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May 9, 2014

Attention: Filing Center
Public Utility Commission of Oregon
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Re: *In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation into
Qualifying Facility Contracting and Pricing*
OPUC Docket No.: UM 1610
DOJ File No.: 860-115-GB0532-12

Enclosed for filing with the Commission today are an original and five copies of STAFF
RESPONSE TO REQUESTS FOR CLARIFICATION AND REQUEST FOR
RECONSIDERATION with certificate of service/service list.

Sincerely,

Stephanie S. Andrus
Senior Assistant Attorney General
Business Activities Section

Enclosures
SSA:jrs/#5289314
c: UM 1610 Service list

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UM 1610**

4 In the Matter of
5 PUBLIC UTILITY COMMISSION OF
6 OREGON
7 Investigation into Qualifying Facility
Contracting and Pricing

STAFF RESPONSE TO MOTIONS FOR
CLARIFICATION AND MOTION FOR
RECONSIDERATION

8 One Energy, Inc. and the Community Renewable Energy Association (collectively
9 “CREA”) seeks clarification, or in the alternative, reconsideration of two determinations in Order
10 No. 14-058. CREA’s first requested clarification concerns the Commission-adopted
11 methodology for determining the adjustment to avoided cost prices for the capacity contribution
12 of solar qualifying facility (QF) resources. CREA’s second requested clarification concerns the
13 Commission’s determination that there are no avoided third-party transmission costs for on-
14 system proxy resources.¹

15 Obsidian Renewables LLC (“Obsidian”) seeks clarification of the methodology for
16 determining the capacity contribution adjustment.²

17 **A. Capacity contribution adjustment methodology.**

18 In Order No. 14-058, the Commission adopted Staff’s proposal and methodology to adjust
19 Standard and Standard Renewable avoided cost prices to account for the actual capacity
20 contribution made by each QF resource type. Staff proposed adjusting the capacity component
21 implicit in the renewable on-peak price by the incremental capacity contribution of the specific
22 QF type relative to the avoided renewable resource.³ For solar resources, the capacity
23 contribution adjustment increases the avoided cost price because the capacity contribution of a

24 ¹ Motion for Clarification and Application for Rehearing by OneEnergy and the Community
25 Renewable Energy Association 4-6.

26 ² Obsidian Renewables LLC Motion for Clarification 6.

³ Order No. 14-058 at 15.

1 solar resource is greater than that of the utilities' proxy resources, which are currently wind
2 QFs.⁴

3 Both CREA and Obsidian are clear that they understand and agree with the Commission-
4 adopted approach to adjusting the value of avoided capacity for the incremental capacity
5 contribution of intermittent resources.⁵ Their concern is with the design of the volumetric on-
6 peak avoided cost prices. These parties object to using the annual number of on-peak hours
7 (4,992) as the denominator of the volumetric price calculations.

8 To support its arguments, Obsidian provides calculations that demonstrate that the QF
9 Capacity Adder of \$6.12 per MWh (shown in Exhibit Staff/103 Bless/2 in Docket UM 1610) is
10 effectively calculated as \$30,551 in avoided capacity value divided by 4,992 on-peak hours.⁶
11 Obsidian suggests that a more appropriate calculation of the QF Capacity Adder would be to
12 divide the \$30,551 in avoided capacity value by the number of on-peak hours that a solar project
13 in Oregon can be expected to be available.⁷ Obsidian suggests that the appropriate number of
14 hours is 1,971.⁸ This would result in a calculated price of \$15.50 per MWh.

15 CREA's concerns mirror Obsidian's, but CREA offers a different solution than Obsidian.
16 CREA recommends that the Commission determine the hours of on-peak output to calculate the
17 payment using the expected generation expected of the typical solar project that is used to
18 calculate the solar capacity contribution.⁹

19

20 _____
21 ⁴ Order No. 14-058 at 15.

22 ⁵ Obsidian Renewables LLC's Motion for Clarification 1-2.

23 ⁶ Obsidian Renewables LLC's Motion for Clarification 6.

24 ⁷ The on-peak period is usually considered to be 7:00 AM to 10:00 PM Monday through
25 Saturday. Oregon does not experience sunlight in all of these hours in a year.

26 ⁸ Obsidian Renewables LLC's Motion for Clarification 6. Based on its own operating data,
Obsidian estimates that its solar project would be available for approximately 1,971 out of the
4,992 on-peak hours.

⁹ Motion for Clarification and Application for Rehearing by OneEnergy and the Community
Renewable Energy Association 3-4.

1 Staff agrees with Obsidian and CREA that there appears to be a second and unintended
2 discounting of the avoided capacity value in the design of the volumetric avoided cost prices.¹⁰
3 However, Staff does not believe it is possible to find an appropriate solution to the issue without
4 further input from stakeholders. Staff is not convinced that 1,971 hours proposed by Obsidian is
5 the appropriate number of hours to use in the methodology. And, CREA’s suggestion to
6 determine the hours of on-peak output by using the generation profile of the solar resource used
7 to determine the solar capacity contribution requires identification of the hourly generation
8 profile.

9 Accordingly, Staff recommends that the Commission allow parties to address this limited
10 question regarding the design of the volumetric avoided cost prices in the investigations
11 currently open to address the utilities’ recent filings to comply with Order No. 14-058.

12 **B. Third-party transmission.**

13 CREA asks the Commission to change to its determination that avoided third-party
14 transmission costs are not added to avoided cost payments when the proxy resource is on-
15 system.¹¹ More specifically, CREA asks the Commission to clarify that the “cost of
16 transmission upgrades to move power from *any* proxy resource to the utility’s load must be
17 included in avoided cost rates.”¹² CREA explains that “[t]his clarification will ensure that
18 a proxy resource located in an on-system generation bubble—and therefore requiring
19 transmission upgrades or third-party transmission to move its generation to load—is

20
21

22 ¹⁰ As noted by Obsidian, Staff’s testimony reflects that it did not intend for its methodology to
23 apply a second discount to the capacity payment made to renewable solar QF resources and did
24 not testify regarding this issue in Phase I of this docket. (See Obsidian Motion for Clarification
3.)

25 ¹¹ Motion for Clarification and Application for Rehearing by OneEnergy and the Community
Renewable Energy Association 4-6.

26 ¹² Motion for Clarification and Application for Rehearing by OneEnergy and the Community
Renewable Energy Association 6.

1 responsible for such costs, in similar fashion to the Commission’s treatment of a QF
2 located in a load pocket.”¹³

3 CREA appears to ask for two changes to the Commission’s order. CREA asks the
4 Commission to 1) reverse its decision that third-party transmission costs are not included
5 in avoided cost prices when the proxy resource is on system, and 2) add a provision
6 specifying that avoided transmission upgrades for in-system proxy resources are includable
7 in avoided cost prices.

8 With respect to CREA’s request for reconsideration of the Commission’s
9 determination regarding third-party transmission, CREA has not shown an error of fact or
10 law or other circumstance that warrants reconsideration.

11 With respect to CREA’s request for reconsideration regarding transmission
12 upgrades, Staff notes that this request asks the Commission to reach beyond the scope of
13 the decision made in Order No. 14-458.

14 In Order No. 14-058, the Commission concluded:

15 If the proxy resource used to calculate a utility’s avoided costs is an on-system
16 resource, there are no avoided transmission costs, and thus the costs of third-party
17 transmission are not included in the calculation of avoided costs prices. This is the
situation for Pacific Power.¹⁴

18 Although the excerpted language from the order includes a general reference to “avoided
19 transmission costs,” the context of the excerpt reflects that the Commission’s ruling is
20 limited to avoided third-party transmission costs. The excerpt is found under the heading
21 “Third-Party Transmission Costs to Move Energy Out of a Load Pocket (Issue 4B)” and
22 under the subheading “Avoided Third-Party Transmission Costs.” Directly under the
23 heading, the Commission described the question presented as follows:

24

25 ¹³ Motion for Clarification and Application for Rehearing by OneEnergy and Community
Renewable Energy Association 5.

26 ¹⁴ Order No. 14-058 at 17.

1 Issue 4B asks whether the costs and benefits associated with third-party
2 transmission should be included in the calculation of avoided cost prices, or
3 otherwise accounted for in the standard contract. Parties discussed two distinct
4 matters under Issue 4B. First, parties discussed whether avoided third-party
5 transmission costs associated with the proxy resource should be included in
6 avoided cost prices. Second, parties discussed how to account for third-party
7 transmission costs imposed on a utility to move QF output in a load pocket to load.
8 We resolve each of these issues separately.¹⁵

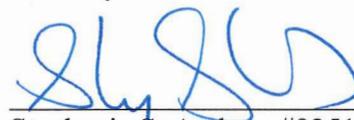
9 The Commission did not address the question of whether transmission upgrades
10 should be included in avoided cost prices. The Commission noted in its order that it was
11 not addressing all issues raised by parties.¹⁶ So, even assuming parties presented evidence
12 regarding avoided transmission upgrades, the fact the Commission did not address a
13 specific issue or specific evidence is not cause for reconsideration.

14 The Commission's policy regarding inclusion of avoided costs of transmission
15 upgrades remains as it was before Docket No. UM 1610.¹⁷ Staff supports the basic
16 principle that the cost of transmission system upgrades attributable to the addition of a
17 proxy resource should be included in avoided cost prices.

18 DATED this 9th day of May 2014.

19 Respectfully submitted,

20 ELLEN F. ROSENBLUM
21 Attorney General



22 Stephanie S. Andrus, #92512
23 Senior Assistant Attorney General
24 Of Attorneys for Staff of the Public Utility
25 Commission of Oregon

26 ¹⁵ Order No. 14-058 at 16.

¹⁶ Order No. 14-058 (“We accept some proposed changes, postpone others for consideration during a second phase of this docket, and decline to take up the remaining issues proposed by the parties at this time[.]”)

¹⁷ See Order No. 14-058 at 1.

CERTIFICATE OF SERVICE/SERVICE LIST

I hereby certify that on May 9, 2014, I served the foregoing STAFF RESPONSE TO REQUESTS FOR CLARIFICATION AND REQUEST FOR RECONSIDERATION upon the persons named on the service list, by electronic mail only as all parties have waived paper service.

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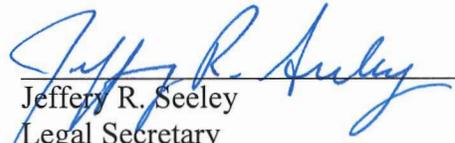
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