

May 18, 2018

***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon  
201 High Street, SE, Suite 100  
Salem, OR 97301-3398

Attn: Filing Center

**RE: UM 1729 – PacifiCorp’s Comments to Staff’s Report on Annual and Post-IRP  
Avoided Cost Updates**

**I. INTRODUCTION**

PacifiCorp d/b/a Pacific Power files these comments in response to the report filed by the Staff of the Public Utility Commission of Oregon (Commission) on May 17, 2018. PacifiCorp agrees with Staff’s recommendation for approval of PacifiCorp’s nonrenewable avoided costs. However, Staff’s recommendation that PacifiCorp file revised renewable avoided costs to include avoided transmission costs for the renewable proxy resource does not take into account that the transmission costs of the Aeolus-to-Bridger/Anticline transmission line cannot be avoided. These transmission costs do not meet the standard articulated by the Commission on the inclusion of incremental transmission costs for an on-system proxy resource. Therefore, the Commission should reject Staff’s recommendation, adopt the avoided cost prices as filed by PacifiCorp, and grant PacifiCorp’s Motion for Emergency Interim Relief.

**II. COMMENTS**

Staff recommends that PacifiCorp include the “transmission component of the acknowledged Energy Vision 2020 actions for purposes of calculating renewable avoided costs.”<sup>1</sup> However, this is based on the assumption that the transmission resource is avoidable by the purchase of qualifying facility (QF) energy. That is simply not the case with the Aeolus-to-Bridger/Anticline transmission line.

As Staff notes, the Commission addressed this issue in Order No. 16-174 in Docket UM 1610 and determined that:

If the proxy resource used to calculate a utility’s avoided costs is an on-system resource, there is a rebuttable presumption that there are no avoided transmission

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<sup>1</sup>See Staff Report at 5.

costs and thus the costs of third-party transmission are not included in the calculation of avoided cost prices.<sup>2</sup>

Additionally, the Commission stated that to rebut the presumption, it must be demonstrated “that a renewable proxy resource has incremental transmission costs that *can actually be avoided* by the purchase of QF energy.”<sup>3</sup> This showing has not and cannot be made in this case.

Before discussing Staff’s specific proposal, it is important to recognize the context in which the Commission developed the on-system resource rebuttal presumption. As noted in the Commission’s order, PacifiCorp expressed significant concerns that parties’ claims that a QF *may* be able to avoid on-system transmission costs “fail to take into account that the federal transmission planning process, not QF development, drives the company’s decisions,” and “that [e]ven if specific transmission costs might be incurred to accommodate an on-system proxy resource...these costs would not be avoided by QF resources.”<sup>4</sup> The Commission also explicitly recognized PacifiCorp’s advisement that the determination of whether there are avoidable transmission costs associated with a renewable proxy resource “will involve resolving complex legal questions, reconciling state and federal policy issues, and working through implementation intricacies.”<sup>5</sup>

PacifiCorp’s concerns about an underappreciation for the role of the federal transmission planning process have been realized in this docket. More specifically, while the Aeolus-to-Bridger/Anticline transmission line enables the interconnection of the Energy Vision 2020 new wind projects, it is PacifiCorp’s federal transmission planning process that has identified the construction of that line for many years. PacifiCorp has long identified that this transmission line provides immediate benefits like increased reliability, congestion relief, and reduction of capacity and energy losses because the generation capacity behind this transmission line already exceeds the transmission capacity.<sup>6</sup>

Indeed, PacifiCorp has identified Energy Gateway West (which includes the Aeolus-to-Bridger/Anticline transmission line) as part of PacifiCorp’s long-term transmission plan and has

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<sup>2</sup> *In the Matter of the Public Utility Commission of Oregon Investigation into Qualifying Facility Contracting and Pricing*, Docket No. UM-1610, Order No. 16-174 at 8 (May 13, 2016).

<sup>3</sup> *Id.* (Emphasis Added).

<sup>4</sup> Order No. 16-174 at 7.

<sup>5</sup> *Id.* at 8.

<sup>6</sup> As PacifiCorp outlined in the IRP: “Other customer benefits of the new transmission segment include increased reliability of the transmission system, congestion relief, reduction of capacity and energy losses on the transmission system, and greater flexibility managing existing generation resources. Reliability will be augmented with the addition of the new transmission segment, which will provide support to the underlying 230 kV system during outages. Most of these outages result in a deration of TOT 4A transfer capacity and some outage scenarios require significant generation curtailment. The new 500 kV transmission segment will significantly reduce, if not eliminate, many of the impacts caused by the 230 kV outages. Increased energy imbalance market (EIM) and transmission wheeling opportunities under the OATT will also result from the additional system capacity. Capacity and energy losses on the transmission system are reduced with the new transmission segment, which has the potential to provide significant monetary savings over time.” Docket No. LC 67, 2017 Integrated Resource Plan at 63 (Apr. 4, 2017).

been pursuing permitting for its construction since 2007<sup>7</sup>—long before Energy Vision 2020 proposed to accelerate construction of Segment D.2 of the plan from 2024 to 2020. As PacifiCorp recently pointed out in Utah:

[T]he Aeolus-to-Bridger/Anticline line is necessary to relieve *existing* congestion on the system and...the North American Electric Reliability Corporation's and Western Electricity Coordinating Council's standards and criteria influenced the need for the Aeolus-to-Bridger/Anticline line. The Company made it clear that the Aeolus-to-Bridger/Anticline line has been an integral component of the long-term transmission plan for the region long before the Wind Projects were contemplated.<sup>8</sup>

Importantly, this means that the Aeolus-to-Bridger/Anticline transmission line will eventually be built with or without the new Energy Vision 2020 wind projects, and it will most certainly be built with or without additional QFs siting in Oregon. In other words, no amount of QFs located in Oregon could avoid—in whole or in part—the cost of this new transmission line, and the presumption that there are no avoided transmission costs associated with PacifiCorp's on-system proxy resource has not been rebutted. Staff's recommendation to include the cost of this transmission line is inconsistent with the Commission's precedent by misunderstanding the primary driver for and additional benefits provided by this new transmission.

By appropriating calculating avoided costs, as PacifiCorp filed on April 26, 2018, the renewable avoided cost stream dropped below the non-renewable price stream. Under the Commission's existing methodology, QFs are allowed to select the renewable or non-renewable price stream.<sup>9</sup> PacifiCorp filed a Motion for Emergency Interim Relief concurrently with its avoided cost update because this result would significantly harm customers.<sup>10</sup> In their response Staff agreed that customers would be harmed and stated, "Staff agrees with PacifiCorp that emergency relief is warranted because any benefit of allowing renewable QFs the opportunity to choose between standard renewable and non-renewable avoided cost prices is easily outweighed by the potential harm."<sup>11</sup> While PacifiCorp and Staff did not agree on the full scope of that relief, PacifiCorp requests that the Commission grant PacifiCorp's motion concurrently with approval of the updated avoided cost prices.

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<sup>7</sup> As the Company stated in Utah: "The Aeolus-to-Bridger/Anticline transmission line has been part of the Company's long-term transmission plan since 2007 and provides substantial immediate benefits with or without the Wind Projects (Ekola Flats, TB Flats I and II, and Cedar Springs)." *Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision and Request to Construct Wind Resource and Transmission Facilities*, Public Service Commission of Utah, Docket No. 17-035-40, Redacted Surrebuttal Testimony of Rick A. Vail at 1 (May 15, 2018).

<sup>8</sup> *Id.* at 4.

<sup>9</sup> *In the Matter of Public Utility Commission or Oregon Investigation into Determination of Resource Sufficiency*, Docket No. UM 1396, Order No. 11-505 at 9 (Dec. 13, 2011).

<sup>10</sup> See PacifiCorp's Motion for Emergency Interim Relief at 3.


<sup>11</sup> Staff Response to PacifiCorp Motion for Emergency Interim Relief at 5 (May 11, 2018).

### III. CONCLUSION

Any factual inquiry into the Aeolus-to-Bridger/Anticline transmission line reveals that the purchase of QF energy will not avoid the costs to build this transmission line. Since these costs cannot be avoided, there are no avoidable transmission costs that can be included in the calculation of avoided cost prices. If the Commission rejects Staff's recommendation and approves PacifiCorp's avoided cost prices as filed, the Commission should also concurrently approve PacifiCorp's Motion for Emergency Interim Relief. As PacifiCorp notes in that motion, customers would be harmed if those avoided cost prices were to go into effect without approval of the Motion of Emergency Interim Relief.<sup>12</sup> Therefore, the Commission should reject Staff's recommendation and approve PacifiCorp's avoided cost prices concurrently with PacifiCorp's Motion for Emergency Interim Relief.

Informal inquiries may be directed to Natasha Siores at (503) 813-6583.

Respectfully Submitted,



Etta Lockey  
Vice President, Regulation

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<sup>12</sup> *Id.*