Before the Public Utility Commission of Oregon

UM 1734

In the Matter of
PACIFICORP, dba PACIFIC POWER,

Application to Reduce the Qualifying Facility Contract Term and Lower the Qualifying Facility Standard Contract Eligibility Cap.

City of Portland

Reply Testimony of Andria L. Jacob

October 15, 2015

Introduction

My name is Andria Jacob. I'm the Senior Manager of Energy Programs and Policy at the City of Portland Bureau of Planning and Sustainability (BPS). I joined the City of Portland in 2005. Since then, I have designed, delivered and overseen a range of successful clean energy programs, including the Multifamily Assistance Program (multifamily weatherization), Solarize Portland and Clean Energy Works Portland (now Enhabit). I have led two attempts at BPS to develop a community solar offering for Portlanders. Currently, the Sustainable City Government program, which includes the goal of doubling installed solar on City facilities, is in my program portfolio. I also serve as the bureau's legislative and regulatory liaison on energy issues. I have been involved in renewable energy policy in Salem since 2011.

BPS develops creative and practical solutions to enhance Portland's livability, preserve distinctive places and plan for a resilient future. BPS collaborates with community partners to provide:

In April, Portland City Council adopted the **2015 Climate Action Plan (CAP)**, which guides the majority of BPS's climate and energy work. The policy objectives and actions contained in the Climate Action Plan provide the basis for the City of Portland's testimony today.

Specifically, **Objective 3** of the CAP directs the City and County to supply 50 percent of all energy used in buildings from renewable resources, with 10 percent produced within Multnomah County from on-site renewable sources, such as solar, by 2030.

The relevant actions that implement this objective include:

> **Action 3A: Electricity supply**
> a) Collaborate with Portland General Electric, Pacific Power, customers and stakeholders to reduce the carbon content in Portland's electricity mix by 3 percent per year.
>
> b) Communicate with utilities and the Oregon Public Utility Commission on the critical importance the City and County place on reducing the carbon content of electricity delivered to the City, County and other customers.
>
> **Action 3B: Installed Solar and Solar Access**
> Add another 15 megawatts of installed solar photovoltaic capacity. Motivate and assist households and businesses throughout the community to install solar. Revisit City solar access policy and regulations, recognizing changing conditions due to the proliferation of residential rooftop solar energy systems.
>
> **Action 3C: Community Solar**
> Support the development of community solar projects that benefit all residents, particularly communities of color and low-income populations.
>
> **Action 3D: Renewable energy policy**
> Participate in statewide policy discussions to expand the market in Oregon for renewable energy, including solar, wind, geothermal, biogas and biomass, and remove barriers to widespread participation in renewable energy programs like community solar.

Solar and Wind Qualifying Facility Development in Oregon Poses Little Risk

David Brown of Obsidian Renewables provides compelling testimony with respect to the amount of wind and solar qualifying facility development (QF) in Oregon. According to data obtained from Pacific Power's interconnection queue, only 22 renewable energy projects (of 215 requests) have been completed and placed in service in 2014 and 2015. These 22 projects represent 80 MW of capacity. (Testimony of David Brown in Support of Joint Response to Motion for Interim Relief – UM 1734, page 5.) In context of PacifiCorp's 10 gigawatt system, this represents a tiny fraction of the generation.

Nor has there been a spike renewable energy interconnection requests, as PacifiCorp claims. Data from Brown's testimony suggest that, in 2014, PacifiCorp received requests for interconnection from 47 renewable energy projects, representing 543 MW of capacity. This represents less aggregate capacity for renewable energy than was requested in each of 2008, 2009, 2010, 2012, and 2013. (Testimony of David Brown in Support of Joint Response to Motion for Interim Relief – UM 1734, page 4.)

Further, Brown's data demonstrate that only about 20 percent of PURPA projects with interconnection requests get built. (Testimony of David Brown in Support of Joint Response to Motion for Interim Relief – UM 1734, page 6 and 8.) Specifically related to solar QFs, there does not appear to be a single solar PURPA project operating in Pacific Power's service territory at the current time.

Based on the data, Pacific Power has not demonstrated the need for such dramatic changes to PURPA in Oregon.

Because PURPA requires the utility to take the power from QFs at avoided costs, PacifiCorp's ratepayers are protected; the avoided cost methodology in Oregon already ensures that ratepayers do not suffer any adverse impacts because by definition, the utility's costs will be no different than if it had not purchased this generation.

Given historical volatility in fossil fuel costs, the long-term nature of PURPA contracts acts as a hedge for Pacific ratepayers. Pacific Power's customers are in a strong position to benefit from — and certainly not be harmed by — the addition of clean, renewable QFs to the company's system.

Shortening the Contract Term Effectively Ends Small-Scale Renewable Energy Development in Oregon

Renewable energy is increasingly competitive and more affordable, but it is still a long-term investment. Shortening the length of PURPA contracts creates uncertainty for investors and makes it virtually impossible for developers to obtain financing.

Over half of the renewable projects that Energy Trust of Oregon has provided incentives for are PURPA projects, including the City of Portland's micro-hydro installation at Vernon Water and a range of other irrigation hydro, solar, and biogas projects. Without the long-term contracts, this entire class of PURPA project would go away. PURPA is a critical tool for spurring the development of these non-utility owned, non net-metered renewable energy projects. PURPA remains important to the City's long-term plans to continue increasing on-site generation at City-owned facilities, including properties potentially in Pacific Power's service territory.

Under PURPA, the states bear responsibility for creating long-term, stable markets for generation assets not owned by the regulated utility. Shortening the contract term for wind and solar QFs is contrary to the intent of the law.

Ratepayers Derive Multiple Benefits from a Competitive Market for Renewable Energy

First and most importantly, customers want clean renewable energy (and specifically, solar) and less coal. National polls repeatedly bear this out.

"Findings from Gallup and Zogby Analytics concur – the public increasingly thinks the nation's future is in renewables and energy efficiency, while they are losing confidence in nuclear and coal."

(http://www.utilitydive.com/news/new-polls-americans-love-solar-more-than-any-other-type-of-energy/386906/)

Polling across Oregon shows the same: "71 percent of Oregon voters support a legislative proposal to transition the state off coal to clean, renewable energy by 2025."

(http://content.sierraclub.org/press-releases/2015/01/new-poll-voters-support-legislation-transition-oregon-coal-clean-energy

Second, competition brings lower-cost generation options to the market. This is good for Oregon ratepayers.

Third, small-scale renewable energy development brings jobs to rural Oregonians and also provides economic development opportunity for Portland firms. A number of Portland-based renewable energy developers depend heavily on PURPA to build projects. The City encourages the Commission to exercise its authority to consider the public interest beyond the narrowest confines of cost of service.

But even if the Commission restrains itself to only considering the narrowest issues of ratepayer impact, then it is imperative that the Commission closely examine Pacific Power's claims of the financial risk to its ratepayers. Pacific's publicly stated comparison of PURPA costs to wholesale market purchases is misleading.

In the Portland Business Journal, a Pacific spokesperson is quoted as saying, "The price our customers pay for 75 MW of currently contracted and operating Oregon wind and solar QFs is approximately double the cost of purchasing the same electricity on the open market," Schwark said. "Our customers paid $14 million for these Oregon QFs in 2014 compared to our market alternative for that same electricity of $7 million, so customers 'overpaid' approximately $7 million."

(http://www.bizjournals.com/portland/blog/sbo/2015/09/pacificorp-cites-lower-consumer-costs-precedent-in.html?ed=2015-09-03&ana=e_sbo&u=ubgrd6zPndhEWFxS5IRQZg0b02247d&t=1441303130)

PURPA costs include all of the costs of building, operating, and delivering power to customers. For an appropriate comparison, market purchases must include the transmission costs, not just wheeling, but the capital cost of the lines, as well as the transaction cost of making the purchase, and the integration cost of

mixing the purchase into the overall grid. Likewise, an appropriate comparison to coal or gas power must not be just the dispatch cost of an existing plant, rather include the capital costs, O&M and decommissioning necessary to have the plant exist and operate.

The Commission should ensure that apples to apples comparisons are being made with respect to PURPA generation versus generation purchased on the open market.
Using the avoided cost methodology, PURPA should always result in lower costs than utility-provided power. PURPA pricing is a benefit to ratepayers, rather than the risk and detriment suggested by the company.

Conclusion
The City of Portland disagrees with PacifiCorp's claims that wind and solar QFs pose an outsized financial risk to PacifiCorp ratepayers. The low success rate of completed, interconnected solar QFs combined with Oregon's avoided cost methodology for taking QF power more than adequately protects PacifiCorp's ratepayers.

PacifiCorp's request to shorten the contract term for small-scale wind and solar QFs will effectively end development of these types of projects because it will make it exceedingly difficult, if not impossible, for developers to obtain project financing. This is contrary to the state's mandate to create a long-term stable market for non-utility owned generation.

The chilling effect of PacifiCorp's request on small-scale renewable energy development runs counter to the spirit and intent of the City of Portland/Multnomah County 2015 Climate Action Plan.

The City of Portland strongly urges the Public Utility Commission of Oregon to deny PacifiCorp's application to reduce the Qualifying Facility Contract Term and Lower the Qualifying Facility Standard Contract Eligibility Cap.