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June 1, 2018

Oregon Public Utilities Commission  
PO Box 1088  
Salem, OR 97308-1088

Dear Oregon Chair and Commissioners:

Over the past three years Natel Energy has built relationships within the Oregon community to realize the potential for carbon-free hydropower generation to meet Oregon's clean energy goals. Natel Energy is a California-based turbine design, engineering and development company with a mission to provide a solution to deliver low head, fish friendly hydropower.

In 2015, we successfully signed an agreement with North Unit Irrigation District and PacifiCorp for a viable project with a PPA averaging about \$78/MWh. This project was sold to Apple, the current owner, who continues to bring growth opportunities supported by carbon free power to Oregon. The hydropower project supports local businesses, from concept to continued operation, as the civil design and engineering firm, construction company, and service team are all based within Madras and Bend. The project was developed because the decision making parties made timely decisions, the expenses were fair project costs, and an equitable PPA for all parties was signed.

Since 2017, Natel has tried to develop additional sites within North Unit Irrigation District but has hit multiple hurdles along the way which have brought the project to a full halt. This past April 2018, we received interconnection study results from PacifiCorp for the largest project in the portfolio, which was only 900 kW. Though small in terms of renewable utility projects, the System Impact Study stated it would require an estimated cost of \$27,837,000 for the complete interconnection package. On the follow-up review call, PacifiCorp's interconnection team demonstrated no room for creativity nor were they receptive to our team's ideas about ways to modify the plan to reduce costs. While we would like to acknowledge that PacifiCorp was timely in their responses and follow up to emails throughout the interconnection application process,, the project obviously cannot support this interconnection expense.

The project economics have further deteriorated with the current and newly proposed May 2018 avoided cost rates. To better understand the market, we have run scenarios to demonstrate how rates and interconnection could support small renewable projects. A



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project of this size could be a commercial project with a \$60/MWh PPA and \$750,000 interconnection cost. As the avoided cost rates continue to drop, we also calculated a scenario with a rate closer to the average proposed new rates. A \$47/MWh PPA with an interconnection cost of \$250,000 would result in a developable commercial project. These example higher rates would be offset by the ancillary benefits of distributed generation, including reduced transmission losses and transmission charges due to proximity to consumers, increased grid resilience, and local economic benefits. There is an opportunity for utilities and developers to both realize financial gains from new distributed renewable energy projects by bringing parties together to discuss their needs and implementing fair and realistic interconnection costs and PPA rates.

The forced withdrawal of this project means development dollars for construction, engineering, retailers and food will not be spent locally. Our project pipeline is not limited to this single 900 kW site- Natel has identified an additional ten sites within this district's canal system as well as sites in other Oregon irrigation districts, none of which can support small hydropower projects at PacifiCorp or PGE's avoided cost rates and interconnection fees.

The system in Oregon is currently broken and has significantly decreased renewable energy development opportunities to meet the state's RPS goals. We ask for your support in regulation of public utilities to create an equitable marketplace.

Sincerely,

A handwritten signature in black ink, appearing to read "Gia Schneider".

Gia Schneider  
CEO  
Natel Energy, Inc.