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Oregon Public Utility Commission
Salem, Oregon

Docket UM-2011; electronically filed

Commissioners:

Obsidian Renewables LLC offers these comments on the Report of E3, Principles of Capacity Valuation, dated December 17, 2020 and on the Report of the Oregon Public Utility Commission staff, "Staff's Opening Comments" filed in UM 2011 January 14, 2021.

1. The three areas of analysis that should be determined in this portion of docket UM-2011 are:

   (1) Determine the projected capacity needs of the utility under examination today and each year forward into the planning horizon, 20 years or more.
      i. The analysis should be conducted considering the planned retirement of assets, the commitments the utility has made to reduce use of fossil fuel in its remaining assets and market purchases, and projected load growth from the Integrated Resource Plan.
      ii. Capacity needs should be determined without anticipating new resources unless those resources are contracted at the time of the analysis.

   (2) Determine the appropriate the capacity contribution of a particular generating asset (a new asset or a renewal contract on an existing asset) or other capacity solution (battery or pumped storage, demand response, or other) to the utility, after the utility's capacity needs are determined as set forth in paragraph 1. (I am calling the generating asset or other capacity solution a "Resource.")
      i. The hour-by-hour generation by and/or ability to dispatch the Resource for each year during the planning horizon will have to be evaluated against the capacity needs and expected shortfalls of the utility determined as above for every year during the planning horizon.
      ii. This second study will determine the long-term capacity contribution of a particular Resource to a particular utility.

   (3) After we have an estimate of the capacity contribution of a particular Resource to a particular utility for the next 20 years or so, (a) what is the value of the capacity contribution, and (b) what is an appropriate method for paying for that value?
      i. Realistic modeling to determine matters 1 and 2 would greatly benefit the discussion of question 3.

ii. The methods of compensation should be compared against how ratepayers pay for new and incremental capacity provided by the utility shareholders. Utility shareholders are compensated for capacity additions when they are built, not when they are needed and not three years later.

2. The E3 report answers the question How Much Incremental Capacity Can a New Resource Provide Today to a Well Managed Utility? Not surprisingly, E3 concluded that a utility with adequate capacity today had little need for additional capacity today. The better determination is to value capacity needs over time and to value resource contribution over time.

3. The analysis of a utility's capacity requirements over time must be calculated considering the laws that limit utility generation options and the utility's own commitment to reducing its carbon consumption. Without saying so, the E3 report assumes that the utilities being considered can each continue to operate their coal plants and can continue to turn up the dial on their natural gas and other fossil fuel generating plants whenever additional capacity is needed. This assumption is a major error.

4. The question of equity, the objective of letting market participants compete for capacity contracts on a level playing field with the monopoly's shareholders is extremely important. The framework suggested by E3 and in the staff report will not realize that goal. Utilities make advance preparation for capacity needs, and likely should. If it is prudent to pay shareholders for capacity acquisitions in advance of need, then it is prudent to pay third party suppliers on the same time horizon.

5. As I understand the E3 Report and Staff Comments, there is an underlying assumption that there are no transmission or distribution system constraints getting generation to load at any time. While this may be true today, this should be something the utilities are asked to demonstrate in their models, looking forward, not just an assumption. Many energy professionals in our region are concerned whether today's transmission system will be sufficient at all times to move renewable energy from where it is produced to where it is consumed. A capacity resource dependent on an over-taxed transmission line offers less useable capacity than the same resource located on an under-taxed transmission line.

Thank you for your consideration of these comments. I appreciate the work and thinking in the E3 Report and in Staff's Opening Comments. I found both to be very interesting and helpful.

Obsidian Renewables LLC

/S/ David W Brown

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