ITEM NO. 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 30, 2019

REGULAR X CONSENT ____ EFFECTIVE DATE Upon Approval

DATE: July 22, 2019

TO: Public Utility Commission

FROM: JP Batmale

THROUGH: Jason Eisdorfer **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: (Docket No. UM 2000) Request to adopt a scope and process for the investigation into PURPA implementation in Oregon.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (OPUC or Commission) approve the scope and process for the investigation into PURPA implementation in Oregon in Staff's White Paper included as Appendix A.

Staff recommends that the Commission adopt Staff's proposal for the PURPA implementation rulemaking process through the following actions:

- Open a rulemaking to address templates for standard avoided cost inputs and outputs;
- Open a rulemaking to address procedures, terms and conditions associated with Qualifying Facilities (QF) standard contracts;
- Open a rulemaking led by the Administrative Hearings Division to address dispute resolution for PURPA contracts;

Staff' recommends the following two investigations be opened:

- Open a separate docket to investigate the treatment of network upgrade costs for QFs;
- Open a separate docket to investigate the treatment of QFs in the utility integrated resource planning (IRP) process.

Staff recommends all issues not listed above be addressed in Docket No. 2000.

- To support and expedite the investigation into the avoided cost methodology and process Staff would like to consider using a third party to explore potential updates to Oregon's QF avoided cost methodology. Staff recommends the Commission authorize Staff to issue a request for proposals (RFP) to research and recommend updates to Oregon's QF avoided cost methodology and process.

DISCUSSION:

Issue

Whether the Commission should approve the scope and process of the investigation into PURPA implementation in Oregon.

Whether the Commission should open three rulemakings, addressing avoided cost inputs and outputs, contracting issues, and dispute resolution.

Whether the Commission should open two additional investigations, one into the treatment of QFs in determining network upgrade and cost responsibilities, and another into the treatment of QFs in the utility IRP process.

Whether the Commission should direct Staff to issue an RFP potentially to obtain a consultant to research and recommend updates to Oregon's QF avoided cost methodology and process to expedite the avoided cost investigation.

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.

ORS 756.060 provides the Commission authority to adopt and amend rules relative to all statutes administered by the Commission.

Analysis

Introduction
The Commission issued Order No. 19-051 that opened the PURPA implementation investigation. Appendix A of the Order is Staff's memorandum that laid out the initial steps of the investigation. These steps included two workshops, one with stakeholders and one with stakeholders and the Commissioners to help determine both the scope of the docket and the approach to include in Staff's white paper. The white paper is intended to define the scope and describe the process the investigation. The white paper identified issues that could be fast tracked versus those issues that require a longer process to complete.

White Paper Overview
Following the initial stakeholder workshop, Staff divided the issues into four categories: Avoided Costs, Contracts, Interconnection, and Planning. Staff's initial draft white paper, posted on May 28, 2019, laid out the issues Staff proposes to address in this investigation as well as the processes to address these issues. Parties submitted comments on the white paper on June 7, 2019. Parties filing comments include the Joint Utilities: Idaho Power, PacifiCorp, and Portland General Electric PGE) as well as the QF Trade Associations: Community Renewable Energy

Association (CREA), Northwest and Intermountain Power Producers Coalition (NIPPC), and the Renewable Energy Coalition (REC). As discussed further in the white paper, parties in general were comfortable with the issues raised although there were some concerns about the proposed approach.

The Commission workshop was held on June 11, 2019. At this workshop parties reiterated their filed comments and discussed the issues, the process, and the timing of such processes. Based on this feedback, Staff has adjusted the final recommendations in the white paper as compared to those included in the draft white paper.

Parties filed one additional round of comments on July 9, 2019, following the Commission workshop and posting of the draft white paper. A brief summary of those comments is included in the white paper. In short, the major disagreement was over the process, whether there should be a single contested case process, as advocated by the Joint Utilities, or more of a bifurcated approach as proposed by Staff and supported by the QF Trade Associations. Staff continues to believe a multi-pronged approach is the best way to resolve issues both in the near- and longer-term.

Purpose of the Investigations
Staff's initial recommendations in the draft white paper called for one investigation to examine the treatment of QFs in utility resource planning. Staff notes that this issue has been addressed in multiple settings and believes it could be a relatively direct process. This investigation would examine how utilities' planning should treat both QFs with executed power purchase agreements that have yet to come online as well as existing QFs that may renew their contracts over the planning horizon. Staff sees this investigation as potentially resulting in expanded IRP Guidelines. As such, Staff would like to see how utilities treat QFs in the IRPs currently in the process of being finalized.

After reviewing comments by Stakeholders, Staff now proposes an investigation into the treatment of network upgrade costs for QFs rather than addressing this issue exclusively through a rulemaking. Staff is persuaded that this issue could benefit from a more thorough development of a factual record. Depending on the results of the initial investigation, there could be a subsequent rulemaking, should the Commission decide there is a need for changes to the current process. Staff notes that the Community Solar Program is also considering interim measures to address cost issues associated with small-scale solar projects. As such, Staff would look to that process as potentially informative in the development of the investigation.

Finally, for issues not addressed in the near term, either through investigation or rulemaking, Staff proposes that those issues move forward in the Docket No. UM 2000 process. Specific items to focus on include:

- Appropriate methodology for avoided costs;
- Development of non-standard contracts, and negotiation;
- Lack of progress in interconnection queues; and

- Miscellaneous PURPA issues as raised by parties and not covered elsewhere.

The miscellaneous category could include issues related to storage that are currently before the Federal Regulatory Energy Commission (FERC).

Purpose of the Rulemakings
Staff proposes three rulemakings to address specific issues related to PURPA implementation in Oregon. These rulemakings would bring clarity to the processes involved in pricing, contracts, and dispute resolution.

The first rulemaking would address the process of utility avoided cost filings. Staff suggested, that a more standard format for both the inputs and outputs in the avoided cost filings would be beneficial, and several parties have expressed support for this. Staff believes this process would be best addressed in a rulemaking, starting with informal workshop(s) that establish a better understanding of the required information, and the best way to provide said details. This process could also be informed by the ongoing Docket No. UM 1893[1] process. This would be followed by the formal rulemaking process to specify the process and reference a format.

The second rulemaking would focus on development of standard contract terms and conditions. Parties have commented that more standardized contracts across utilities could be beneficial. Staff has seen instances where the definitions and process may differ across utilities, leading to many complaints. A standardized contract could simplify the process, and eliminate those complaints. Note too, this process could also benefit from the work done in the current UM 1987 docket, PGE's update of its standard contract. Staff would hold informal workshops, and put out a standardized contract strawman for parties to comment on. Eventually rules would be proposed to adopt these standard terms and conditions.

The third rulemaking would focus on dispute resolution. There are many drawbacks to the current complaint process. A primary concern is the amount of time being devoted to complaints. An effective dispute resolution process will streamline the process, bringing efficiency. Staff proposes that this rulemaking be led by the Administrative Hearings Division (AHD) as they have extensive experience with the complaint process. AHD would also likely start with an informal process to see where parties are, followed by submittal of formal rules related to dispute resolution.

Purpose of the RFP
All PURPA stakeholders agree that the development of an appropriate methodology for avoided costs cannot be resolved in the near-term. Staff identified this in the whitepaper as an ongoing, long-term issue to be addressed through docket UM 2000. However, given the central importance of the QF avoided cost methodology and associated process to improving PURPA policy in Oregon, Staff believes it could be beneficial to hire an independent third-party to help

[1] Investigation Into the Methodology and Process for Developing Avoided Costs Used in Energy Efficiency Cost-Effectiveness Tests.

research and make recommendations on updating QF avoided costs. The reasons for this recommendation are threefold:

- **Efficiency**: Utilization of a third-party to research and recommend updates to Oregon's avoided cost methodology and associated processes would allow the Commission to continue to explore this critical element of PURPA policy while Staff implements the various rulemakings and investigations recommended by this memo. While updating the methodology and process around avoided costs has been identified as a long-term issue for UM 2000, Staff does not believe this means the Commission and stakeholders need to wait to begin exploring beneficial improvements. The addition of outside, consulting resources could help expedite the investigation.
- **Expertise**: The third-party consultant could bring advanced resources and knowledge in market design to focus on solutions to address vexing QF avoided cost issues in Oregon. The goal would be for this consultant to provide objective questions, facilitation, and recommendations as part of their comprehensive research.
- **Successful Precedent**: Staff finds that using an outside consultant to develop the Resource Value of Solar (RVOS) methodology was a success. The process to develop the RVOS methodology and its resulting recommendations appear to have been fair, transparent, and innovative.

Conclusion

Staff's analysis above and included in Attachment A, demonstrate the need for investigations, rulemakings, and an RFP to address issues associated with PURPA implementation in Oregon.

PROPOSED COMMISSION MOTION:

Staff recommends the Commission approve the scope and process of the investigation into PURPA implementation in Oregon contained in Staff's white paper included as Attachment A. Staff recommends that the Commission adopt Staff's proposal through the following actions:

- Open a rulemaking to address templates for standard avoided cost inputs and outputs;
- Open a rulemaking to address procedures, terms and conditions associated with QF standard contracts;
- Open a rulemaking led by the Administrative Hearings Division to address dispute resolution for PURPA contracts;
- Open a separate docket to investigate the treatment of network upgrade costs for QFs;
- Open a separate docket to investigate the treatment of QFs in the utility IRP process;
- Develop and release an RFP to help expedite the avoided cost methodology investigation by providing research and recommend improvements to Oregon's QF avoided cost methodology and process.

Staff recommends all issues not listed above continue to be addressed in Docket No. UM 2000.