

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 67

In the Matter of)	
)	
PACIFICORP, dba PACIFIC POWER's)	RENEWABLE ENERGY COALITION'S
)	COMMENTS
2017 Integrated Resource Plan.)	
)	
)	
_____)	

I. INTRODUCTION

The Renewable Energy Coalition (the "Coalition") submits these comments regarding Pacific Power & Light Company's ("PacifiCorp" or the "Company") 2017 integrated resource plan ("IRP"). The Coalition urges the Oregon Public Utility Commission (the "Commission) not to acknowledge the changes PacifiCorp has made to its assumptions with respect to existing qualifying facility ("QF") contracts or its attempt to change the methodology for determining renewable resource sufficiency.

The Commission directed PacifiCorp to study, review, and calculate the capacity benefits provided by QFs renewing their contracts. PacifiCorp not only refused to calculate the capacity value of renewing QFs, but secretly changed its IRP assumptions regarding existing QFs and now assumes that zero rather than 100% of existing QFs renew their contracts. In addition to withholding this information from the Commission and the parties PacifiCorp has yet to give a rational reason for why this change was made, other than to avoid complying with the Commission's order. QFs are becoming a significant portion of PacifiCorp's resource stack, and these resources have historically and are likely to continue to sell power to the Company in contract renewals. It would be

irresponsible for PacifiCorp's plans to assume that these resources will not continue to sell power because the failure to accurately account for their planned operations will artificially increase the Company's resource needs.

PacifiCorp also seeks to make significant changes to the Commission's policy for calculating avoided cost pricing, which are more appropriately considered in a generic proceeding. Simply put, the Commission sets avoided cost rates based on the next renewable resource acquisition regardless of whether that renewable resource is being acquired based on an economic acquisition or a renewable portfolio standard acquisition ("RPS"). Every single one of PacifiCorp's actual renewable resources have been "economic" as well as useful for RPS compliance. The Commission should not change its policy to no longer pay QFs a renewable avoided cost rate when the resource need is based on economic rather than RPS in an IRP docket. Instead, if the Commission wants to revisit this policy, it should be done in a generic avoided cost investigation.

II. COMMENTS

A. **The Commission Should Not Acknowledge PacifiCorp's Late Communicated Decision Not to Assume Small Existing QFs Renew their Contracts**

PacifiCorp has completely changed its treatment of how it accounts for whether existing QFs renew their contracts, but has done so without transparency by failing to provide adequate notice to the stakeholders of this change. PacifiCorp's IRP should have clearly articulated the changes it made to its modeling, explained why it made those changes, and demonstrated the effects of those changes. Instead, PacifiCorp's IRP failed to even acknowledge the change, and specifically stated that it had not made any changes. PacifiCorp either actively mislead or inadvertently failed to inform the stakeholders of this important change. Once PacifiCorp was forced to admit that it had made such a

change, it did so without explaining its rationale for the changes. For this reason alone, the Commission should not acknowledge the changes to PacifiCorp's capacity assumptions.

The real reason PacifiCorp made this change, however, was because it believes doing so will allow it to circumvent the Commission direction in Order No. 16-174, and continue to undercompensate QFs for the capacity benefits that existing QFs provide the company. The Commission should not condone PacifiCorp's actions, not acknowledge its failure to account for the renewal of existing small QFs, and clarify its previous direction to PacifiCorp to calculate the capacity value provided by the vast majority of small QFs that renew their contracts.

1. PacifiCorp's Failure to Identify Certain Changes Made To Its Modeling Should Not Be Condoned

PacifiCorp's IRP did not include information that was vital for QFs to understand that it was proposing a wholesale revision of its current treatment of whether existing QFs renew their PPAs. As it has for numerous IRPs, PacifiCorp current 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."¹ The Coalition was aware that PacifiCorp was considering a change in policy during the pre-filing IRP process, but was pleased to see that PacifiCorp had not made any revisions.

PacifiCorp, however, had not complied with the Commission's order directing PacifiCorp to calculate the capacity value provided by QFs that renew their contracts.

¹ PacifiCorp 2017 IRP at 85.

Specifically, 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 direct each utility to work with parties to address this issue in its next IRP.²

In reply comments, PacifiCorp for the first time stated that it had actually changed its position.³ The Coalition sought to understand PacifiCorp's statements in its reply comments that were directly contradicted by the statements in its IRP, and PacifiCorp explained that the clear and unambiguous statement in the IRP was an inadvertent error.⁴ PacifiCorp also claimed that the information was apparent from a vague graph in the IRP as well as buried in confidential workpapers.⁵ PacifiCorp's change should not be acknowledged simply because PacifiCorp did not identify and has failed to provide any explanation in its IRP itself for this change, which prevents the stakeholder and the Commission from analyzing the grounds for the change.

2. PacifiCorp Has Not Explained Why These Changes Were Made

PacifiCorp has not explained why it made these changes, and has instead merely offered several reasons that a QF may opt not to renew its contract. The Coalition has asked PacifiCorp to identify the percentage of QFs that have historically renewed their contracts, whether there have been any factual changes that warrant an assumption that

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

³ PacifiCorp Reply Comments at 61-62.

⁴ Attachment A (PacifiCorp Response to Coalition Data Request 1.2).

⁵ Attachment A (PacifiCorp Response to Coalition Data Request 1.1).

fewer (i.e., zero) QFs will renew their contracts, why PacifiCorp made the change, and what facts supported a change.⁶

PacifiCorp has yet to provide complete responses, but has stated that its contracts do not have an automatic renewal provisions, but that “there are a number of reasons a QF may choose not to renew”, and listing some of those reasons, including that a project may no longer operate, or sell to a different off taker.⁷ Notably, none of these reasons are new, and PacifiCorp has not pointed to any reason why it has been reasonable to assume that all small existing QFs renew their PPAs in past IRPs, but why it should change that assumption. There are no factual changes that warrant this change.

PacifiCorp’s response ignores the fact that many of PacifiCorp’s remote QFs lack access to other utilities, energy markets and are often forced to sell to their power to PacifiCorp. PacifiCorp has not conducted, or at least shared any, analysis regarding what the realistic assumption would be for how many existing QFs that renew. This is in stark contrast to how it treats QFs that have requested or entered into power purchase agreements, in which it assumes that all QFs that request PPAs will become operational.

PacifiCorp’s assumption that none of its QFs will renew is simply not reasonable. PacifiCorp has currently a modest amount of QFs, and as the number of QFs grow, the more significant their treatment in the IRP becomes. The amount of QFs has clearly expanded, and the entire IRP becomes a scam when these major resources that exist and are likely to continue to exist, are illogically assumed to no longer sell power to PacifiCorp.

⁶ Attachment A (The Coalition’s Second Set of Data Requests).

⁷ Attachment A (PacifiCorp Response to Coalition Data Request 2.3).

Even assuming *arguendo* that it may not be reasonable to assume that all of these contracts will renew, that does not mean that PacifiCorp should be permitted to make a similarly unreasonable recommendation. Arguably, assuming all contracts renew is more reasonable because historically most of PacifiCorp's QF contracts have in fact renewed.

3. The Actual Reason PacifiCorp to Make These Changes Was to Circumvent the Commission's Previous Direction and Avoid Paying QFs Capacity Payments

In the August 17, 2017 workshop, PacifiCorp stated that it changed its assumptions to comply with a state commission order requiring PacifiCorp to no longer assume that QF contracts are renewed. PacifiCorp has confirmed that it made the change in light of the Commission's order in UM 1610 directing PacifiCorp to calculate the capacity value of existing QFs.⁸ PacifiCorp did not make the change to comply with any Commission order, but instead to get out of complying with the Commission's order.

The Commission specifically directed PacifiCorp to work with the Staff, the Coalition and other QFs to calculate the capacity value of renewing QFs, if PacifiCorp assumes in the IRP that existing QFs nearing their contract execution will renew. Instead of working with the parties to determine this value, PacifiCorp simply decided to change its IRP assumptions. PacifiCorp's IRP should be based on reasonable assumptions regarding its future resource needs, and the Company should not be allowed to unreasonably change those assumptions simply to avoid compliance with Commission directives.

⁸ Attachment A (PacifiCorp's Response to Coalition Data Request 2.5).

B. This is Not the Right Proceeding to Make Adjustments to The Commission’s Avoided Cost Policy to Determine Resource Deficiency

The Commission’s decision in this proceeding will affect PacifiCorp’s avoided cost rates, but should not affect the Commission’s policy for determining a utility’s resource sufficiency date. This issue is simply too big, and too important, to be decided in such a narrow process. The Commission has already determined that additional review in this area is warranted, and is planning to do so in a separate (generic) proceeding.⁹ Thus, the Commission should not acknowledge PacifiCorp’s attempt to make such drastic changes to its policy.

The Commission’s existing policy should be followed here because neither the IRP nor the post-IRP processes were intended to make fundamental changes, or allow for such changes to be fully considered. The Commission’s policy for determining resource sufficiency/deficiency demarcation date relies upon the utility’s last acknowledged IRP. Within that IRP, the year of the first planned major resource acquisition sets the sufficiency period.¹⁰ If the utility plans to acquire a resource that is 100 megawatts (“MWs”) or last for five years then its resource sufficiency period is updated. The utility updates its avoided cost rate after its IRP is acknowledged to ensure that its avoided costs remain current.¹¹ The most significant criteria for calculating a utility’s avoided cost rate is its sufficiency period. Thus, adjustments to this criterion, like those of the policy more generally, should be made with care.

⁹ See Re PacifiCorp Investigation into Schedule 37 – Avoided Cost Purchases from Qualifying Facilities, Docket No. UM 1794, Order No. 17-239 at 3 (July 7, 2017).

¹⁰ Re Commission Investigation Into Resource Sufficiency Pursuant to Order No. 06-538, Docket No. Um 1396, Order No. 11-505 at 4 (Dec. 13, 2011).

¹¹ Id. (explaining that reference to the utility’s IRP will best ensure that avoided cost rates accurately reflect the costs that the utility will avoid with QF purchases).

The Coalition is not aware of any discussion in the multi-year process establishing this policy distinguishing between economic-driven and compliance-driven acquisitions. The Commission staff and stakeholders should be permitted to have this discussion in a generic proceeding before any changes to the policy are made. Thus, it would be inappropriate to make the changes proposed by PacifiCorp. This would be consistent with the Commission’s previous decision declining to address the methodology for setting avoided cost rates in a proceeding focused only on PacifiCorp’s avoided cost rates.¹² Thus, the Commission has already established a preference for addressing these kinds of proposals in generic proceedings.

As noted above, the Commission has already determined that a generic proceeding is necessary to address issues that envelope those raised by PacifiCorp’s proposal. The Commission is expected to open a generic proceeding pursuant to Order No. 17-239 to address, among other things, “[t]he avoided cost implications where a utility is pursuing near-term capacity investments that are not driven by reliability, renewable portfolio standard (RPS), or load-service needs.”¹³ PacifiCorp itself has suggested in another case that these issues be addressed in a generic proceeding.¹⁴ Thus, the Commission should not acknowledge PacifiCorp’s attempt to deviate from its existing policy.

¹² Re Commission Investigation to Determine if Pacific Power’s Rate Revision is Consistent With the Methodologies and Calculations Required by Order No. 05-584, Docket No. UM 1442, Order No. 09-427 at 4 (Oct. 28, 2009).

¹³ Re PacifiCorp Investigation into Schedule 37 – Avoided Cost Purchases from Qualifying Facilities, Docket No. UM 1794, Order No. 17-239 at 3 (July 7, 2017).

¹⁴ Re Investigation of PacifiCorp’s Non-Standard Avoided Cost Pricing, Docket No. UM 1802, PacifiCorp’s Opening Testimony at PAC/300, MacNeil/5 (Jul7 21, 2017) (“PacifiCorp therefore believes that the appropriate path forward is to

III. CONCLUSION

For the reasons above, the Commission should not acknowledge PacifiCorp's attempt to avoid calculating the capacity value provided by existing QF contracts because it fails to accurately account for this major resource, and should not acknowledge PacifiCorp's attempt to change the Commission's policy determining resource sufficiency. PacifiCorp's changes are the result of attempts to manipulate and avoid existing Commission policies, rather than accurately plan the least cost and least risk method of meeting its resource needs.

Dated this 24th day of August, 2017.

/s/ John Lowe
John R. Lowe
Executive Director
Renewable Energy Coalition

/s/ Nancy Esteb
Nancy Esteb
Renewable Energy Coalition

Attachment A

Discovery

REC Data Request 1.1

Please refer to PacifiCorp's reply comments which state that "the 2017 IRP no longer assumes that QF contracts are renewed." PacifiCorp cites to comments made in the IRP process. Please identify all references in the filed IRP that support the statement that "the 2017 IRP no longer assumes that QF contracts are renewed."

Response to REC Data Request 1.1

Figure 5.2 in the 2017 Integrated Resource Plan (IRP), Volume I, Chapter 5 on page 86 presents the contract capacity in place for the study period 2017 through 2036. Specifically, Figure 5.2 shows contract capacity in the 2017 summer load and resource balance. As seen in the figure, the qualifying facility (QF) capacity steps down over time as QF contracts end without renewal. Please refer to the confidential data disks that accompanied the Company's 2017 IRP; specifically Data Disk 2 CONF, Chapter + Appendix CONF, Chapter 5 – Load & Resource Balance, Fig 5.2, Contract Capacity.

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August 14, 2017
REC Data Request 1.2

REC Data Request 1.2

Please refer to PacifiCorp's reply comments which state that "the 2017 IRP no longer assumes that QF contracts are renewed." PacifiCorp cites to comments made in the IRP process. Please explain why the filed IRP at page 85 states: "For 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."

Response to REC Data Request 1.2

The statement on page 85 of the 2017 Integrated Resource Plan (IRP) Volume I was a carryover from the 2015 IRP and inadvertently not updated in the 2017 IRP. The sentence should have stated that for planning purposes, PacifiCorp assumes that current purchases from small qualifying facilities (QF) end upon the contract expiration date with no renewal.

Despite PacifiCorp's diligent efforts, certain information protected from disclosure by the attorney-client privilege or other applicable privileges or law may have been included in its responses to these data requests. PacifiCorp did not intend to waive any applicable privileges or rights by the inadvertent disclosure of protected information, and PacifiCorp reserves its right to request the return or destruction of any privileged or protected materials that may have been inadvertently disclosed. Please inform PacifiCorp immediately if you become aware of any inadvertently disclosed information.

REC Data Request 2.3

Please refer to PacifiCorp's responses to REC data requests 1.1 to 1.3. Please identify any factual circumstances that support a conclusion that no existing qualifying facilities will renew or enter into new power purchase agreements.

Response to REC Data Request 2.3

PacifiCorp does not have qualifying facility (QF) power purchase agreements (PPA) with automatic renewal mechanisms. There are a number of reasons a QF may choose not to renew including but not limited to:

- project reaching end of its useful life and requiring major rebuild of the project or interconnection to current standards;
- may be more economical to sell project output to a different off taker; or,
- fuel source no longer available.

PacifiCorp does not make automatic renewal or extension of project life in its Integrated Resource Plan (IRP) modeling. The assumption that no QF PPAs renew is consistent with PacifiCorp's treatment of other supply-side resources.

REC Data Request 2.5

Please refer to PacifiCorp's responses to REC data requests 1.1 to 1.3. At the August 17, 2017 workshop in LC 67, PacifiCorp stated that the change in how PacifiCorp's assumptions regarding whether QF contracts are renewed may have been because a state public utility commission order required the change. Please identify the state public utility commission order(s)?

Response to REC Data Request 2.5

The reference made at the August 17, 2017 workshop in Docket LC 67 was to the Public Utility Commission of Oregon's (OPUC) Order 16-174, issue 6, in Docket UM 1610:

“We agree with Staff and the Joint QFs that a certain amount of capacity may not be valued if utilities assume in their IRPs that existing QFs nearing contract expiration will automatically renew. We direct each utility to work with parties to address this issue in its next IRP”.

As qualifying facilities (QF) are not assumed to renew in the 2017 Integrated Resource Plan (IRP), these resources are being treated consistently with other supply-side resources. PacifiCorp discussed this 2017 IRP assumption at the January 26-27, 2017 public input meeting.

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August 23, 2017
REC Data Request 2.6

REC Data Request 2.6

Please refer to PacifiCorp's responses to REC data requests 1.1 to 1.3. At the August 17, 2017 workshop in LC 67, PacifiCorp stated that the change in how PacifiCorp's assumptions regarding whether QF contracts are renewed may have been because a state public utility commission order required the change. Was that the order Order No. 16-174 in Docket No. UM 1610?

Response to REC Data Request 2.6

Please refer to the Company's response to REC Data Request 2.5.

Despite PacifiCorp's diligent efforts, certain information protected from disclosure by the attorney-client privilege or other applicable privileges or law may have been included in its responses to these data requests. PacifiCorp did not intend to waive any applicable privileges or rights by the inadvertent disclosure of protected information, and PacifiCorp reserves its right to request the return or destruction of any privileged or protected materials that may have been inadvertently disclosed. Please inform PacifiCorp immediately if you become aware of any inadvertently disclosed information.

13. Whenever these Data Requests specifically request an answer rather than the identification of documents, the answer is required and the production of documents in lieu thereof will not substitute for an answer.
14. To the extent that the Company believes it is burdensome to produce specific information requested, please contact REC to discuss the problem prior to filing an answer objecting on that basis to determine if the request can be modified to pose less difficulty in responding.
15. To the extent the Company objects to any of the requests please contact REC to determine if the request can be modified to produce a less objectionable request.

III. SECOND SET OF DATA REQUESTS:

- 2.1 Please refer to PacifiCorp's responses to REC data requests 1.1 to 1.3. Please identify the percentage (by total number and nameplate capacity) of existing small qualifying facilities that PacifiCorp has assumed renewed or entered into new power purchase agreements in the last four integrated resource plans.
- 2.2 Please refer to PacifiCorp's responses to REC data requests 1.1 to 1.3. Over the last decade, please identify the percentage (by total number and nameplate capacity) of existing small qualifying facilities that have renewed or entered into new power purchase agreements in the last four integrated resource plans.
- 2.3 Please refer to PacifiCorp's responses to REC data requests 1.1 to 1.3. Please identify any factual circumstances that support a conclusion that no existing qualifying facilities will renew or enter into new power purchase agreements.
- 2.4 Please refer to PacifiCorp's responses to REC data requests 1.1 to 1.3. Please identify the percentage (by total number and nameplate capacity) of existing small qualifying facilities that PacifiCorp has assumed renewed or entered into new power purchase agreements in PacifiCorp's general rate and/or power cost filings in 2017.
- 2.5 Please refer to PacifiCorp's responses to REC data requests 1.1 to 1.3. At the August 17, 2017 workshop in LC 67, PacifiCorp stated that the change in how PacifiCorp's assumptions regarding whether QF contracts are renewed may have been because a state public utility commission order required the change. Please identify the state public utility commission order(s)?
- 2.6 Please refer to PacifiCorp's responses to REC data requests 1.1 to 1.3. At the August 17, 2017 workshop in LC 67, PacifiCorp stated that the change in how PacifiCorp's assumptions regarding whether QF contracts are renewed may have been because a state public utility commission order required the change. Was that the order Order No. 16-174 in Docket No. UM 1610?