

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**LC 67**

In the Matter of	)	
	)	
PACIFICORP, dba PACIFIC POWER's	)	RENEWABLE ENERGY COALITION'S
	)	COMMENTS ON STAFF
2017 Integrated Resource Plan.	)	RECOMMENDATION
	)	
	)	
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**I. INTRODUCTION**

The Renewable Energy Coalition (the “Coalition”) submits these comments on Staff’s recommendation regarding Pacific Power’s (“PacifiCorp” or the “Company”) 2017 integrated resource plan (“IRP”). The Coalition is only addressing one issue in these comments: PacifiCorp’s flagrant disregard for the Oregon Public Utility Commission’s (the “Commission”) direction to study the capacity benefits provided by existing qualifying facilities (“QFs”) in the IRP process. Despite the Commission adopting Staff’s recommendation in UM 1610 to evaluate the benefits of the capacity contribution provided by existing QFs and the Coalition raising this issue ad nauseam in both prior rounds of comments,<sup>1</sup> Staff in this case has not even acknowledged the issue, let alone taken a position on whether PacifiCorp should follow its prior recommendations, as directed by the Commission’s UM 1610 order. The Coalition recognizes that the Commission has historically taken an approach of lighter, more hands-off regulation of PacifiCorp than Portland General Electric Company, which

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<sup>1</sup> Re PacifiCorp, dba Pacific Power, 2017 Integrated Resource Plan, Docket No. LC 67, Coalition Comments at 3-9 (Jun. 23, 2017); Re PacifiCorp, dba Pacific Power, 2017 Integrated Resource Plan, Docket No. LC 67, Coalition Comments at 2-6 (Aug. 24, 2017).

allows the Company latitude it is not allowed in Washington or Utah and provides the Company more discretion when implementing the Commission's rules and policies. The Coalition also recognizes that far more significant issues are at play with PacifiCorp's plan to spend over \$3 billion for economic renewable resource acquisitions. The Coalition finds it simply remarkable, however, that Staff is unwilling to even address whether PacifiCorp should be able to ignore a clear Commission directive.

The Commission's order acknowledging PacifiCorp's IRP should not ignore its prior order, but should instead admonish PacifiCorp and require that the Company actually study the capacity benefits that QFs provide, and complete this study prior filing its next IRP.

## **II. COMMENTS**

### **A. Staff and the Coalition Recommended that PacifiCorp Study the Capacity Benefits of Existing QFs in UM 1610**

As explained in the Coalition's prior rounds of comments, Staff and Coalition argued in UM 1610 that PacifiCorp's IRP should calculate the benefits that existing QFs provide because many of them renew their contracts, which reduces the Company's need to acquire new resources. In addition, while many QFs under contract with PacifiCorp are not able to become commercially operational, even these not yet operating QFs provide at least some capacity value. If PacifiCorp were not able to rely on any QFs (both existing and future projects), then PacifiCorp would need to replace those projects, which would result in an earlier need for energy, capacity and renewable portfolio standard acquisitions.

In UM 1610, Kevin Higgins on behalf of the Coalition, the Community Renewable Energy Association, Obsidian and OneEnergy recommended that PacifiCorp

be required to calculate the capacity benefits provided by QFs that renew their contracts. Mr. Higgins testified that “for planning purposes, it is reasonable to assume these contracts are extended, *so as to avoid planning to construct or acquire duplicative facilities.*”<sup>2</sup>

The Commission Staff supported this recommendation. Brittany Andrus testified that she supported the Joint QF parties “recommendation to change the way QF contracts are modeled for purposes of determining avoided cost prices”.<sup>3</sup> Staff’s legal counsel explained why PacifiCorp’s IRP should estimate the capacity value provided by QFs:

The Joint QF Parties recommend that PacifiCorp change the assumption regarding renewing QF contracts for purposes of establishing avoided cost price to ensure the prices are not based on an artificially extended sufficiency period. The Joint Parties explain that once a QF contract is included in PacifiCorp’s resource stack in its IRP, it remains in the resource stack even after the contract term expires. Accordingly, when a QF negotiates a renewal of the contract, PacifiCorp’s avoided cost prices are based on sufficiency/deficiency periods that already assume the existence of the contract the QF is attempting to procure. As Mr. Higgins notes in his testimony, “when the purpose of the exercise is to determine the value of QF capacity, the act of assuming that all or a portion of the QF capacity that is being valued simply ‘shows up’ via contract extension improperly predetermines the answer to the valuation question—and will understate the value of the QF capacity.”<sup>4</sup>

Ultimately, the Commission adopted the recommendations of the QF advocates and Staff concluding:

We agree with Staff and the Joint QFs that a certain amount of capacity deferral may not be valued when utilities assume in their IRPs that existing QFs nearing contract expiration will automatically renew. We

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<sup>2</sup> Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610, Joint QF Parties/100, Higgin/7-9 (emphases added).

<sup>3</sup> Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610, Staff/600, Andrus/19.

<sup>4</sup> Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610, Staff’s Prehearing Memorandum at 31 (Sep. 2, 2015) (citations omitted).

direct each utility to work with parties to address this issue in its next IRP.<sup>5</sup>

QF parties have argued since at least UM 1129 that the Commission's market based approach of paying QFs only energy rather than energy and capacity during the sufficiency periods under compensates QFs and fails to account for the full capacity value that QFs provide. This decision in UM 1610 was the first victory for QFs in their over a decade long repeated and often futile efforts to appropriately compensate QFs for the capacity value they provide to the utilities in all years.

**B. PacifiCorp Actively Sought to Circumvent the Commission's Direction**

Instead of complying with the Commission's Order No. 16-174, PacifiCorp simply ignored it. As explained in greater detail in the Coalition's second round of comments in this proceeding, the plain text of PacifiCorp's IRP stated that "[f]or planning purposes, PacifiCorp assumes that current purchases from small qualifying facility and interruptible load contracts are extended through the end of the IRP study period."<sup>6</sup> However, this statement was false, and instead PacifiCorp had changed its IRP assumptions and removed existing QFs from its resource stack for planning purposes. The only way this change could have been identified was from a vague graph in the IRP or from reviewing the minute details confidential workpapers that only experts could potentially find.<sup>7</sup>

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<sup>5</sup> Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610, Order No. 16-174 at 2 (May 13, 2016).

<sup>6</sup> PacifiCorp 2017 IRP at 85.

<sup>7</sup> Coalition Comments at 2-6 at Attachment A (PacifiCorp Response to Coalition Data Request 1.1) (Aug. 24, 2017).

The *only* reason that PacifiCorp made this change was to avoid complying with Order No. 16-174.<sup>8</sup> This change made its IRP less accurate and will result in a plan that is less likely to identify the least cost and least risk resource acquisitions. Even more inappropriate, the sole purpose for this change was so that PacifiCorp could ensure that it did not need to calculate the capacity benefits provided by contracted QFs. What PacifiCorp could not accomplish after multiple rounds of testimony and briefing in UM 1610, it could do with ease in its IRP.

Instead of chastising or admonishing PacifiCorp for this cynical attempt to avoid the spirit and intent of Staff's recommendation and the Commission's order in UM 1610, Staff simply ignores the entire issue. The Coalition raised this issue in the IRP process, met with Staff after PacifiCorp filed its IRP raising this issue as one of its biggest concerns with the IRP, and has put the issue front and center of its prior rounds of comments.

**C. The Commission Should Require PacifiCorp to Calculate the Capacity Value Provided by QFs Under Contract**

The final Staff report should recommend, and the Commission should ultimately adopt, a requirement for PacifiCorp to calculate the capacity value provided by QFs under contract. Hopefully, Staff will at least notice that the Coalition has repeatedly raised this issue in its Staff report. PacifiCorp's calculation should not wait until the end of the next IRP, but should occur immediately following the acknowledgment of PacifiCorp's 2017 IRP. While it is not appropriate to debate the setting of avoided cost

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<sup>8</sup> Coalition Comments at 2-6 at Attachment A (PacifiCorp Response to Coalition Data Request 1.1, 1.2, 2.3, 2.5, 2.6) (Aug. 24, 2017).

rates in this IRP, the Coalition intends to argue that PacifiCorp should be required to incorporate additional capacity benefits its post-IRP avoided cost rate update.

### **III. CONCLUSION**

The Coalition recommends that Staff's final report address and adopt the Coalition's recommendation that PacifiCorp calculate the capacity benefits of existing QFs.

Dated this 30th day of October, 2017.

/s/ John Lowe  
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