BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1725

In the Matter of	)
	)
IDAHO POWER COMPANY,	)
	)
Application to Lower Standard Contract Eligibility Cap and to Reduce the Standard Contract Term, for Approval of Solar Integration Charge, and for Change in Resource Sufficiency Determination.	)

CROSS RESPONSE TESTIMONY OF

JOHN R. LOWE

ON BEHALF OF THE

RENEWABLE ENERGY COALITION

August 31, 2015

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is John R. Lowe. I am the director of the Renewable Energy Coalition (the "Coalition"). My business address is 12040 SW Tremont Street, Portland, Oregon 97225.

Q. Are you the same John Lowe who previously submitted testimony in this proceeding.

A. Yes.

Q. Please summarize your overall recommendations.

A. I encourage the Commission to consider the evidence presented by non-utility parties that places into question the need to make policy changes in the order of magnitude and with such critical implications that the utility has requested. In the event the Oregon Public Utility Commission (the "Commission") decides that some adjustments to its recently established policies on size threshold for published prices are warranted, it is the Coalition's recommendation that such policy changes be applicable to only the type and size of projects which are presumably creating the immediate concern.

In addition, the Coalition strongly opposes the Idaho Power Company's ("Idaho Power") request to change the Resource Sufficiency Period at this time. It is critically important to maintain a high level of certainty in the Public Utility Regulatory Policies Act's ("PURPA") implementation. Allowing an important element of a yet to be acknowledged integrated resource plan ("IRP") to be used as the basis for avoided cost prices is not consistent with reasonable efforts to

maintain certainty in the power purchase agreement and avoided cost rate setting processes.

II. RESPONSE TO OBSIDIAN AND CYPRESS CREEK RENEWABLES

Q. Please summarize the testimony of David Brown on behalf of Obsidian Renewables and Cypress Creek Renewables.

A. Mr. Brown provides testimony about the actual amount of renewable energy power in Idaho Power's Oregon service territory. Mr. Brown explains that there is very little renewable power generating now, and that very few projects that seek contracts or even sign contracts can be completed. In other words, it has been and continues to be extremely difficult to develop a qualifying facility ("QF") in Idaho Power's Oregon service territory.

Q. How do you respond to Mr. Brown?

A. I agree that the success rate for QFs is extremely low because of the numerous difficulties associated with developing a project, and that the Commission should not rely upon Idaho Power's claims of harm without more definitive evidence. My earlier testimony makes similar points based on my experience working at PacifiCorp.

III. RESPONSE TO STAFF

Q. Please summarize the testimony of Brittany Andrus on behalf of the Commission Staff.

A. Ms. Andrus supports Idaho Power's requests to change its resource sufficiency period, and to lower the size threshold for wind and solar QFs to 100 kilowatts ("kW"). Ms. Andrus opposes Idaho Power's requests to lower the contract term, and to adopt a solar integration charge in this proceeding.

Q. How do you respond to Ms. Andrus?

A. I do not agree with the recommendation to change the resource sufficiency period, or the extreme lowering of the size threshold for published price application for wind and solar QFs to 100 kW. However, if the Commission is going to lower the size threshold, then I agree with Ms. Andrus that it should not be lowered for any resources other than wind and solar. My original response testimony adequately responds to her recommendation to change the Resource Sufficiency Period.

I support her recommendation to maintain the twenty-year contract term for Idaho Power. I do not take a position on the solar integration charge.

Q. Does Ms. Andrus or Idaho Power adequately support a 100 kW cap rather than a different size?

A. No. Assuming for the sake of argument that the size threshold should be lowered, there has been no adequate explanation regarding why 100 kW is the appropriate size. If the size threshold for published prices is going to be lowered, there should be a reasonable argument for why 100 kW versus 1 megawatts ("MW") or 5 MW for example is the appropriate number.

Both in this proceeding and in UM 1610, Ms. Andrus supports requiring certain QFs to have to negotiate their contracts and rates because they are sophisticated developers. I do not believe it has ever been clearly identified, explained or proven that a project developer's ability or sophistication of a project developer magically changes at 100 kW.

Q. Ms. Andrus raises concerns with the size of contracted QFs to Idaho Power's Oregon load. Do you agree?

A. No. I agree in principle that the issue of the amount of operating QFs as compared to load is relevant, but I do not believe that is a significant concern at this point in time. This is something the Commission should monitor.

Staff's and Idaho Power's analysis is based on contracted QFs, and does not analyze the realistic probability of how many of those facilities may become operational. At this point, no solar projects have been completed and only one 3 MW wind facility is operational. I am not aware of any analysis regarding the likelihood that other projects will be completed.

In addition, the comparison is to Oregon load, which masks the fact that Oregon is only a small portion of Idaho Power's operations. The relevant analysis should be whether the Oregon QFs will cause a issue with Idaho Power's overall operations, which they will not. Also, the analysis is based on nameplate capacity, which is not the appropriate criterion for at least solar generation.

I would also like to point out that PURPA has been existence for about thirty five years, and there is only seven projects with 21 MWs of QF nameplate capacity selling electricity to Idaho Power in Oregon. Two of these QFs with about 4 MWs are actually operating in other utility service territories, so only five Oregon QFs with 17 MWs have been able to develop and currently operate in thirty-five years in Idaho Power's service territory. While PURPA has been extremely important for these few projects, PURPA has not removed all barriers to non-utility owned small renewable energy development in Oregon.

Finally, if the Commission's concern is the amount of power compared to Idaho Power's Oregon load, then there are other more narrowly tailored solutions. The Commission could achieve the goal of reducing or slowing the amount of wind and solar QF development without harming all small and community based projects. For example, the Commission could adopt an annual cap on the amount of wind and solar projects that are eligible for standard contract terms and conditions, or change the rule on how close different projects can be located to each other. Lowering the size threshold and contract term are not the Commission's only options, however, these changes appear to be the easiest.

Q. Ms. Andrus supports her position on the grounds that there will be administrative efficiencies between Idaho Power's Idaho and Oregon operations. What is your response?

A. I agree that there would be administrative efficiencies if there were the same policies in Oregon and Idaho for Idaho Power. This is an important consideration when deciding whether to adopt policies for Idaho Power. In the end, the Commission needs to ensure that its policies are best for Oregon and Idaho Power's Oregon ratepayers. Generally the Coalition has supported allowing Idaho Power to maintain many of the policies established by the Idaho Pubic Utilities Commission ("IPUC") for use in Oregon, but should do so in a fair and balanced manner. The Commission does not defer to the IPUC on all issues, and the Commission recently changed its policy and no longer allows Idaho Power to use the IPUC's methodology for setting the avoided cost rates for QFs under the standard contract size threshold. In addition, Ms. Andrus and myself both agree

that consistency with the IPUC's policies do not warrant shortening the standard contract term.

At a minimum, however, Oregon should not adopt more harmful QF policies than the IPUC. Regardless of the Commission's action on size thresholds and contract terms, the Commission should ensure that it does not adopt only the aspects of the IPUC's PURPA policies that hurt QFs.

The IPUC has the shortened the contract term and lower standard contract size threshold for wind and solar QFs, but has at least partially mitigated the harmful aspects of these policies by ensuring that QFs that renew their contracts are paid capacity during the resource sufficiency period.

The IPUC's avoided cost rate setting policy for QFs above the rate eligibility cap uses an IRP methodology. Order No. 33357 at 3. Idaho Power uses a computer model based on the assumptions and inputs in its IRP and the project's individual characteristics to develop the initial rates, which are then negotiated between the QF and the utility. Id. For a new QF, the initial years of the IRP methodology will always have a resource sufficiency period in which the rates do not include capacity payments. This is because the QF is only paid for capacity "at such time as the utility becomes capacity deficient", which almost never includes the early contract years. See Order No. 32697 at 21. This is not dissimilar to Oregon's policy of resource sufficiency rates based on market purchases (without capacity payments), and resource deficiency rates based on a thermal resource (with capacity payments).

The IPUC's and Oregon Commission's policies significantly diverge though in terms of existing projects being paid for capacity in their follow on contracts. The IPUC has adopted a policy that recognizes that existing QFs generally renew their contracts, which reduces the utility's need to purchase new capacity resources. The IPUC explained:

> By including a capacity payment only when the utility becomes capacity deficient, the utilities are paying rates that are a more accurate reflection of a true avoided cost for the QF power. However, we find merit in the argument made by the Canal Companies that contract extensions and/or renewals present an exception to the capacity deficit rule that we adopt today. It is logical that, if a QF project is being paid for capacity at the end of the contract term and the parties are seeking renewal/extension of the contract, the renewal/extension would include immediate payment of capacity. An existing QF's capacity would have already been included in the utility's load resource balance and could not be considered surplus power. Therefore, we find it reasonable to allow QFs entering into contract extensions or renewals to be paid capacity for the full term of the extension or renewal.

Order No. 32697 at 21-22. The IPUC generally reaffirmed that policy in its most recent order lowering the contract term. Order No. 33357 at 25-26.

Q. What does this mean for this proceeding?

A. The Commission should ensure that existing QFs are paid for capacity when they renew their contracts, similar to how the IPUC has addressed the issue of renewing QFs. If the Commission only lowers the size threshold, but does not also ensure that existing QFs are paid for capacity, then renewing QFs will be treated significantly worse in Oregon than they are treated in Idaho. If the Commission is going to rely upon the IPUC's size threshold for standard contract

eligibility, then it should also ensure that the logically related aspects of the policies are also treated similarly, including capacity payments for renewing QFs. For example, a renewing QF above the size threshold in Idaho and Oregon should be paid capacity in both states, or else Oregon QFs will be paid dramatically lower avoided cost rates than in Idaho.

III. CONCLUSION

Q. Does this conclude your cross response testimony?

A. Yes