



CHAD M. STOKES
ADMITTED IN OREGON & WASHINGTON

cstokes@cablehuston.com

August 15, 2014

**VIA ELECTRONIC FILING
& FIRST CLASS MAIL**

Oregon Public Utility Commission
Attn: Filing Center
3930 Fairview Industrial Drive SE
Salem, OR 97308

Re: Public Utility Commission Investigation into Qualifying Facility
Contracting and Pricing
Docket No. UM-1610

Dear Commissioners, Staff and Parties:

Obsidian Renewables, LLC ("Obsidian"), a developer of utility scale solar generating projects in Oregon, offers these comments on Regular Agenda Item No. 2 scheduled for the August 19, 2014 Public Meeting concerning UM 1610. Obsidian is an Oregon-based company actively working to develop new, renewable energy in Oregon.

Obsidian filed a Motion for Clarification of Order No. 14-058 with respect to the calculation of the capacity adder for renewable solar resources. Obsidian explained that the methodology adopted appears to result in a double discounting of the capacity contribution of solar resources. Upon review, Staff agreed that the methodology appears to result in a double discounting and should therefore be clarified with input from all parties. Based on this record, the Administrative Law Judge ("ALJ") issued a ruling on June 10, 2014, granting Obsidian's Motion for Clarification, and directed the parties to address the solar capacity issue as part of the investigation into PacifiCorp's compliance filing. Contrary to the ALJ's ruling, however, this never happened. The flaws in PacifiCorp's valuation of the capacity contribution of solar resources continue to be reflected in its revised avoided cost rates.

Obsidian has participated with PacifiCorp, Commission Staff, the Community Renewable Energy Association ("CREA") the Renewable Energy Coalition ("REC") and others in workshops that have resulted in the Stipulation, filed on August 11, 2014. The Stipulation would allow PacifiCorp's revised pending compliance filing, including PacifiCorp's revised avoided cost rates, to go into effect immediately notwithstanding certain unresolved legal issues

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associated with its compliance filing. The Stipulation provides that certain unresolved legal issues would be addressed in Phase II of this proceeding.

Obsidian struggled with whether to join as a party to the Stipulation. Obsidian generally agrees with the stipulating parties that it is important for this UM 1610 docket to move forward so that the outstanding issues may be addressed by the parties and resolved by the Commission. The revised compliance filing contains material changes that are an improvement. Asking the Commission to conduct a lengthy investigation into PacifiCorp's compliance filing would be counterproductive and would only serve to further delay the completion of the many Phase II issues. For these reasons, Obsidian does not object to allowing PacifiCorp's compliance filing to go into effect on August 20, 2014, as proposed by the stipulating parties.

But Obsidian did not join as a party to the Stipulation because there are still errors in PacifiCorp's compliance filing, and Obsidian remains concerned that those errors may not be corrected for some time. The matter for which Obsidian has its greatest concern is solar capacity.

Obsidian explained its concern with the solar capacity calculation in its Motion for Clarification. PacifiCorp's compliance filing interprets Order 14-058 in the manner to which Obsidian was objecting, and the error in the calculation is clear upon review of the proposed Schedule 37.

Exhibit A, attached, is an excerpt from PacifiCorp's compliance filing. The proposed Schedule 37 contains a vast discrepancy in the standard, fixed avoided cost rates for different generating resources in year 2024. Year 2024 is important in PacifiCorp's revised avoided cost rate schedule because it marks the shift from market-based rates to proxy-based rates. By year 2024 PacifiCorp's standard avoided cost rates for a baseload resource is \$6.97 per MWh. By contrast, the standard avoided cost rate for wind is just \$3.72, and the standard rate for solar is \$4.32. Further, PacifiCorp's filing shows the baseload rate substantially increasing from year 2023 to year 2024, whereas both wind and solar rates show a substantial *decrease* in those two years. Obsidian believes the two variables that account for the substantial differences between baseload rates and renewable rates are capacity value and wind integration.

But there is no reason why, in the year 2024, both wind and solar energy rates would be worth *less* than the short term market rate for the same energy in 2023. In other words, with PacifiCorp's filing the avoided cost for a solar QF is less than the Mid-C price of power. The difference is capacity, but the short term rates paid during sufficiency do not contain any value for capacity, and the avoided cost of solar with some capacity cannot be worth less than the avoided cost of a resource with no capacity.

Obsidian also believes that the treatment of the solar capacity issue in the proposed Stipulation is insufficient. Section "h" of the Stipulation states that Staff will conduct a workshop regarding the solar capacity adder for renewable standard rates. PacifiCorp will not be bound by the outcome of the workshop. There have already been two lengthy workshops concerning PacifiCorp's compliance filing. At each workshop PacifiCorp would not discuss the

capacity contribution issue as directed by the ALJ. Obsidian remains concerned whether the solar capacity issue will be resolved at any future workshop.

Obsidian requests that the Commission order the parties to address the solar capacity value issue consistent with the ALJ's ruling. If a workshop does not result in a resolution, Obsidian requests that the Commission set a hearing on the issue promptly in order take testimony and other evidence. Obsidian believes that this will be the most efficient way to resolve the issue, and that it will not cause delay to the other issues to be addressed in Phase II of this proceeding. It will create a firm deadline for hearing the issue, and if PacifiCorp's compliance filing is adopted with errors regarding the solar capacity issue, it should be corrected promptly. After all, there were no objections to Obsidian's Motion for Clarification and no objections to the ALJ's Order.

Obsidian is also concerned that PacifiCorp intends to attempt to preclude parties from challenging assumptions or conclusions arising out of PacifiCorp's Integrated Resource Plan ("IRP"). Many of the "facts" or assumptions underlying PacifiCorp's revised avoided cost rate filing come from the IRP that was recently partially acknowledged by the Commission. By its very nature, however, an IRP is not a contested case or other "litigated" proceeding that results in a final resolution of any issues of facts or law. Thus, the assumptions and conclusions from an IRP proceeding do not carry the weight of issue or claim preclusion as do other types of issues that have been litigated and resolved by the Commission. The Commission should clarify that Section 7 of the Stipulation cannot be used to preclude parties from challenging in Phase II any of the assumptions or conclusions in PacifiCorp's IRP as they related to PacifiCorp's revised avoided cost rates.

Thank you for taking the time to consider Obsidian's comments on the proposed Stipulation.

Very truly yours,



Chad M. Stokes

CMS:sk

Enclosure

cc: UM-1610 Service List
ALJ Shani Pines
ALJ Traci Kirkpatrick

AVOIDED COST PURCHASES FROM
QUALIFYING FACILITIES OF 10,000 KW OR LESS

Avoided Cost Prices

Pricing Option 1—Standard Fixed Avoided Cost Prices—¢/kWh

Deliveries During Calendar Year	Base Load QF (1)		Wind QF (2)		Solar QF	
	On-Peak Energy Price (a)	Off-Peak Energy Price (b)	On-Peak Energy Price (c)	Off-Peak Energy Price (d)	On-Peak Energy Price (e)	Off-Peak Energy Price (f)
2014	3.7298	2.62	3.71	2.35	3.98	2.62
2014	4.13	2.80				
2015	4.393.94	2.9986	3.67	2.59	3.94	2.86
2016	6.043.85	2.84	3.6958	2.57	3.85	2.84
2017	6.324.06	3.9101	3.79	2.73	4.06	3.01
2018	6.664.33	3.20	4.2104	2.92	4.33	3.20
2019	6.994.55	3.41	4.5026	3.12	4.55	3.41
2020	6.944.78	3.84	4.4148	3.54	4.78	3.84
2021	7.234.92	4.6525	4.62	3.95	4.92	4.25
2022	7.675.58	4.83	5.0428	4.53	5.58	4.83
2023	7.925.79	5.2402	5.48	4.71	5.79	5.02
2024	6.97	3.91	3.72	3.59	4.32	3.91
2025	7.11	4.00	3.81	3.68	4.42	4.00
2026	7.31	4.13	3.94	3.80	4.56	4.13
2027	7.52	4.29	4.09	3.96	4.73	4.29
2028	7.74	4.44	4.24	4.11	74.89	4.445.46
2029	8.0900	4.64	4.44	4.30	5.3210	4.64
2030	8.25	4.83	4.62	4.48	5.30	4.83
2031	8.3942	4.93	4.72	54.57	5.40	4.93
2032	8.59	5.03	4.81	84.66	5.7851	5.03
2033	8.76	5.13	4.91	4.75	5.62	5.13
2034	8.8894	5.9523	5.01	4.85	5.74	5.23

**AVOIDED COST PURCHASES FROM
 QUALIFYING FACILITIES OF 10,000 KW OR LESS**

<u>2035</u>	<u>9.11</u>	<u>5.33</u>	<u>5.10</u>	<u>4.94</u>	<u>5.84</u>	<u>5.33</u>
<u>2036</u>	<u>9.30</u>	<u>5.44</u>	<u>5.21</u>	<u>5.05</u>	<u>5.97</u>	<u>5.44</u>
<u>2037</u>	<u>9.0750</u>	<u>5.56</u>	<u>5.32</u>	<u>5.16</u>	6.09	<u>5.56</u>
<u>2038</u>	<u>9.2070</u>	<u>5.68</u>	<u>5.44</u>	<u>5.27</u>	<u>6.4622</u>	<u>5.68</u>
<u>2039</u>	<u>9.90</u>	<u>5.80</u>	<u>5.55</u>	<u>5.38</u>	<u>6.35</u>	<u>5.80</u>
<u>2040</u>	<u>10.11</u>	<u>5.91</u>	<u>5.66</u>	<u>5.48</u>	<u>6.48</u>	<u>5.91</u>

- (1) Capacity Contribution to Peak for Avoided Proxy Resource and Base Load Qualifying Facility resource are assumed 100%.
- (2) The standard avoided cost price for wind is reduced by an integration charge of \$2.55/MWh (\$2012). If Wind Qualifying Facility is not in PacifiCorp's balancing authority area, then no reduction is required.

(continued)

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1610**

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In the Matter of)
PUBLIC UTILITY COMMISSION OF) CERTIFICATE OF SERVICE
OREGON)
Investigation into Qualifying Facility)
Contracting and Pricing.)

CERTIFICATE OF SERVICE

I hereby certify that on August 15, 2014, I caused to be served **OBSIDIAN RENEWABLES LLC'S LETTER TO PUC REGARDING COMMENTS ON PROPOSED STIPULATION** via electronic mail and, where paper service is not waived, via postage-paid first class mail upon the following parties of record:

PACIFIC POWER

Dustin Till
R. Bryce Dalley
825 NE Multnomah St., Ste 1800
Portland, OR 97232-2149
Dustin.till@pacificcorp.com
Bryce.dalley@pacificcorp.com

PUBLIC UTILITY COMMISSION OF OREGON

Brittany Andrus
Adam Bless
P.O. Box 2148
Salem, OR 97308-2148
Brittany.andrus@state.or.us
Adam.bless@state.or.us

PORTLAND GENERAL ELECTRIC

J. Richard George
Jay Tinker
121 SW Salmon ST - 1WTC1301
Portland OR 97204
richard.george@pgn.com
Pge.opuc.filings@pgn.com

PACIFICORP, DBA PACIFIC POWER

Oregon Dockets
825 NE Multnomah St., Ste. 2000
Portland, OR 97232
oregondockets@pacificcorp.com

LOYD FERY

11022 Rainwater Lane SE
Aumsville OR 97325
dlchain@wvi.com

THOMAS H. NELSON

PO Box 1211
Welches OR 97067-1211
nelson@thnelson.com

OREGON DEPT OF ENERGY

Matt Krumenauer
Kacia Brockman
625 Marion ST NE
Salem OR 97301
matt.krumenauer@state.or.us
Kacia.brockman@state.or.us

ANNALA, CAREY, BAKER, PC

Will K. Carey
PO Box 325
Hood River OR 97031
wcarey@hoodriverattorneys.com

ASSOCIATION OF OREGON COUNTIES

Mike McArthur
PO BOX 12729
Salem OR 97309
mmcarthur@aocweb.org

CITIZENS UTILITY BOARD OF OREGON

OPUC Dockets
Robert Jenks
G. Catriona McCracken
610 SW Broadway, STE 400
Portland OR 97205
dockets@oregoncub.org; bob@oregoncub.org
catriona@oregoncub.org

1 **CITY OF PORTLAND-
2 PLANNING AND SUSTAINABILITY**

3 David Tooze
4 1900 SW 4TH STE 7100
5 Portland OR 97201
6 david.tooze@portlandoregon.gov

CLEANTECH LAW PARTNERS , PC

Diane Henkels
6228 SW Hood
Portland OR 97239
dhenkels@cleantechlawpartners.com

7 **EXELON WIND**

8 John Harvey
9 4601 Westown Parkway, Suite 300
10 West Des Moines, IA 50266
11 John.harvey@exeloncorp.com

DAVISON VAN CLEVE

Tyler Pepple
S. Bradley VanCleve
333 SW Taylor - Ste 400
Portland OR 97204
tcp@dvclaw.com
mjd@dvclaw.com
bvc@dvclaw.com

12 **EXELON BUSINESS SERVICES**

13 Paul D. Ackerman
14 100 Constellation Way, Suite 500C
15 Baltimore, MD 21202
16 Paul.ackerman@constellation.com

17 **ENERGY TRUST OF OREGON**

18 Thad Roth
19 John Volkman
20 421 SW Oak ST #300
21 Portland OR 97204-1817
22 thad.roth@energytrust.org
23 john.volkman@energytrust.org

ESLER STEPHENS & BUCKLEY

John W. Stephens
888 SW Fifth AVE Ste 700
Portland OR 97204-2021
stephens@eslerstephens.com
mec@eslerstephens.com

24 **IDAHO POWER COMPANY**

25 Donovan E Walker
26 Julia Hilton
Regulatory Dockets
PO Box 70
Boise, ID 83707-0070
jhilton@idahopower.com
dwalker@idahopower.com

**SMALL BUSINESS UTILITY
ASSOCIATES**

James Birkelund
548 Market ST Ste 11200
San Francisco CA 94104
james@utilityadvocates.org

27 **LOVINGER KAUFMANN LLP**

28 Kenneth Kaufmann
29 Jeffrey S. Lovinger
30 825 NE Multnomah Ste. 925
31 Portland OR 97232-2150
32 kaufmann@lklaw.com
33 lovinger@lklaw.com

MCDOWELL RACKNER & GIBSON PC

Lisa F. Rackner
419 SW 11th Ave., Ste. 400
Portland OR 97205
dockets@mcd-law.com

1 **NORTHWEST ENERGY SYSTEMS
COMPANY LLC**

2 Daren Anderson
3 1800 NE 8TH ST., Ste 320
4 Bellevue WA 98004-1600
5 da@thenescogroup.com

6 **OREGON DEPARTMENT OF
JUSTICE**

7 Renee M. France
8 Natural Resources Section
9 1162 Court ST NE
10 Salem OR 97301-4096
11 renee.m.france@doj.state.or.us

12 **OREGONIANS FOR RENEWABLE
ENERGY POLICY**

13 Kathleen Newman
14 1553 NE Greensword DR
15 Hillsboro OR 97214
16 k.a.newman@frontier.com
17 kathleenhoipl@frontier.com

18 **OBSIDIAN RENEWABLES, LLC.**

19 David Brown
20 Todd Gregory
21 5 Centerpoint Drive, Suite 590
22 Lake Oswego, OR 97035
23 dbrown@obsidianfinance.com
24 tgregory@obsidianfinanace.com

25 **PUBLIC UTILITY COMMISSION
STAFF--DEPT OF JUSTICE**

26 Stephanie S. Andrus
Business Activities Section
1162 Court ST NE
Salem OR 97301-4096
stephanie.andrus@state.or.us

RENEWABLE NORTHWEST PROJ

RNP Dockets
Megan Walseth Decker
421 SW 6TH AVE., Ste. 1125
Portland OR 97204
dockets@rnp.org
megan@rnp.org

ONE ENERGY RENEWABLES

Bill Eddie
206 NE 28TH AVE
Portland OR 97232
bill@oneenergyrenewables.com

**OREGON SOLAR ENERGY
INDUSTRIES ASSOCIATION**

Oregon Dockets
PO Box 14927
Portland OR 97293
dockets@oseia.org

**OREGONIANS FOR RENEWABLE
ENERGY POLICY**

Mark Pete Pengilly
PO Box 10221
Portland OR 97296
mpengilly@gmail.com

STOLL BERNE

David A Lokting
209 SW Oak Street, Suite 500
Portland OR 97204
dlokting@stollberne.com

RENEWABLE ENERGY COALITION

John Lowe
12050 SW Tremont ST
Portland OR 97225-5430
jravenesanmarcos@yahoo.com

RICHARDSON ADAMS, PLLC

Gregory M. Adams
Peter J. Richardson
PO Box 7218
Boise ID 83702
greg@richardsonadams.com
peter@richardsonadams.com

1 **ROUSH HYDRO INC**

2 Toni Roush
3 366 E Water
4 Stayton OR 97383
5 tmroush@wvi.com

Irion Sager
Sanger Law PC
1117 SE 53rd Avenue
Portland, OR 97215
irion@sanger-law.com

6 Dated in Portland, Oregon, this 18th day of August 2014.

7 

8 Chad M. Stokes, OSB No. 004007
9 Cable Huston LLP
10 1001 SW Fifth Avenue, Suite 2000
11 Portland, OR 97204-1136
12 (503) 224-3092 (Telephone)
13 (503) 224-3176 (Fax)
14 cstokes@cablehuston.com

15 Of Attorneys for the
16 Obsidian Renewables LLC