ORDER NO. 19-172

ENTERED May 13 2019

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1610

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation into Qualifying Facility Contracting and Pricing.	ORDER

DISPOSITION: UPDATES ADOPTED

I. INTRODUCTION

Phase I of this docket included discussion of whether the costs associated with third-party transmission used to move a qualifying facility's (QF's) output in excess of local load from a "load pocket"[1] to another load area on a utility's system should be included in the calculation of the avoided cost prices paid to the QF, or otherwise be accounted for in the QF's power purchase agreement (PPA). In Order No. 14-058, we concluded that any costs imposed on a utility by a QF in excess of the utility's avoided costs must be assigned to the QF based on the Public Utility Regulatory Policies Act's (PURPA's) avoided cost principles.[2] We also determined, however, that Staff and the other parties had not fully addressed *how* to calculate and assign the third-party transmission costs attributable to a QF. These questions were deferred to Phase II of these proceedings.

In the second phase of this docket, informal discussion among the parties preceded a formal procedural schedule. PacifiCorp dba Pacific Power (PacifiCorp) filed opening testimony pursuant to the schedule, but filed a motion shortly thereafter requesting that

[1] *See* Order No. 14-058 at 21 (Feb 24, 2014) ("Pacific Power's entire service territory is non-contiguous, and interconnected in places by third-party transmission. Pacific Power calls these areas that are reliant on third-party transmission "load pockets," and we will adopt this phrase * * *).

[2] *Id*. at 22 *footnotes omitted* ("* * * we conclude that any third-party transmission costs incurred by a utility to move QF output from the point of delivery to load would be costs that are not included in the calculation of avoided cost rates in standard contracts, and therefore are costs that are additional to avoided costs * * * we conclude that any costs imposed on a utility that are above the utility's avoided costs must be assigned to the QF in order to comport with PURPA avoided cost principles.").

we close the docket or alternatively, direct the parties to submit legal briefing on the appropriate scope of these proceedings. Staff of the Public Utility Commission of Oregon (Staff), the Renewable Energy Coalition (Coalition) and the Community Renewable Energy Association (CREA) opposed PacifiCorp's motion to close these proceedings. Recognizing that we had already determined in Order No. 14-058 that incremental third-party transmission costs had to be assigned to the QF under PURPA, we determined in Order No. 18-181 that we had "effectively precluded PacifiCorp's ability to prospectively discontinue assigning the third-party transmission costs that the company incurs to move QF load out of the company's load pockets."[3] We identified the continuing issue as, "*how* — not whether—a utility should assign third-party transmission costs."[4] While we acknowledged that the need to allocate third-party transmission costs to QFs would likely be limited, we deemed it appropriate to have a mechanism in place to implement the occasional allocation rather than having any third-party transmission costs shifted to customers. We limited the scope of this current phase of these proceedings to evaluating two options[5] that had been identified by the parties:

> PacifiCorp's initial proposal to procure long-term, firm, point-to-point third-party transmission under a transmission provider's OATT for the entire term of a QF's PPA [power purchase agreement] with assignment of the associated costs by PPA addendum to be consistent with PURPA.
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> Staff's modified proposal that PacifiCorp offer a QF locating in a load pocket an option to choose either a price for long-term, firm, point-to-point third-party transmission under a transmission provider's OATT [open access transmission tariff] for the entire PPA term or a price for a long-term, firm, point-to-point third-party transmission that would reset every five years.[6]

[3] Order No. 18-181 at 5 (May 23, 2018).
[4] *Id.*
[5] We also noted that CREA proposed that we adopt Staff's proposal but add an option that would allow a QF to avoid paying for third-party transmission by waiving its right to sell all delivered net output in order to permit limited curtailment by the utility when transmission is unavailable. *See* Order No. 18-181 at 6. As we acknowledged, this option presents significant issues that should be separately addressed. We encourage the parties to continue to consider the underlying legal questions and how they may be addressed in our broad investigation of PURPA Implementation (Docket No. UM 2000).
[6] *Id.* at 5-6.

II. PROCEDURAL HISTORY

A prehearing conference was held on October 18, 2018, at which a briefing schedule was established. The following parties filed two rounds of briefs: Staff; PacifiCorp; the Coalition and CREA jointly filing as the Joint QF Parties (Joint QFs).

III. PARTIES' POSITIONS

A. PacifiCorp's Proposal and Positions

1. PacifiCorp's Pricing Proposal

PacifiCorp proposes to procure long-term, firm, point-to-point transmission when incremental third-party transmission is needed to move QF generation from a load pocket to load on PacifiCorp's system. The costs allocated to the QF for this incremental third-party transmission would be the easily identified, actual costs of transmission charged by the transmission provider, as periodically updated. The costs would be determined separately from the avoided cost rate, and would be captured for each QF on an addendum to the QF's PPA, PacifiCorp states. The addendum "would describe the pass-through of transmission costs paid by PacifiCorp to the third-party transmission provider based on the pricing set forth in the third-party transmission provider's OATT."[7] The company indicates that the addendum and PPA would be executed concurrently, with the addendum covering the third-party transmission costs for the full term of the contract.

Requiring a QF to pay the actual costs that a utility incurs to move the QF's output from a load pocket to load is the best way to protect customers from any risk and keep them indifferent to QF energy as required by PURPA, PacifiCorp argues. Having QFs pay forecasted third-party transmission costs shifts price risk to customers, PacifiCorp asserts, particularly when there is no vetted estimation methodology for such costs. Forecasting another utility's transmission rates is speculative, PacifiCorp declares, and contrasts with forecasting "commodity prices using well established methodologies that have been vetted in numerous proceedings and that rely on observable forward markets and reputable third-party forecasts."[8] In any case, PacifiCorp observes, the Commission recognizes that long-term cost estimates "increase the likelihood of forecasting errors . . .

[7] PacifiCorp Opening Brief at 7 (Nov 29, 2018).
[8] PacifiCorp Reply Brief at 4 (Jan 8, 2019).

thus potentially subjecting ratepayers to costs that exceed a utility's actual avoided costs."[9]

PacifiCorp disputes the claim that a utility is required to provide a fixed price option to QFs under all circumstances.[10] PacifiCorp asserts that "FERC's rules and ORS 758.525 require that the company provide an option for a QF to receive a fixed avoided cost of energy and capacity—not the third-party transmission costs at issue here."[11] Arguments to the contrary are based on the incorrect premise that the third-party transmission costs are part of PacifiCorp's avoided cost of energy and capacity even though the Commission concluded the opposite in Order No. 14-058, stating "any third-party transmission costs incurred by a utility to move QF output from the point of delivery to load would be costs that are not included in the calculation of avoided cost rates in standard contracts, and therefore are costs that are additional to avoided cost."[12]

PacifiCorp indicates that its proposed cost allocation for third-party transmission costs to move QF output from a load pocket to load would also be consistent with: 1) costs for third-party transmission used to move QF output from a point of delivery to load which the Commission has deemed incremental and not part of avoided costs;[13] and 2) third-party transmission costs that an off-system QF pays itself to get output to PacifiCorp.[14] Rebutting the Joint QFs' position, PacifiCorp notes that these off-system QFs have obtained financing without fixed third-party transmission costs.

2. PacifiCorp's Positions Regarding Other Pricing Proposals

Should the Commission decide to offer a fixed price option for third-party transmission costs out of a load pocket, PacifiCorp urges the Commission to not fix prices for the entire term of a QF's PPA. Resetting the third-party transmission pricing every five years will at least reduce customers' exposure to unnecessary price risk associated with the imposition of incremental transmission costs by QFs, PacifiCorp asserts. A periodic update of the forecast is particularly important for third-party transmission expense because there is no established methodology for forecasting this expense, PacifiCorp

[9] *Id.* at 3-4, quoting *In the Matter of Idaho Power Co.*, Docket No. UM 1725, Order No. 16-129 at 8 (Mar 29, 2016).
[10] *Id.* at 5 (Jan 8, 2019), fn. 11 (PacifiCorp states, "*See, e.g.*, [pointing to] Joint QF Parties Opening Brief at 12 (arguing that Section 292.304(d)(2)(ii)).
[11] *Id.* at 5, citing "Joint QF Parties Opening Brief at 12 (arguing that Section 292.304(d)(2)(ii) "enables a qualifying facility to establish a *fixed contract price for its energy and capacity* at the outset of its obligation") (internal quotations omitted) (emphasis added); ORS 758.525 (applies to "avoided costs," which are defined as costs of energy and capacity)."
[12] *Id.*, citing Order No. 14-058 at 22.
[13] *Id.*, citing Order No. 14-058 at 22.
[14] *Id.* at 6, citing "*See* 18 C.F.R. § 292.303(d) (avoided costs do not include transmission costs incurred by off-system QF)."

observes. If the Commission determines that a fixed price option is required, PacifiCorp strongly recommends that fixed period should not be longer than five years.

PacifiCorp agrees with Staff's recommendation that the Commission specify that incremental third-party transmission expense will be allocated to QFs only when a QF locates in a load pocket in which the QF's output exceeds local load and must be transmitted out of the load pocket by third-party transmission to other load. PacifiCorp reiterates that it expects these circumstances will be highly unusual.

PacifiCorp concurs with the Joint QFs that the determination about whether a particular QF requires incremental third-party transmission service will involve a fact-specific inquiry, and agrees to provide copies to a QF of all studies used to determine the need for incremental third-party transmission service. PacifiCorp opposes the other administrative recommendations made by the Joint QFs, however.

PacifCorp finds the recommendation that the company develop and publish a dollar-per-megawatt-hour rate (based on Bonneville Power Administration (BPA) rates) for a fixed price option to be unnecessary as BPA's transmission rates are publicly available giving a QF and the company equal access to information. As all proposed price options involve long-term, point-to-point transmission service, PacifiCorp notes that less expensive transmission options will not be available to QFs and that a generic third-party transmission pricing would, therefore, be inapplicable. As the company's open access transmission tariff already includes study timeliness for transmission service requests, PacifiCorp also refutes the need for the Joint QFs' request that Schedule 37 include a specific process for the determination of incremental third-party transmission needs in load pockets.

PacifiCorp deems the Joint QFs' request regarding continuation of a QF's network resource status upon PPA renewal to be an interconnection issue that is outside the scope of this docket. PacifiCorp contends that the Commission should decline to address the issue in these proceedings.

B. Staff's Proposal and Positions

1. Staff's Proposal

Staff proposes that a QF be offered two pricing alternatives for the third-party transmission that a utility buys to move a QF's generation from a load pocket to load. One price would meet PURPA's requirement that QFs have an option to sell generation at a fixed price determined at a legally enforceable obligation (LEO) formation, Staff asserts. Under Staff's proposal, a QF could opt to be paid a forecasted cost of the third-party transmission that PacifiCorp would purchase over the PPA's full term. The forecasted amount would be documented in an addendum to PPA that is executed contemporaneously with the PPA, Staff states.

Staff proposes a second price alternative that would provide QFs and PacifiCorp with greater flexibility to address load fluctuation, and better balance the interests of ratepayers and QFs. This alternative is based on PacifiCorp's advice, Staff indicates, that a minimum five-year commitment is required to obtain long-term, firm, point-to-point transmission from BPA.[15] Under Staff's second price proposal, a QF could elect to have PacifiCorp acquire long-term, firm, point-to-point transmission in five-year increments, and be allocated a cost forecast for five years. The five-year forecast would also be documented in an addendum contemporaneously executed with the PPA. Before entering into any subsequent five-year contract for transmission, the utility would evaluate whether there is a continuing need to move the QF's output to load, Staff indicates. Only if a continued need is confirmed, PacifiCorp would enter into a new five-year transmission contract and execute a new addendum to the QF's standard contract with a new cost forecast for the subsequent five years. Staff explains that this second pricing option better balances the interests of QFs and ratepayers because PacifiCorp must reevaluate the need for third-party transmission every five years, and ratepayers benefit because requiring the utility to forecast the transmission costs in five-year increments diminishes the risk, or at least the potential for harm, associated with forecasting the costs of transmission service for the entire term of the contract.

For any incremental third-party transmission pricing methodology that the Commission adopts in these proceedings, Staff recommends that Commission specify that it is applicable only in the circumstances described by PacifiCorp in its testimony. Staff states, "PacifiCorp has testified in this proceeding that the 'very specific and narrow context in which the issue of allocating third-party transmission costs arises when a QF wants to locate in a load pocket and PacifiCorp Transmission informs PacifiCorp Energy Services Merchant (ESM) that it can only reliably accommodate ESM's request if the QF power in excess of local load is transmitted out of the load pocket on firm, third-party transmission.'"[16]

[15] Staff Opening Brief at 4 (Nov 29, 2018), citing PAC/1000, Griswold/24.
[16] *Id*. at 5, quoting PAC/1700, Griswold/14.

2. Staff's Position Regarding Other Pricing Proposals

Staff evaluates PacifiCorp's proposal, as a stand-alone option, to be inconsistent with FERC regulation requiring that QFs have the option for a PURPA contract with prices that are fixed at the time of LEO formation.[17] Staff also observes that PacifiCorp's proposal may be unappealing to a QF because it locks a QF into paying for third-party transmission for the entire term of a standard contract, up to 20 years, even though it is possible that a load pocket will disappear at any time. The fact that load and generation balance is subject to change is demonstrated by PacifiCorp's own testimony, Staff observes, when the company explained that the existence of a load pocket changes as load and generation are each added and/or removed.

Staff supports the Joint QFs' recommendation that the Commission provide QFs with three pricing alternatives, by adopting PacifiCorp's pricing proposal as well as both of Staff's pricing proposals. Although a utility's actual avoided costs may diverge from the avoided cost rates paid to a QF, such circumstances should be ameliorated to the extent possible, Staff observes. For this reason, Staff recommends that PacifiCorp be directed to offer all three pricing options. Staff also supports the Joint QFs' recommendations for the imposition of certain administrative requirements, except for one proposed guideline. Staff asserts that a QF designated as a network resource under an existing PPA should not be free from applicable third-party transmission charges when renewing the PPA.

C. Joint QFs' Recommendations

The Joint QFs emphatically argue that PURPA requires every QF to have a fixed price option, even in the rare circumstance of a load pocket. They explain that PURPA provides specific requirements for avoided cost rates, including the mandate that a fixed price be initially available to every QF. FERC has explained, they state, that 18 C.F.R. § 292.304(d)(2)(ii) "enables a qualifying facility to establish a *fixed contract price* for its energy and capacity at the outset of its obligation,"[18] with the lawfulness of such fixed-

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[17] Staff Closing Brief at 2, (Jan 8, 2019). Staff cites 18 C.F.R. §292.304(2)(d) provides, Staff indicates, that each QF have the option to either: (1) provide energy as the qualifying facility determines such energy to be available for such purchases, in which case the rates for such purchases shall be based on the purchasing utility's avoided costs calculated at the time of delivery; or (2) provide energy or capacity pursuant to a legally enforceable obligation for the delivery of energy or capacity over a specified term. For purchases pursuant to a legally enforceable obligation, "the rates for such purchases shall, at the option of the qualifying facility exercised prior to the beginning of the specified term, be based on either: (i) The avoided costs calculated at the time of delivery; or (ii) The avoided costs calculated at the time the obligation is incurred."

[18] Joint Comments of the Community Renewable Energy Association and the Renewable Energy Coalition at 12 (Nov 29, 2018), quoting *Small Power Prod. And Cogeneration Facilities; Regulations Implementing Sec. 210 of the Pub. Util. Reg. Pol. Act of 1978*, Order No. 69, 45 Fed. Reg. 12,214, 12,224 (Feb. 25, 1980).

price rates assumed "even if the fixed-price rate turns out, due to changed circumstances, to be different from the utility's actual avoided costs at the time of delivery."[19] The reason for this requirement, the Joint QFs observe, is that FERC intended to provide QFs with the price "'certainty' necessary to invest in a generation facility in the market controlled by reluctant utility purchases."[20] The Joint QFs further state, "[s]ince 1980, "FERC has 'consistently affirmed the right of QFs to long-term avoided cost contracts or other legally enforceable obligations with rates determined at the time the obligation is incurred, even if the avoided costs at the time of delivery ultimately differ from those calculated at the time the obligation is originally incurred.'"[21] Oregon law also provides that a QF may sell its output at a fixed price calculated at the time of its initial commitment, the Joint QFs indicate.[22]

The Joint QFs refute PacifiCorp's comparison of QFs in a load pocket to off-system QFs with regard to cost responsibility for third-party transmission. An off-system QF pays actual third-party transmission costs to get output to PacifiCorp's system because PURPA does not apply until a QF delivers energy to a utility, the Joint QFs observe.[23] Once a QF's energy is delivered to the purchasing utility's system, however, the QF has the right to compel the utility to purchase the energy at a fixed avoided cost rate, even if the energy needs to be moved by third-party transmission to a different location on the utility's system, the Joint QFs assert. If delivery at a certain location will result in lower avoided costs, the Joint QFs acknowledge that the utility may take the decreased value of the energy at that location into account in calculating *fixed* avoided costs.

Although the Joint QFs object to PacifiCorp's proposal as the *only* price option, they do not object to it being *one* option. The record demonstrates, they argue, that a QF may reasonably conclude that agreeing to pay the actual costs of third-party transmission for some period makes sense because the QF foresees that such costs are likely to diminish or disappear over time. Since a QF may rationally elect real-time pricing, the Joint QFs conclude that it should be a pricing option for them.

The Joint QFs recommend that the Commission direct PacifiCorp to offer a time-of-delivery reduction in addition to fixed-price deduction options. The fixed-price deductions would be determined at the formation of a LEO, the Joint QFs indicate, with the QF able to choose a fixed deduction based on a forecast of the incremental third-party

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[19] *Id.*, citing 18 C.F.R. § 292.304(b)(5).
[20] *Id.* at 13.
[21] *Id.*, citing *Allco Renewable Energy, Ltd. v. Mass. Elec. Co.*, 208 F. Supp. 3d 390, 398-400 (D. Mass. 2016) (quoting *JD Wind 1, LLC*, 130 FERC ¶ 61,127, 61,631 (Feb. 19, 2010), and holding that rate based on unknown, future market prices does not comply with 18 C.F.R. § 292.304(d)(2)(ii)).
[22] *Id.* at 13-14, citing ORS 758.525(2)(b).
[23] *Id.* at 14, citing *Pioneer Wind Park I*, 145 FERC ¶ 61,215, at P38.

transmission costs for either the entire term of the PPA or for five-year increments—after revised studies confirm a continuing need for third-party transmission.

Concerned about the fact-specific nature of determining when incremental third-party transmission is needed and the availability of other options, the Joint QFs urge the Commission adopt certain administrative rules. They assert, "[t]he Commission should provide the same protections to QFs in setting the rate for third-party transmission costs as it does for setting avoided costs generally."[24] The Joint QFs first request that any fixed-price reduction for incremental third-party transmission costs be published and made available with PacifiCorp's avoided cost rate schedule, thereby making it subject to review and challenge along with other avoided costs rate components. As PacifiCorp indicates that BPA is likely to be the third-party transmission provider out of a load pocket, the Commission should approve a rate ($/MWh) of fixed price reduction for each MW of BPA long-term firm point-to-point transmission capacity for different QF resource types. Should another type of third-party transmission be needed at some time in the future, the Joint QFs note that PacifiCorp would need to propose an adjustment to the default BPA long-term firm point-to-point transmission costs.

Second, the Joint QF's request that PacifiCorp's Rate Schedule 37 and standard contract include: 1) an explanation about the applicability of the third-party transmission charge, its determination on a contract-by-contract basis, and information about calculation of the amount; and 2) a statement that PacifiCorp will provide a QF with a copy of studies performed by PacifiCorp Transmission and any third-party transmission providers to determine that incremental third-party transmission is required to integrate the QF's output at the time the determination is made; and 3) a statement that a QF may challenge the determination in a forum with the appropriate jurisdiction to resolve the dispute.

The Joint QFs also request a specification in Schedule 37 and PacifiCorp's standard contract form that a QF already deemed a network resource will not be subject to additional transmission charges—*i.e.*, a network resource QF already making sales to PacifiCorp under an existing PPA will remain a network resource and not be subject to additional transmission costs when the PPA is renewed.

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[24] Closing Brief of the Community Renewable Energy Association and the Renewable Energy Coalition at 8 (Jan 8, 2019).

IV. RESOLUTION

In this order, we address how an electric utility should assign third-party transmission costs incurred to move a QF's output out of a load pocket on a utility's system to load.[25] As we acknowledged in Order No. 18-181, the issue is a general issue that could potentially affect all electric utilities operating in Oregon. All parties agree, however, that the issue currently applies, if at all, to PacifiCorp only and only in limited circumstances on PacifiCorp's system. The allocation methodologies we adopt in this order, therefore, will apply in the near future only to PacifiCorp under particular circumstances.[26]

Although these methodologies may be applied to another electric utility should the same, or nearly the same, conditions arise for that utility, we direct only PacifiCorp, at this time, to file an application with a revised tariff and revised standard contract forms implementing our resolutions. Another electric utility may file an advice letter should a load pocket situation develop in its territory.

There is no disagreement among the parties that QFs located in a PacifiCorp load pocket should have the option for the direct pass-through of actual costs for incremental third-party transmission costs incurred by PacifiCorp to move a QF's output to load—*i.e.*, all parties support adopting PacifiCorp's proposal as *one* option. We direct PacifiCorp to offer, as one pricing option, the procurement of long-term, firm, point-to-point transmission from a third-party transmission provider with publicly available pricing set forth in the provider's OATT, subject to periodic update, and to allocate such costs by an addendum that is executed concurrently with the QF's PPA. By passing on direct rather than forecasted costs incurred by PacifiCorp to deliver a QF's power acquired in a load pocket to load, we recognize that PacifiCorp's customers are fully protected from forecast associated risk. The price changes that may occur at the periodic updates will be the responsibility of the QF in this case. We also acknowledge that a load pocket may be temporary, and that a QF may decide it is best to assume the responsibility for actual, but potentially impermanent third-party transmission costs for some period of time rather

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[25] *See* Order No. 14-058 at 21-22 (Feb 24, 2014) ("To begin, we clarify that this question [Issue 4B asks how the associated costs should be accounted for in a standard contract when QF output is received in a load pocket that is surplus to the load there, and must be transported by third-party transmission to load in another part of the utility's service area.] focuses on *cost* responsibility—as opposed to physical or managerial responsibility—for any third-party transmission that is used to deliver QF output from the point of delivery to load.")

[26] *See* PAC/1700, Griswold/14 ("[T]he very specific and narrow context in which the issue of allocating third-party transmission costs arises when a QF wants to locate in a load pocket and PacifiCorp Transmission informs PacifiCorp Energy Services Merchant (ESM) that it can only reliably accommodate ESM's request if the QF power in excess of local load is transmitted out of the load pocket on firm, third-party transmission.")

than paying third-party transmission costs that are forecasted and fixed at the formation of the LEO and may continue for some period even after a load pocket no longer exists. We direct PacifiCorp to set forth proposed terms and conditions, in the company's initial compliance filing, for the reevaluation of the ongoing need for third-party transmission.

The parties disagree, however, whether the direct pass-through of actual third-party transmission costs is appropriate as the only pricing option. PacifiCorp contends it is, but Staff and the Joint QFs differ, arguing that PURPA requires utilities to always offer an avoided cost rates option that is calculated and known at the formation of a QF's delivery obligation. Based on the latter arguments, we are persuaded that it is appropriate to adopt a second pricing option, and we adopt part of Staff's proposal: when incremental third-party transmission is needed to move a QF's output out of a load pocket to load, a QF may elect to have PacifiCorp procure long-term, firm, point-to-point transmission from a third-party transmission provider in five year increments, with determination of the costs developed on a forecast basis that would be documented in an addendum to be executed concurrently with the QF's PPA.

Prior to the procurement of long-term, firm, point-to-point transmission from the third-party transmission provider for each subsequent five-year period, PacifiCorp will reevaluate whether a need continues for incremental third-party transmission to deliver a QF's energy out of a load pocket to load. We find that this option takes advantage of the minimum five-year commitment required to obtain long-term, firm, point-to-point transmission, and provides QFs and PacifiCorp with greater flexibility to address dynamic load fluctuation, while ameliorating the price risk assumed by ratepayers when costs are forecast. Due to this price risk, we decline to adopt the proposal that a third pricing option be offered that would fix a forecast price for the entire term of PPA. This decision is in keeping with our prior determination that the risks associated with the forecasting of costs will likely increase with the extent of the forecast period.[27]

We note that no party addressed the forecasting methodology to be used to determine upfront the total cost of the five-year third-party transmission cost, other than to indicate that there is no known and vetted approach. We direct PacifiCorp to propose a methodology in the company's initial compliance filing. We advise that the methodology should be based on the transmission provider's published rate at the time a legally enforceable option is formed and for the QF's location. It should incorporate reasonable assumptions about rate changes over the five-year term. PacifiCorp should support the methodology and provide calculation examples. The methodology we ultimately approve will be applied to determine a specific forecast rate for an individual QF that will be

[27] *See In the Matter of Idaho Power Company*, Docket No. UM 1725, Order No. 16-129 at 8 (Mar. 29, 2016).

documented in an addendum to the QF's PPA that will be executed concurrently with the QF's PPA.

With regard to the administrative guidelines proposed by the Joint QFs, we adopt some, but not all. We agree that the methodology for calculating a five-year, forecasted, fixed-price reduction for incremental third-party transmission costs should be published and made available with PacifiCorp's avoided cost rate schedule. We also agree that QFs should be provided with: 1) an explanation concerning the applicability of the third-party transmission charge, its determination on a contract-by-contract basis, and information about calculation of the amount; and 2) a statement that PacifiCorp will provide a QF with a copy of studies performed by PacifiCorp Transmission and any third-party transmission providers to determine that incremental third-party transmission is required to integrate the QF's output at the time the determination is made. Rather than modify Rate Schedule 37 and PacifiCorp's standard contract, we direct PacifiCorp to develop a standard addendum to the company's standard contract that could be individualized, as appropriate, for a particular QF located in a particular load pocket. This standard addendum should also indicate that it is subject to the same rules, including dispute resolution, as the PPA.

We decline to specify that a QF that has been deemed a network resource in the past, before implementation of the policies adopted in this order, will not be subject to additional transmission charges when the QF's PPA is renewed. Concluding that this issue was not properly presented in this forum and was, therefore, insufficiently developed, we defer its consideration. We encourage parties to contemplate how to further address the issue in our broad investigation of PURPA Implementation (Docket No. UM 2000).

V. ORDER

IT IS ORDERED that:

1. Within 60 days of the entered date of this order, PacifiCorp dba Pacific Power will file by application, and serve upon all parties to these proceedings, revised standard contract forms that set forth standard rates, terms, and conditions that are consistent with the resolutions made in this order.

2. The revised standard contract forms shall become effective 30 days after the date of filing, unless otherwise suspended by the Public Utility Commission of Oregon. Prior to the effective date, the standard contract forms shall be considered initial offers.

3. PacifiCorp dba Pacific Power will also file within 60 days of the entered date of this order, a revised schedule that implements the resolutions made in this order.

Made, entered, and effective May 13 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 Court of Appeals in compliance with ORS 183.480 through 183.484.