

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1129

In the Matter of	)	
	)	
THE PUBLIC UTILITY COMMISSION	)	ORDER
OF OREGON	)	
	)	
Staff Investigation Relating to Electric	)	
Utility Purchases from Qualifying	)	
Facilities.	)	

DISPOSITION: MOTION DENIED

**BACKGROUND**

By motion filed April 27, 2007, the Sherman County Court and the J.R. Simplot Company (together "Moving Parties") request that this Commission implement a "supplementary proceeding to review the avoided cost rates" submitted in compliance filings by Idaho Power Company (Idaho Power), PacifiCorp and Portland General Electric Company (PGE). Specifically, Moving Parties ask that the Commission examine the natural gas price forecasts used to calculate avoided costs.

The Moving Parties cite language from Order No. 05-584 where the Commission observed that "circumstances may change to make existing avoided cost rates either too low or too high," and recognized that parties other than the utilities "may wish to address avoided cost rates on an unscheduled basis." We indicated that, under such circumstances, we would entertain a motion to "institute a supplementary proceeding to review a utility's avoided costs." Order No. 05-584, at 29.

Moving Parties argue that the predicate change of circumstances has occurred. They state that a "dramatic and sustained increase in natural gas prices" requires that avoided cost rates be updated.

The current avoided cost rates were set in July, 2005. According to Moving Parties, both PacifiCorp and PGE have updated their natural gas costs, indicating a marked increase in their price forecasts that are used to justify current power supply decisions. Moving Parties infer from their actions that the utilities recognize that the current avoided cost rates are no longer accurate and need to be adjusted.

The current practice requires that the utilities update their avoided cost rates every two years. Moving Parties observe that “it has been nineteen months since the current rates were set.” According to Moving Parties, granting their motion will accelerate the process and assist the Commission in achieving its “overriding goal to accurately assess avoided costs on an ongoing basis.” *See* Motion at 2.

### **REPLIES**

Timely replies to the motion were received from PacifiCorp and Idaho Power. The Commission Staff filed a late response. PGE did not reply to the motion.<sup>1</sup>

PacifiCorp states that it anticipates filing updated avoided cost studies in July, 2007. Given the timing of its planned filing, PacifiCorp argues that initiating an additional supplementary proceeding at this time would be an inefficient use of resources, as it would require PacifiCorp to unnecessarily accelerate its planned July filing with minimal benefits.

Idaho Power states that it will file updated avoided costs this summer – within thirty (30) days of the Commission’s acknowledgement of Idaho Power’s Integrated Resource Plan. Idaho Power argues that initiating a separate proceeding at this time to review one component of avoided cost rates will result in duplication of effort and inefficient use of utility and Commission resources.

Idaho Power argues that higher natural gas prices are only one of many significant factors to be considered, in any event. For example, Idaho Power states that it has recently completed a study of wind integration costs that should be taken into account in setting avoided cost rates paid to wind-powered qualifying facilities. Idaho Power argues that ratepayers will be disadvantaged if the Commission fails to consider all such components at the same time.

Staff opposes the motion. According to Staff, granting the motion would not accelerate the avoided cost filings in a meaningful way, given the current schedule. If the Commission were to grant the motion, Staff agrees with Idaho Power that the review should not be limited to only the gas price component of the avoided costs.

### **DISCUSSION**

We acknowledge that the change of circumstances cited by the Moving Parties may warrant the updated avoided cost filings as contemplated by our discussion in Order No. 05-584. However, we concur with PacifiCorp, Idaho Power and Staff that

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<sup>1</sup> OAR 860-013-0035 provides that “failure to reply . . . shall be deemed a general denial.”

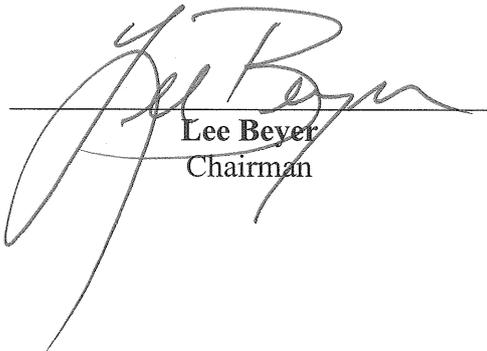
granting the motion is unnecessary, given the current schedule that will have each of the utilities file its updated avoided costs in July, 2007. On that basis the motion is denied.

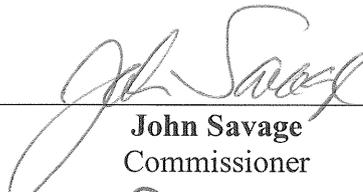
**ORDER**

IT IS ORDERED that the motion filed by the Sherman County Court and the J.R. Simplot Company to institute a supplementary proceeding to review avoided cost rates is denied.

MAY 22 2007

Made, entered, and effective \_\_\_\_\_.

  
\_\_\_\_\_  
**Lee Beyer**  
Chairman

  
\_\_\_\_\_  
**John Savage**  
Commissioner

  
\_\_\_\_\_  
**Ray Baum**  
Commissioner



A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.