFs for their**
9 **network interconnection costs?**

10 **A.** The fact that QFs are treated differently increases the chances that they will be unable to
11 build their projects simply because of a Cluster Study approach rather than a Serial
12 Queue approach when they are not reimbursed for their interconnection costs. For
13 example, the Queue Reform has shortened the time for an interconnection customer to
14 secure the funds to pay deposits and study costs. A QF will need to obtain financing to
15 make these investments in a very short time period, which will be particularly difficult
16 for smaller interconnection customers. The QF will not be reimbursed for their
17 interconnection costs, and it has to make critical and risky decisions in a shorter time
18 period.

19 My main point is that the Queue Reform design is better suited for larger, well-
20 financed independent power producers and facilities owned by utilities. Its design does
21 not account for a QF's business model. An important aspect of PURPA is to assist
22 smaller, less sophisticated, and more difficult-to-finance state jurisdictional
23 interconnection customers. While I believe that there are reasonable ways to change the

1 Queue Reform to work for all projects, I am not making those recommendations here.
2 Instead, I recommend that the Commission consider the impacts of the Queue Reform
3 when setting policy on cost responsibility for network upgrades and the ability of QFs to
4 select ERIS.

5 **Q. Does this harm all non-QF interconnection customers in Oregon?**

6 **A.** Yes. Oregon jurisdictional QFs will be more likely to withdraw and not be constructed
7 because they are not reimbursed for network interconnection costs. If any
8 interconnection customer withdraws and all interconnection customers are restudied, this
9 will cause delays and increase costs for both state and federal jurisdictional
10 interconnection customers that do not withdraw. This will ultimately increase costs to
11 ratepayers and harm competition.

12 **Q. Therefore, what is your recommendation?**

13 **A.** I recommend that the Commission treat state and federal jurisdictional interconnections
14 the same with regard to the option to select NRIS or ERIS and the cost reimbursement for
15 network upgrades. This similar treatment will benefit state jurisdictional interconnection
16 customers, which are generally smaller and less sophisticated, allowing them to
17 interconnect more easily and mitigate an impediment caused by requiring these projects
18 to meet timelines and pay penalties that are easier for larger and utility-owned projects to
19 manage. This similar treatment will also benefit federal jurisdictional interconnection
20 customers, as they currently risk being harmed because state jurisdictional projects have a
21 higher chance of withdrawing, subsequently causing restudies, simply because of
22 Oregon's interconnection policies regarding Network Upgrades and the utility NRIS
23 mandate.

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V. CONCLUSION

2 **Q. Does this conclude your testimony?**

3 **A. Yes.**