ONEENERGY RENEWABLES™

206 NE 28th Avenue
Suite 202
Portland, OR 97232
503.232.1989

2003 Western Avenue
Suite 225
Seattle, WA 98121
206.922.7072

OneEnergyRenewables.com

July 17, 2015

Public Utility Commission of Oregon
P.O. Box 1088
Salem, OR 97308-1088

Re: UM 1734 – Comments on PacifiCorp's Motion for Interim Relief

Dear Commissioners Ackerman, Savage, and Bloom:

OneEnergy Renewables opposes PacifiCorp's Motion for Interim Relief ("Motion"), which seeks to reduce the size threshold for standard power purchase agreement eligibility from 10 megawatts to 3 megawatts. We do suggest it would be reasonable for the Commission to require projects over 3 megawatts to post financial security upon execution of a power purchase agreement.

OneEnergy is a renewable project developer and an active party in docket UM 1610. We believe the arguments raised by PacifiCorp have been addressed in UM 1610, and should continue to be addressed there. We request the Commission dismiss and close the UM 1734 docket to avoid overlapping and duplicative work by the Commission and the parties. It is burdensome to engage as a participant in Commission proceedings when utilities are allowed to pursue collateral attacks on issues that have already been litigated in other open dockets.

In regard to the substance of Motion, the facts do not demonstrate any emergency exists. The Commission approved adjustments to the standard offer rates in the UM 1610 docket. Updates to PacifiCorp's Schedule 37 rates took effect only about 6 weeks ago. Under those new rates, projects only earn the regional wholesale energy market curve price until 2023. In the early contract years, the pricing is less than $30/MWh and even after escalation is less than $50/MWh in 2023. The wholesale market curve is currently very low, therefore the offered rates are very low. After 2023, projects earn the renewable proxy price, which the Commission recently found to be reasonable and which are based on PacifiCorp's own analysis under its most recent acknowledged IRP.

OneEnergy supports the fundamental arguments stated in the Joint Response to the Motion submitted by Obsidian Renewables, Cypress Creek Renewables, and CREA. The current wave of developers seeking interconnection and requesting (or discussing) power purchase agreements with PacifiCorp is consistent with historical norms and hardly constitutes an emergency. Indeed, as the Testimony of David Brown details, only 90 megawatts of solar projects have actually executed interconnection agreements with PacifiCorp since January 2014, and the overwhelming majority of those are not even under construction.

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Through affiliate entities, OneEnergy has signed standard and standard renewable power purchase agreements with PacifiCorp for solar projects totaling less than 20 megawatts. While we have confidence in our ability to execute on these projects, no renewable energy project is a "slam dunk." The industry has a high failure rate because there are so many different ways to fail. Even the most sophisticated and experienced developers regularly spend hundreds of thousands or even millions of dollars on pre-construction development costs, only to have the project fail due to untenably high interconnection costs, unavailability of transmission, rejection of permits, or other reasons. That is the nature of the business. This is clearly demonstrated by the very small proportion of projects that actually sign an interconnection agreement with PacifiCorp versus those that apply for interconnection.

To provide an appropriate deterrent to speculation, OneEnergy suggests the Commission consider the imposition of additional financial security requirements for projects larger than 3 megawatts. The standard power purchase agreement program in Oregon allows developers to enter agreements without taking much risk. The program is favorable for developers because we can accept the PPA at an early stage in the project development cycle, and the potential consequences of failure under the PPA (e.g. paying shortfall energy damages to the utility) are relatively small and unlikely to occur. In some ways, the standard power purchase agreements in Oregon look like options in favor of the developer to build the project if they can.

OneEnergy believes it would be appropriate for developers of projects over 3 megawatts in size to post reasonable financial security with the utility, which would be forfeited as liquidated damages in the event of default by the developer. If the standard power purchase agreement program included a requirement to post security, projects would not accept the agreements until they were at a stage of greater certainty. PacifiCorp customers would at least capture the liquidated damages in the event of project default. We believe the Commission should address this issue in the UM 1610 docket.

Thank you for considering these comments.

William Eddie
President, OneEnergy Renewables

cc: UM 1610 and UM 1734 service lists (via email)