

ORDER NO. 13 378

ENTERED OCT 17 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1664

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

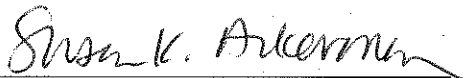
Application to Update Schedule 201
Qualifying Facility Information.

ORDER

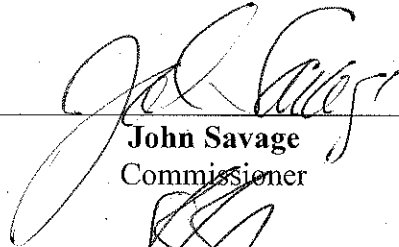
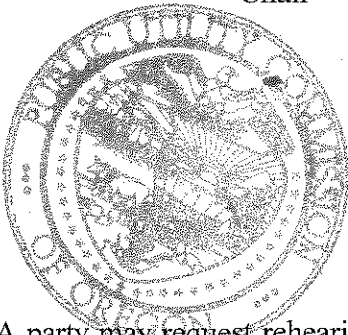
DISPOSITION: APPLICATION GRANTED; PRICES EFFECTIVE FEBRUARY 20, 2014

This order memorializes our decision, made at the October 15, 2013 Regular Public Meeting, to approve the application by Portland General Electric Company to update its Schedule 201 standard avoided costs prices, to be effective February 20, 2014.¹ Staff's report describing the application is attached as Appendix A.

Dated this 17th day of Oct., 2013, at Salem, Oregon.



Susan K. Ackerman
Chair



John Savage
Commissioner



Stephen M. Bloom
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

¹ At the meeting, we acknowledged that our decision in pending docket UM 1610, a generic investigation into issues related to qualifying facilities, might impact this decision.

ORDER NO. 13 378

ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 15, 2013

REGULAR X CONSENT _____ EFFECTIVE DATE October 20, 2013

DATE: September 23, 2013

TO: Public Utility Commission

FROM: Brittany Andrus 

THROUGH: Jason Eisdorfer, Maury Galbraith, and Aster Adams   

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1664) Revises
Schedule 201, Qualifying Facility 10 MW or Less.

STAFF RECOMMENDATION:

I recommend that the Commission approve Portland General Electric's (PGE or Company) avoided cost price revisions in Schedule 201, Qualifying Facility 10 MW or Less.

DISCUSSION:

On July 22, 2013, PGE filed its request to update the Schedule 201 standard avoided cost prices for Qualifying Facilities (QFs) of 10 MW or less, effective August 21, 2013. The Company made this filing subsequent to its June 2013 execution of the Engineering, Procurement, and Construction contract to build the Carty Generating Station (Carty). PGE made a supplemental filing on July 30 that corrected an error, and delayed the requested effective date to October 2, 2013. Staff requested the effective date be extended to after the scheduled September 19, 2013, special public meeting to address requests for investigation of PGE's Request for Proposal process that resulted in the contract to build the Carty plant. Oregon Administrative Rule 860-029-0080(7) contemplates avoided cost updates due to significant changes in circumstances and allows the revisions to become effective 90 days after filing; which in this case would be October 20, 2013.

A separate but related proceeding is Docket No. UM 1610, An Investigation Into Qualifying Facility Contracting and Pricing, which was opened in June 2012. Parties agreed to divide the issues in this docket into two phases, with specific topics assigned to each phase. Issue 3 in Phase 1 is, "Schedule for Avoided Cost Price Updates," with five specific sub-issues. In testimony, the parties generally recommended annual

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updates of certain components of avoided cost as a way to increase the predictability of the timing of avoided cost changes, and to reduce the likelihood of requests for "mid-cycle updates" (those requested outside of the required updates that occur 30 days after acknowledgement of an IRP, or a minimum of every two years). However, an order in Phase I of UM 1610 has not been issued.

To ensure that all interested parties were informed of PGE's filing, Staff's counsel notified the Commission's general service lists for electric and gas that Staff would make a recommendation regarding PGE's application at the October 1, 2013, public meeting. The letter, dated August 29, 2013, requested that any comments be filed by September 13, 2013. The following is a brief summary of those comments.

The Joint Renewables Parties, comprised of Community Renewable Energy Association, OneEnergy, Inc., and Renewable Northwest Project, comment that PGE "seeks to short-circuit the Integrated Resource Planning (IRP) process to implement a single line-item to PGE's load and resource balance to effect a premature and likely inaccurate decrease to PGE's avoided cost rates."¹ They say that the Commission should reject the filing because it would "significantly harm all QFs that rely upon stable and predictable avoided cost update schedules and would pre-judge the issues being litigated in the Commission's on-going generic PURPA investigation...."² They also state, "At a minimum, the Commission should dismiss the application and defer consideration of the controversial issues it raises until after the Commission (and, if applicable, the courts) have resolved all questions regarding the RFP process related to the Carty plant."³

R-Squared Energy, LLC (RSE), states that, "PGE is currently in the process of completing a new Integrated Resource Plan (IRP), and there simply is no down-side to waiting until that process is complete."⁴ RSE submits as an alternative the option of delaying the avoided cost update "until the later of i) January 1, 2014 or ii) such time as PGE's proposed resource acquisition is no longer the subject of pending legal challenges."⁵ RSE also notes that it has expended in excess of \$2.5 million for collecting engineering data and acquiring permits to develop wind projects in Crook and Deschutes counties, and states that if the sufficiency period is extended, those projects may not go forward. RSE states that, "the Commission should delay the effective date

¹ UM 1664, "Comments of Community Renewable Energy Association, Renewable Energy Coalition, OneEnergy, Inc., and Renewable Northwest Project," p. 1-2.

² Id., p. 4.

³ Id., p. 7-8.

⁴ UM 1664, "R-Squared Energy comments, p. 1.

⁵ Id., p. 1.

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of PGE's proposed avoided cost update to ensure that it is consistent with the criteria, factors and data to be specified by the Commission in UM 1610.⁶

Small Business Utility Advocates (SBUA) states that PGE's application is a "good example of the challenges small businesses face in negotiating with utilities,"⁷ and lists several dockets, orders, and documents that are relevant to QFs in the contracting process. SBUA says that, "A decision granting this change especially given the status of the UM 1610 docket would at least be discriminatory toward qualifying facilities."⁸

OneEnergy Renewables (OneEnergy), in comments filed separately from the Joint Renewables Parties, states that for a 1 MW baseload QF, PGE's proposed change would reduce the revenue over the 15-year contract period by 15 percent of its present value. OneEnergy notes that the price reductions are greater in the initial years, stating that the early years are the most critical for project financing. OneEnergy is concerned that the current avoided cost approach allows utilities to pay zero capacity value while pursuing large capacity resource additions.

PGE in its comments objects to the Joint Renewables Parties' characterization of its filing as short-circuiting its 2013 IRP process. The Company says that the submission of an updated sufficiency period is "a conclusion to the 2009 IRP process (as acknowledged in November 2010...)." ⁹ They state that, "The Commission considered PGE's assumptions and analysis and acknowledged PGE's IRP including acquisition of an energy resource meeting the description of Carty," in Order 10-457.¹⁰

A chart comparing the current and proposed on-peak avoided cost prices is shown on page 4. The chart shows the proposed extension of sufficiency period from 2016 to 2021.

⁶ Id., p. 4.

⁷ UM 1664, "Comments of Small Utility Business Advocates," p. 1.

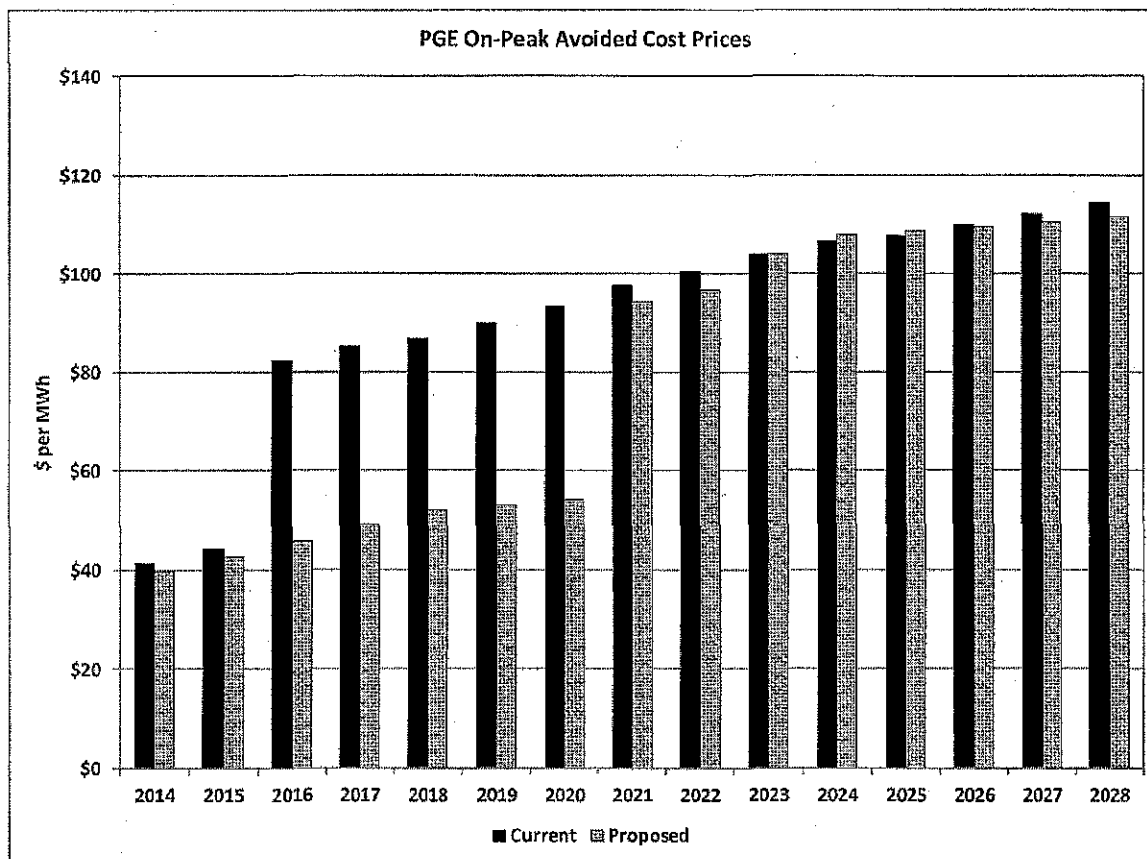
⁸ Id., p. 3.

⁹ UM 1664, "Comments of Portland General Electric," p. 1.

¹⁰ Id., p. 2.

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Figure 1. Current and Proposed On-Peak Avoided Cost Prices.



Staff recognizes the importance of price stability to QF developers, and the value of predictability in the timing of price changes. However, Staff concludes that the contractual commitment to Abengoa to build Carty meets the criteria specified in Order No. 11-505 for “irreversible commitment,” described as, “after the completion of the RFP process and the execution of contracts or awarding of the project to the utility to build for itself.”¹¹

The Commission further stated that, “This approach provides QFs with an objective and easily identifiable date, and is consistent with our finding that the IRP process and IRP Action Plan should provide the foundation for a determination of resource sufficiency. The RFP process is closely linked to the IRP process.”¹² As PGE states, the Carty

¹¹ Order No. 11-505 at 2 (Docket No. UM 1396, Phase II).

¹² Id., p.11.

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contract fulfills an acknowledged resource action item in its 2009 IRP Action Plan. The addition of this resource and the resulting extension of the sufficiency period to 2021 is consistent with current Commission practice. Therefore, I recommend that the Commission approve PGE's revisions to Schedule 201 as filed, to be effective October 20, 2013.¹³

Staff reviewed the calculations used in the updated Schedule 201 and concludes that the inputs are reasonable and the methodology is consistent with its 2009, 2010, and 2012 avoided cost updates, conforming to Order No. 05-584 as clarified by Order Nos. 06-538 and 10-488. Staff performed its own analysis of the total dollar impact for a 10 MW QF, which resulted in a reduction in QF revenue between the current and proposed avoided cost prices of approximately \$10 million, or 11 percent, over the 15-year period (nominal dollars). This amount is reasonably consistent with PGE's estimate.

An alternative to the recommendation above is for the Commission to deny PGE's request to accept the Schedule 201 revisions, without prejudice, in light of forthcoming decisions in Docket No. UM 1610 regarding the appropriate timing of avoided cost updates. Denying the application without prejudice will make clear that PGE is entitled to file updated avoided costs that take into account the execution of the Abengoa contract in a manner and at a time that is consistent with the Commission's order in Docket No. UM 1610.

PROPOSED COMMISSION MOTION:

PGE's avoided cost price revisions to Schedule 201 be approved effective October 20, 2013.

PGE UM 1664 Schedule 201 Avoided Costs.docx

¹³ Allowing the update is also consistent with OAR 860-029-0080(7). OAR 860-029-0080(7) provides: A public utility may propose or the Commission may require a public utility to file the data described in OAR 860-029-0080(3) during the two-year period between filing least-cost plans pursuant to Order No. 89-507 to reflect significant changes in circumstances, such as the acquisition of a major block of resources or the completion of a competitive bid. Such a revision will become effective 90 days after filing.

Staff notes that the last sentence of the rule suggests that an update to avoided costs based on the completion of a competitive bid is mandatory. However, the preceding subsection of the rule provides that "[a]ny data submitted by a public utility under this rule shall be subject to *review and approval* by the Commission." (Emphasis added.)