BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1610

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff Investigation Into Qualifying Facility Contracting and Pricing.	STAFF'S PROPOSED ISSUES LIST

Background and Procedural History

On July 10th, 2012, the Public Utility Commission held a prehearing conference in Docket UM 1610, and issued a Prehearing Conference Memorandum, setting forth the schedule for identification of the issues. The Hearings Division issued a revised schedule on August 24, 2012. Staff files this issues list in accordance with that revised schedule.

On August 10, 2012, parties to docket UM 1610 held an issues identification workshop. On August 27, 2012, parties including Staff, Idaho Power, PacifiCorp, PGE, ICNU, CREA, Renewable Energy Coalition and ODOE filed initial issues lists. RNP and OSEA filed letters in support of other parties' issues. Staff compiled the parties' issues into one master list and circulated that compilation to the parties on September 12, 2012.

On September 19, 2012 the parties held a second issues workshop. Some of the issues were consolidated or clarified, and a few were eliminated. On September 27th, 2012, Staff distributed to all parties a consolidated issues list based on the discussion at the September 19th workshop. Staff attempted to further consolidate the issues agreed to at the workshop to facilitate the Commission's review of the issues. By further consolidating the issues proposed by parties, Staff did not intend to eliminate any issue that was important to any party. Instead, Staff attempted to draft an issues list sufficiently broad to subsume the issues in the draft issues lists that were circulated by parties and discussed at the workshop on September 19, 2012.

Staff now files its list of consolidated issues in accordance with the schedule stated in the August 24th 2012 ruling. The ruling also directed parties to file, also on October 3rd, proposed issues that were not agreed to by all parties. Parties shall respond by October 10th regarding "disputed" issues. It is Staff's understanding that no party "objects" to the inclusion of any particular issue. Accordingly, Staff anticipates that to the extent a party makes a filing on October

3 or October 10, it would be to clarify that a particular issue that is not expressly set forth below is presented in this proceeding.

I. Standard Avoided Cost Price Calculation

A. What is the most appropriate methodology for calculating avoided cost prices?
   a. Should the Commission retain the current method based on the cost of the next avoidable resource identified in the company's current IRP, allow an "IRP" method based on computerized grid modeling, or allow some other method?
   b. Should the methodology be the same for all three electric utilities operating in Oregon?

B. Should QFs have the option to elect standard or renewable avoided cost prices that are levelized or partially levelized?

C. Should QFs seeking renewal of a standard contract during a utility's sufficiency period be given an option to receive an avoided cost price for energy delivered during the sufficiency period that is different than the market price?

D. Should the Commission eliminate unused pricing options?

These address concerns raised in existing dockets over the last two years, several of which are still open. Issue I.A is the question raised by Idaho Power in UM 1590, and was the issue that led the Commission to open UM 1610. Issues I.B and I.C both are related to concerns (raised primarily by REC) arising because some existing QFs are nearing the end of their current Power Purchase Agreement (PPA). These QFs seek to renew their PPA but may not remain viable if, under the renewed PPA, they receive the market price during the utility's current sufficiency period. (Docket No. UM 1457.) Staff recommends addressing issue I.D because to our knowledge some of the current avoided cost price options such as the "gas market" and "deadband" options have not been used and unnecessarily complicate the schedule.[1] This issue is not included in any other docket.

II. Renewable Avoided Cost Price Calculation

A. Should there be different avoided cost prices for different renewable generation sources? (E.g. different avoided cost prices for intermittent vs. base load renewables; different avoided cost prices for different technologies, such as solar, wind, geothermal, hydro, and biomass.)

B. How should environmental attributes be defined for purposes of PURPA transactions?[2]

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[1] Parties at the September 19th workshop identified this issue as one that can likely be settled.
[2] Parties at the September 19th workshop identified this issue as one that can likely be settled.

C. Should the Commission revise OAR 860-022-0075, which specifies that the non-energy attributes of energy generated by the QF remain with the QF unless different treatment is specified by contract?

Issue II.A warrants Commission consideration because two Oregon utilities have testified in prior dockets that different renewable QFs impose different costs on the utility and therefore have different true avoided costs. Idaho Power illustrated this position in testimony supporting its petition for investigation of avoided cost methodology. (Docket No. UM 1593.) PacifiCorp proposed different avoided cost prices for intermittent and renewable QFs in its compliance filing with Order 11-505 (Docket No. UM 1396).

Issue II.B anticipates the implementation of carbon offset credits in addition to renewable energy credits. The Commission should consider this issue in UM 1610 because carbon offset credits would be another environmental attribute that has value to its owner. This issue is not addressed in any other docket.

Issue II.C was proposed by Idaho Power. Idaho Power states that the current rule will potentially expose its customers to significantly higher energy costs in the future. It is not currently addressed in any other docket. PacifiCorp's initial issues list also included the more general question of ownership of environmental attributes.

III. <u>Schedule for Avoided Cost Price Updates</u>

A. Should the Commission revise the current schedule of updates at least every two years and within 30 days of each IRP acknowledgement?
B. Should the Commission specify criteria to determine whether and when mid-cycle updates are appropriate?
C. Should the Commission specify what factors can be updated in mid-cycle? (E.g. factors including but not limited to gas price or status of production tax credit.)
D. To what extent (if any) can data from IRPs that are in late stages of review and whose acknowledgement is pending be factored into the calculation of avoided cost prices?
E. Are there circumstances under which the Renewable Portfolio Implementation Plan should be used in lieu of the acknowledged IRP for purposes of determining renewable resource sufficiency?

The Commission should address Issues III.A, III.B and III.C in this docket because the timing of avoided cost price updates was the subject of debate in PacifiCorp Biennial Avoided Cost Update in March 2012, and Idaho Power's Request for Investigation. (Docket No. UM 1593). Timing of avoided cost updates is also raised in the REC petition initiating Docket No. UM 1457.

Issue III.D was the major area of disagreement during the Commission's review of PacifiCorp's March 2012 two-year update. (Advice 12-005). It is one of the issues in UM 1457. Issue III.E is not addressed in any other docket and is a new issue raised by ODOE. It warrants consideration because there may be circumstances where the RPIP is more current than the IRP as an indicator of the utility's next avoidable renewable resource.

IV. Price Adjustments for Specific QF Characteristics

A. Should the costs associated with integration of intermittent resources (both avoided and incurred) be included in the calculation of avoided cost prices or otherwise be accounted for in the standard contract? If so, what is the appropriate methodology?
B. Should the costs or benefits associated with third party transmission be included in the calculation of avoided cost prices or otherwise accounted for in the standard contract?
C. How should the seven factors of 18 CFR 292.304(e)(2) be taken into account?[3]

Issues IV.A, B and C apply to both the standard avoided cost price stream and the renewable avoided cost price stream. Issue IV.A is significant because PacifiCorp and PGE both propose to include integration in the avoided cost price calculation in their UM 1396 compliance filings, and Idaho Power cited the impact of wind integration as the major driver in its request for investigation. (Docket No. UM 1593). Issue IV.B is the principal issue in Docket No. UM 1546.

The Commission considered issue IV.C in Docket No. UM 1129, but we suggest revisiting it because the FERC lists seven factors that avoided cost calculations should take into account, but there is still no agreement among the parties on how to do so. This issue is not currently addressed in any other docket.

V. Eligibility Issues[4]

A. Should the Commission change the 10 MW cap for the standard contract?
B. What should be the criteria to determine whether a QF is a "single QF" for purposes of eligibility for the standard contract?

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[3] The seven factors are (i) ability of the utility to dispatch the QF; (ii) reliability of the QF; (iii) terms of the contract or legally enforceable obligation, termination notice requirement and sanctions for non-compliance; (iv) extent to which scheduled outages of the QF can be usefully coordinated with those of the utility's facilities; (v) usefulness of energy and capacity from the QF during system emergencies including its ability to separate its load from its generation; (vi) individual and aggregate value of energy and capacity from QFs on the utility system and (vii) smaller capacity increments and shorter lead times available with additions of capacity from QFs.

[4] Regarding the issue of ETO funding of QFs, ALJ Grant's letter to Margie Harris of September 13, 2012 includes the Commission's direction to staff to continue working with the ETO on incentive policies.

C. Should the resource technology affect the size of the cap for the standard contract cap or the criteria for determining whether a QF is a "single QF"?
D. Can a QF receive Oregon's Renewable avoided cost price if the QF owner will sell the RECs in another state?

The Commission investigated issue V.A extensively in Docket No. UM 1129. However, almost every party to UM 1610 recommended that we address it again, asserting that new facts and circumstances have arisen since the issuance of Order 05-584. Issue V.A is not currently addressed in any other docket, although Idaho Power did petition for a lower eligibility cap in January 2012 (Docket No. UM 1575). Issue V.B is the subject of Docket No. UM 1616. It is significant because utilities have repeatedly raised the concern over disaggregation, notably Idaho Power in the petitions that initiated Docket Nos. UM 1575 and UM 1593. Idaho Power stated in its recommended issues list that a lower cap could resolve the underlying concerns regarding the definition of a "single facility." Issue V. C was proposed by PacifiCorp and is likely to be raised in any discussion of the eligibility cap. It is not addressed in any current docket. Issue V.D was raised during the review of PGE and PacifiCorp compliance filings with Order 11-505. (Docket No. UM 1396).

VI. Contracting Issues

A. Should the standard contracting process, steps and timelines be revised? (Possible revisions include but are not limited to: when an existing QF can enter into a new PPA and the inclusion of conditions precedent to the PPA including conditions requiring a specific interconnection agreement status.)
B. When is there a legally enforceable obligation?
C. What is the maximum time allowed between contract execution and power delivery?
D. Should QFs <10 MW have access to the same dispute resolution process as those > 10 MW?
E. How should contracts address mechanical availability?
F. Should off-system QFs be entitled to deliver under any form of firm point to point transmission that the third party transmission provider offers? If not, what type of method of delivery is required or permissible? How does method of delivery affect pricing?
G. What terms should address security and liquidated damages?
H. May utilities curtail QF generation based on reliability and operational considerations, as described at 18 CFR §292.304(f)(1)? If so, when?
I. What is the appropriate contract term? What is the appropriate duration for the fixed price portion of the contract?

Issues VI.A through D are concerns raised by QF stakeholders in existing dockets, for example Docket No. UM 1457. ODOE, REC and CREA have identified the PPA negotiation process as a concern equal to the avoided cost calculation method. Issues VI.E and F are the issues raised in Docket No. UM 1566. Issues VI. G, H and I are issues raised by the Oregon utilities. The question of appropriate contract term is significant particularly to ODOE's Small Scale Energy Loan program, because the term of the PPA is a factor in the term of the loan.

VII. Interconnection Process

A. Should there be changes to the interconnection rules, policies or practices to facilitate the timely execution of PPAs under PURPA and a more expeditious process for constructing a QF and bringing it on line?
B. Should the interconnection process allow, at QFs request or upon certain conditions, third-party contractors to perform certain functions in the interconnection review process that are currently performed by the utility?

Issues VII.A and B are significant because the PPA process and interconnection process are interrelated through conditions in the PPA process that refer to milestones in the interconnection process. A detailed discussion of the PPA process is likely to include a discussion of its interrelation with the interconnection agreement process. REC, CREA and ODOE all raise this interrelation as a concern. These issues are described in detail in the initiating petition for Docket No. UM 1457.

Dated at Salem, Oregon, this 3rd day of October, 2012.

Adam Bless

Adam Bless
Senior Utility Analyst
Electric Rates and Planning

CERTIFICATE OF SERVICE

UM 1610

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 3rd day of October, 2012 at Salem, Oregon

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