

ORDER NO. 19-052

ENTERED Feb 19 2019

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2001

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

Investigation Into Interim PURPA Action.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision made and effective at our February 14, 2019 Regular Public Meeting, to adopt Staff's recommendation to open an investigation into interim PURPA action. We request that Staff return to us with a refined recommendation for interim action consistent with option C as outlined in Staff's Report on page 4, taking into consideration the comments provided at and before our February 14, 2019 Regular Public Meeting. The Staff Report referenced here is attached as Appendix A.

Made, entered, and effective Feb 19 2019.



Megan W. Decker
Chair



Stephen M. Bloom
Commissioner



Letha Tawney
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 Circuit Court for Marion County in compliance with ORS 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: FEBRUARY 14, 2019**

REGULAR CONSENT EFFECTIVE DATE Upon Approval

DATE: February 4, 2019

TO: Public Utility Commission

FROM: Ted Drennan and Brittany Andrus
JTB JTB

THROUGH: Jason Eisdorfer and JP Batmale
JTB JTB

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: Request to open an investigation into PURPA implementation and adopt interim avoided cost rates.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (OPUC or Commission) open an investigation into PURPA implementation in Oregon. Staff also recommends that the Commission open and conduct a hearing at the public meeting regarding the need for interim action pending the outcome of the general investigation, and order interim action the Commission finds is appropriate.

DISCUSSION:Issue

Whether the Commission should open an investigation into PURPA implementation in Oregon. Whether the Commission should either adjust the standard renewable avoided cost price or the eligibility cap for standard prices, pending the outcome of the investigation. Whether the Commission should require utilities to provide certain information regarding transmission systems to QFs.

Applicable Rule or Law

Under ORS 756.515(1), whenever the Commission believes that an investigation of any matter relating to any public utility or telecommunications utility or other person should be made, the Commission may, on its own motion, investigate any such matter.

Oregon Public Utility Commission Staff
February 4, 2019
Page 2

Analysis

Introduction

The Commission has previously identified several PURPA implementation issues that should be addressed in a general investigation.¹ The latter part of this memorandum will discuss Staff's recommendation to open a general investigation into PURPA implementation issues and Staff's proposed schedule for the investigation. The initial part of this memorandum identifies actions the Commission could take immediately, pending the outcome of the general investigation, if the Commission concludes action is necessary to maintain the customer indifference standard or to facilitate an efficient and fair interconnection process for QFs.

January 31, 2019 workshop

On January 31, 2019, the Commission held a workshop to hear stakeholder comments on issues related PURPA implementation. Prior to the workshop, the Commission sent a letter to stakeholders directing them to address the following three questions:

- (1) What are the key characteristics of successful future PURPA implementation in Oregon?
- (2) What are the top two PURPA implementation issues the Commission should address?
- (3) Should the Commission make interim changes to PURPA implementation while it undertakes a broader review?

Several stakeholders provided presentations and comments at the January 31 workshop. All commenters discussed implementation issues most important to them and some discussed possible interim actions. The implementation issue brought up by a majority of the non-utility commenters is the high cost of interconnection and difficulty in obtaining interconnection agreements. The implementation issue identified by the three utilities is the disparity between the utilities' actual avoided costs and avoided cost prices and the harm this caused to ratepayers.

Other issues identified by various non-utility commenters include the need to:

- Allow existing QFs a period of at least three years between contract execution and the scheduled commercial on-line date for a new contract;
- Include capacity payments in the early years of an existing QF's new contract when sufficiency period pricing is effective;
- Provide QFs the flexibility to improve a generation facility between contract execution and the commercial online date and during the term of the contract;
- Include avoided transmission costs in PacifiCorp's avoided cost rates;
- Include capacity payments in all years of a contract;
- Ensure predictability in establishing avoided cost prices and policies; and
- Determine avoided cost prices that accurately reflect the costs avoided by purchase of generation from small hydro facilities.

¹ See Order No. 18-422.

Oregon Public Utility Commission Staff
February 4, 2019
Page 3

Few commenters presented specific proposals for interim action, but most urged the Commission to address their identified issues in the near term pending the outcome of a general investigation. With respect to specific proposals, Idaho Power urged the Commission to immediately lower the eligibility cap for standard rates to the minimum required under PURPA, which is 100 kW. Idaho Power noted that this interim relief is needed to prevent a "run on the bank," meaning an influx of requests for standard contracts in anticipation of new PURPA policies at the conclusion of the general investigation.² In support of its proposal to reduce the eligibility cap for standard contracts, Idaho Power provided the following pricing comparison, as well as other facts related to QFs on Idaho Power's system:

- Average cost of PURPA generation for the 2018 PCA Year was \$62.36 per MWh
- Average market purchase price for the 2018 PCA Year was \$26.03 per MWh
- Average market sales price for the 2018 PCA Year was \$16.48 per MWh

PGE also urged the Commission to immediately lower the eligibility for standard rates to 100 kW. In addition, PGE asked the Commission to immediately adjust the avoided cost prices to equal the real levelized cost of energy (RLCOE) from its most recent competitive procurement. In the alternative, PGE asked the Commission to adopt standard contract provisions including financial protections for failure to meet COD and binding project schedule milestones (EPC contract, permits, financing and ground breaking).³ In support of its proposals, PGE noted the disparity between prices for non-PURPA resources and avoided cost prices as well as the significant amount of contracted-for QF generation on its system as well as the significant amount of QF generation in the queue.

Staff analysis of possible interim actions

Staff developed the following goals to guide the types of interim measures that should be taken:

- Ensure standard avoided cost prices meet the customer indifference standards.
- Increase the transparency of interconnection process to the extent possible.

Avoided cost prices - Information presented by PGE and Idaho Power show that standard avoided cost prices are higher than the costs the utilities would incur if they obtained generation from a source other than a QF. The potential harm to ratepayers from long-term contracts at prices that are higher than actual avoided costs is significant. This is particularly true if a general investigation into PURPA implementation precipitates a spike in requests for standard contracts by QFs anticipating that the investigation will result in prices or policies they believe are less favorable than those currently in effect.

If the Commission concludes that the utilities' avoided cost prices exceed the prices they could actually avoid and that this poses significant ratepayer harm, the Commission could take one of two alternative actions to protect ratepayers: adjust the standard avoided cost rates to be more consistent with actual avoided costs or lower the eligibility cap for standard rates for all QFs to 100 kW pending updates to avoided cost prices in the utilities' May 1 annual update.

² Idaho Power Company PURPA Power Point Presentation.

³ PGE PURPA Implementation Power Point Presentation, p. 9.

Oregon Public Utility Commission Staff
 February 4, 2019
 Page 4

Staff recognizes that either option disrupts developers' expectations. However, the potential harm to ratepayers from a significant amount of generation contracted for at rates higher than avoided costs may warrant the disruption.

Interconnection costs – Comments provided by multiple developers reflect the QF community is having significant problems in securing interconnection agreements with utilities. Possibly the most significant problem is the high cost of interconnection. Staff does not believe sufficient information supports immediate changes to the allocation of interconnection costs. However, Staff believes requiring additional transparency for QFs could be done immediately to attempt to ameliorate some of the difficulty QFs are having with the interconnection processes and also, to facilitate investigation of interconnection costs and their allocation in the upcoming investigation.

While Staff believes all issues raised by commenters should be investigated in the general investigation Staff did not find any other interim measures are appropriate. Staff notes, however, that the issue related to an existing QF's right to enter into a new contract years before the expiration of the current contract was addressed by the Commission in Order No. 18-422. In that order, the Commission clarified that all QFs have the right to select a scheduled commercial on-line date up to three years from the date of contract execution or LEO. Accordingly, it is not necessary to take interim action to address this concern.

Interim Measure #1 - Avoided Cost Update

Options

Staff is aware of the controversy surrounding avoided cost updates. When parties are aware avoided costs will fall there is likely to be an increase in QF activity and possibly, requests for multiple contracts that are speculative in the anticipation of declining rates. That being said, Staff also recognizes the importance of certainty in any avoided cost update, including the timing associated with these updates. Keeping these conflicting goals in mind Staff presents three potential paths for treating avoided costs and QFs while the proposed investigation is underway. These paths are:

Path	Name	Activities
A	Status Quo	Do nothing new. Follow existing procedures including the regularly scheduled May 1 update to avoided costs.
B	Enhanced May Update with Temporary Cap	Require utilities to file 'enhanced' updated avoided costs as scheduled on May 1, while temporarily limiting the QF eligibility cap for standard prices to 100 kW starting immediately, and ending upon approval of the updated avoided costs.
C	Immediate Enhanced Update	Require utilities to file 'enhanced' updated avoided costs that are effective immediately (or as soon as feasible).

Oregon Public Utility Commission Staff
February 4, 2019
Page 5

All parties are familiar with Option A. These annual updates have been included since 2014.⁴ The problem with the status quo approach is that it does nothing to limit the potential for speculative projects, nor will it bring avoided cost prices more in line with current market trends.

Option B offers a two pronged approach. First the eligibility cap would be lowered to 100 kW for standard avoided cost pricing, in line with FERC minimum requirements. This approach recognizes the potential for a rush of new, potentially speculative QFs that has in the past accompanied avoided cost changes. Allowing 100 kW eligibility for standard pricing will offer continued opportunities for the smaller QFs. All QFs up to 10 MW would remain eligible for standard contracts, as is current practice.

The second part of the approach would be to require utilities to file 'enhanced' avoided cost updates as regularly scheduled on May 1. The enhanced updates are covered in more detail below, but in short, these would be based on publicly available information presented in the current utility IRPs for select elements (listed in the following section). These updates would be more in line with current avoided resource cost expectations, and offer an opportunity for stakeholder participation in the process. The utilities would use the avoided cost models currently in effect until updated costs are approved.

Option C would require the utilities to file an 'enhanced' avoided cost update as soon as possible, instead of on May 1. The Commission would direct the utilities to update only certain avoided cost elements. This option would offer a more limited opportunity for stakeholder participation in the avoided cost development process, but would avoid the need for a temporary eligibility cap, like Option B. Under this option Staff would recommend a seven day period for the utilities' compliance filings, to be effective after a one-day Staff review to ensure the enhanced avoided cost update was done correctly. All QFs up to 10 MW would remain eligible for standard contracts, as is current practice.

Either of Option B or C would accomplish Staff's goals of minimizing the current time lag in avoided cost pricing and of also avoiding a rush of new, speculative projects, as such Staff is open to implementing either. Option B would allow for higher level of transparency for all stakeholders.

Enhanced Avoided Cost Methodology

Per the existing process, the next avoided cost update in May will most likely have very little new data in it; mostly reflecting analysis from the previously acknowledged IRPs. Given the state of PURPA in Oregon, Staff explored a few different methods for combining the May avoided cost update methodology with more up-to-date numbers. The first two methods Staff explored used data from the PGE and PAC's most recent request for proposals (RFPs). The third possible method relied instead on recent, publicly available data. The table below summarizes the pros and cons of each method.

⁴ As required in Order No. 14-058 at 32.

Table 1: Pros and Cons of Potential Enhanced Avoided Cost Update Options

Enhanced Method	Description	Pros	Cons
1	Use cost from winning bid in most current RFP	Representative of a market-based price.	<ul style="list-style-type: none"> - Lack of transparency due to data's high-confidentiality designation. - Bids assessed based on price and non-price factors, including value to the system and risk due to transmission access.
2	Use average costs from short-listed bids in recent RFPs	Representative of a market-based price.	<ul style="list-style-type: none"> - Lack of transparency due to data's high-confidentiality designation. - Not all bids on short-lists able to get to utility system. - Multiple technologies offered, selection of bid subset could be controversial. - Potential modeling issues to conform data to utility avoided cost models.
3	Use preliminary resource cost data from the 2019 IRPs in progress.	<ul style="list-style-type: none"> - Transparent approach. - Ease of modeling. - Use of current data that better reflects current market prices. 	<ul style="list-style-type: none"> - IRP modeling inputs, while known, have not been fully vetted yet in IRP process. - Without timing or size considerations could create a rush of new applications, as QFs would seek to "lock-in" a higher rate.

Staff determined the third method would be best for conducting an enhanced avoided cost update as part of this investigation. This determination was driven by several facts. First, the data from the RFPs still remains highly confidential. Second, while the resource cost estimates may not be exactly equal to final costs used in IRP portfolio analysis, the estimates have been available to stakeholders for some time and Staff believes any variations from these estimates are likely to be minimal.⁵

Staff believes only the following elements should be updated as part of the enhanced avoided cost update. Again, we would recommend using recent, publicly available data in the current avoided cost model.

- Capital costs of the avoided resources (SCCT, CCCT, and wind)
- Fixed operations and maintenance (O&M) costs
- Capacity factors for the avoided wind resources
- Updated current forward electricity and natural gas prices (this element is included in May 1 update).

⁵ PGE 2019 IRP Draft Supply Side Option Summary Information (Source: HDR), October 5, 2018. PacifiCorp Supply Side Table, September 27, 2018, Public Input Meeting.

Oregon Public Utility Commission Staff
February 4, 2019
Page 7

Staff selected the above inputs as part of the enhanced update for several reasons. First, the lag between the resource cost inputs to IRPs and the post-IRP acknowledgment creates significant differences between the utility's actual avoided costs and the avoided costs in QF contracts. Historically avoided cost updates were more focused on thermal resource costs. The magnitude of these cost changes was much smaller than renewable cost changes seen today. The current practice, used in a period of rapidly changing technology costs, has exacerbated the impact of the lag. Second, these resource cost estimates were provided several months ago in the 2019 IRP development process (see above) and therefore accessible to stakeholders.

Indicative Results using Updated Inputs in an Enhanced Avoided Cost Update

Staff performed a preliminary analysis to understand the ramifications of an enhanced approach to updating avoided costs. Staff's analysis used the capital, fixed O&M and wind capacity factors from utility estimates used for the ongoing 2019 IRPs as inputs to each utility's respective avoided cost model. The results showed that avoided costs would generally be lower, by differing amounts for each utility.

There are several limitations to this preliminary analysis, such as changes to resource cost components between the 2017 IRPs and the 2019 IRPs in progress. Additionally the models likely will need adjustments to account for interrelated factors such as taxes and payment factors. Finally, Staff did not request updated forward electric or natural gas prices from the utilities

Interim Measure #2 – Better Understanding of Interconnection Issues

In the long-term, Staff believes a much higher level of transparency is necessary in the regulatory process related to QF interconnections. This would include highly specific geographic information related areas with high penetration rates of distributed energy resources or areas of transmission constraint. Staff also believes that the Commission's future investigation into distribution system planning will empower developers with such tools as hosting capacity analysis.

Staff believes there are interim measures that can be implemented without moving into complex jurisdictional issues and broad concerns about overhauling the interconnection process in Oregon. Staff envisions the adoption of interim interconnection process recommendations to address the need for basic information about the utility's system. Staff goals would be for information to be made available to developers that provides some insights into locations where interconnection costs (for system upgrades) may likely be required to accommodate any new generation. The provision of a limited set of data would assist the development of new projects during the broader investigation.

Staff calls for utilities to begin making available to any future QF project application the following information by May 1, 2019:

- Feeder data;
- Feeder nameplate capacity; feeder age; the capacity of currently interconnected distributed energy resources at the feeder; previously conducted studies at the feeder;

Oregon Public Utility Commission Staff
February 4, 2019
Page 8

- Substation data;
- Substation nameplate capacity; substation age; the capacity of currently interconnected distributed energy resources associated with the feeder; previously conducted studies at that feeder;
- OASIS information; and
- Summary of studies available on OASIS for projects of a similar size and in the same geographic location.

General investigation into PURPA implementation

The Commission has previously identified several PURPA implementation issues that should be investigated. In Docket No. UM 1794, *PacifiCorp Investigation into Schedule 37 Avoided Cost Purchases*, the Commission noted that "the events in this case have served to expose important questions worthy of examination in their own right and have caused us to review some policy gaps in how setting avoided costs is informed by our IRP and RFP processes...We acknowledge a need to address, among other matters:

1. Challenges in using resource deficiency date for avoided cost purposes, including when the IRP deficiency date outside the action plan window, or when utility pursues a resource action/RFP without IRP acknowledgment; and
2. Avoided cost implications where a utility is pursuing near-term capacity investments not driven by reliability, RPS, or load-service needs.

...we will schedule a Commission workshop to allow a broader discussion of these issues to help identify the scope of issues and the best procedural path forward to address them."⁶

In Docket No. UM 1729, PacifiCorp asked the Commission to suspend the requirement to offer two avoided cost price streams, noting that the renewable avoided cost price stream had lower prices than the non-renewable avoided cost price stream and that renewable QFs would receive a windfall if they were allowed to select the higher non-renewable avoided cost price stream and keep the RECS associated with their generation. The Commission denied the motion for emergency relief, but noted it intended to examine whether it remains appropriate to have both a renewable and non-renewable avoided cost price stream:

PacifiCorp's motion correctly observes that many elements of our avoided cost methodology are based on the supposition that renewable energy is generally more expensive than nonrenewable alternatives. We find that PacifiCorp has presented significant policy questions regarding our determination in Order No. 11-505 to offer renewable QFs access to their choice of pricing options, which should be addressed in the new comprehensive proceeding.⁷

⁶ In the Matter of PACIFICORP, dba PACIFIC POWER, Application to Update Schedule 37 Qualifying Facility Information (UM 1794); Order No. 17-239, p 3.

⁷ In the Matter of OBSIDIAN RENEWABLES LLC Petition to Amend OAR 860-029-0040, Relating to Power Purchases by Public Utilities From Small Qualifying Facilities (AR 593); Order No. 18-289, p. 6.

Oregon Public Utility Commission Staff
February 4, 2019
Page 9

And, in its order adopting rules in Docket No. AR 593, the Commission noted that it adopted rules to codify the Commission's current policies but stated its intent to investigate "broader questions regarding our overall implementation of PURPA, which we expect to address in further proceedings to investigate PURPA implementation in Oregon."⁸

Purpose of the Investigation

As the examples above detail, aspects of PURPA implementation in Oregon should be evaluated to ensure a more fair, efficient, transparent and timely PURPA process. This proposed investigation would bring parties together to examine the broad framework for how the state collectively achieves the goals for PURPA in Oregon. The eventual results of this broad review could include revised standards (where needed) to protect both ratepayers and QF developers, more transparent avoided cost update methodologies, and clearer contracting guidelines.

Workshops

Staff is proposing to hold two workshops to discuss the breadth of the investigation with Stakeholders. In preparation for these workshops Staff will prepare a series of questions for Stakeholders responses regarding the investigation scope. These questions would be posted on the Commission website on February 19.

The initial workshop would be held on March 5 2019, two weeks after the questions are posted. At this meeting parties will discuss responses to the posted questions, while looking for areas of agreement on specific issues as well as alignment around proposed scoping. These responses, and discussion will feed into a white paper Staff will develop to help guide the investigation. Staff will post a draft of the white paper on March 29, prior to holding a second workshop.

The second workshop would include participation of the Commissioners and be held on April 25. Staff anticipates the Commission would help determine the scope of the docket, and approach to include in Staff's white paper. This final white paper will be completed and posted on May 14.

Staff whitepaper

As mentioned above, Staff will develop a white paper to guide the investigation. Of special interest will be identifying issues early in the process that may be fast tracked because they are not complex, versus those that may take more time for discussion. Staff would like to resolve as many issues as possible with stakeholder discussions and report as such in the white paper.

Input from stakeholders will be incorporated along the way, and in the final white paper presented to the Commission at a future public meeting in early Q2. Staff would request the Commission approve the findings in the whitepaper, as well as the process to continue to move this investigation forward. This white paper would include an issues list, and party's respective positions. Staff envisions a phased approach to addressing issues identified by parties and approved by the Commission. This PURPA investigation may also overlap with the Generic Capacity investigation Staff has been directed to open before by April 23.

⁸ Ibid at 11.

Oregon Public Utility Commission Staff
February 4, 2019
Page 10

Sampling of Issues to be considered in scoping a PURPA investigation

Below is a sampling of issues that Staff believes should be considered in scoping of any future PURPA investigation. Many of these were mentioned at the January 31 SPM. This is not an exhaustive issues list, Staff will work with stakeholders to develop a suggested list for consideration at the proposed Commission workshop.

Pricing and Processes for Baseload Renewable Resources

Baseload renewable QFs are generally either micro-hydro or biomass projects. These resources are dispatchable and flexible. The state's current avoided cost methodology and associated standard contracts may not adequately recognize and compensate such baseload renewable resources. Further, Staff believes there are potentially quantifiable, non-energy benefits of baseload renewable QFs that enhance the grid – providing ratepayer value – that may not be fully captured in the state's current avoided cost methodology.

To more appropriately harness the dispatchability and better reflect the value of baseload renewable QFs to the system, Staff recommends that the Commission's ongoing PURPA investigation explore the standard contracts, operational interaction between utilities and baseload renewable projects, and the associated avoided cost methodology for these baseload renewable resources.

Appropriate Pricing Approach

Avoided costs rates generally lag prices experienced in the market place. The current requirements for updating avoided cost prices using acknowledged IRP data can lead to distinct pricing lag in the marketplace allowing for substantial arbitrage opportunities. The intention of PURPA was to give independent power producers access to the system while providing ratepayers access to energy at prices they were indifferent too, and, thereby increasing market efficiency, and stimulating competition.

Recent utility practices for acquiring Major Resources (100 MW or larger for a period of five years or longer) has not matched with the determination of their resource sufficiency/deficiency demarcation. That is, utilities have looked to acquire resources well before they are needed based on economic principles. QFs however have not been compensated for capacity value during these early acquisition years. Staff would be interested in exploring transparent processes to update avoided costs that ensure that ratepayer indifference, and equitable treatment for all stakeholders.

Storage

Many of the commentators at the January 31 SPM raised issues related to QF projects and potential interaction with storage facilities. It is Staff's understanding that currently utilities treat the nameplate capacity of a generator co-located storage to be the combined total of the nameplate capacity of the generator and the nameplate capacity of the storage. That is, a three MW solar facility with a two MW battery would be considered a five MW project, and ineligible for standard prices. Staff would like to examine the ramifications of this policy, and whether an alternative approach might be warranted.

Oregon Public Utility Commission Staff
February 4, 2019
Page 11

A related issue is the availability of renewable pricing for renewable resources collocated with storage. There is concern that resources with such arrangements would be unable to receive renewable rates, and would be required to take the non-renewable price stream. It is unclear to Staff why such projects would not be eligible for renewable rates. Staff recommends the Commission's investigation examine any interaction with the creation of RECs couple with the storage of the associated energy.

Staff would also like to explore the value of storage, and rates paid to such QFs. If storage allows intermittent resources to behave more like dispatchable resources the payments should recognize this value. This could be examined in the current investigation, or in the upcoming capacity investigation as directed by the Commission in Order Nos. 19-021, 19-022 and 19-023.⁹

Existing QFs

Another issue raised at the January 31 SPM was the ability of existing QF customers to enter into new agreements prior to the expiration of their current contract. Developers were concerned about their ability to finance improvements to their facilities without having a signed extension from the utility. Order 18-422 established a three-year window for signing power purchase agreements prior to commercial online date.¹⁰

Existing QFs generally will not receive capacity value when they renew contracts as the utility will be in a resource sufficiency period. Current QF projects believe an early renewal will allow for them to receive the appropriate capacity value associated with the resource deficiency period.

Interconnection

Staff would like to examine issues related to interconnection costs. Commentators at the SPM had many issues with the current utility practices as related to interconnections. Staff would like to address these concerns in the investigation.

Legally Enforceable Obligation

As discussed above, Staff is concerned with the current implementation of PURPA in Oregon as it relates to LEOs. As a practical matter, a QF that has an executed contract or LEO does not owe the utility any damages if the QF fails to achieve commercial operation. This gives QFs a free put option, speaking in financial terms. It appears there may be an abundance of speculative QFs requesting contracts that may not materialize. If true there may be changes necessary to the process to obtain a LEO.

Terms and Conditions

Any investigation should look to the current terms and conditions in the utilities' standard contracts. The goal for such an examination would be to ensure the current structure

⁹ From Order No. 19-023 at 25: Staff open and provide a proposed scope for a general capacity investigation no later than April 23, 2019.

¹⁰ Order 18-422 at 11.

Oregon Public Utility Commission Staff
February 4, 2019
Page 12

represents the appropriate coverage for risks born by the QF and utility. Staff has highlighted some of the potential issues already, including those associated with existing QFs, and LEOs.

The process of obtaining a standard contract should also be examined. QFs have raised issues related to the slow contracting processes. An efficient contracting process should be part of any PURPA implementation investigation.

Conclusion

Staff's analysis above shows the need for an investigation into PURPA implementation in the state of Oregon. There is also reason for updating the current avoided cost rates to avoid queuing additional speculative QFs. Additionally, Staff believes transparency of the interconnection process can be improved now, outside of the proposed investigation. The proposed investigation will examine the myriad terms and conditions in QF contracts.

PROPOSED COMMISSION MOTION:

Staff recommends the Oregon Public Utility Commission open an investigation into PURPA implementation in Oregon. Staff also recommends that the Commission open and conduct a hearing at the public meeting regarding the need for interim action pending the outcome of the general investigation, and order interim action the Commission finds is appropriate.

OPUC PURPA 2.0