

April 24, 2014

Via Electronic and U.S. Mail

Public Utility Commission of Oregon
Attn: Filing Center
P.O. Box 2148
Salem, OR 97308-2148
puc.filingcenter@state.or.us

Re: OPUC Docket No. UM 1610

Attention Filing Center:

Enclosed for filing in the above-captioned docket are an original and five copies of *Motion for Clarification and Application for Reconsideration by OneEnergy, Inc. and the Community Renewable Energy Association*.

An extra copy of this letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,



Ken Kaufmann
Attorney for OneEnergy, Inc.

cc: UM 1610 Service List

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1610

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

Investigation Into Qualifying Facility
Contracting and Pricing.

MOTION FOR CLARIFICATION
AND APPLICATION FOR
RECONSIDERATION BY
ONEENERGY, INC. AND THE
COMMUNITY RENEWABLE
ENERGY ASSOCIATION

Pursuant to OAR 860-001-0420 and OAR 860-001-0720, OneEnergy, Inc. and the Community Renewable Energy Association (“CREA”) (collectively “Movants”) respectfully request clarification, or in the alternative reconsideration, of Oregon Public Utility Commission (the “Commission”) Order No. 14-058 with respect to two issues. First, Movants concur with Obsidian’s motion for clarification filed today. Staff’s summary methodology for adjusting rates to reflect a solar qualifying facility’s (“QF”) contribution to capacity will result in payments below the Commission’s intended adjustment and below the utilities’ actual avoided costs. This error may also impact base load QFs’ capacity values and rates. Second, the Commission should clarify that the cost of transmission upgrades to serve load from all proxy resources (whether on-system or off-system) must be added to avoided cost prices. The Commission may grant reconsideration “if sufficient reason therefor is made to appear.” ORS 756.561(1). OAR 860-001-0720(3)(c) further provides that the Commission may grant reconsideration if the applicant establishes “[a]n error of law or fact in the order which is essential to the decision[.]” For the reasons set forth below, these standards are met.

I. Calculation of Capacity Rates

In Order No. 14-058, the Commission stated: “We agree on the need to adjust for capacity contribution of each resource type and adopt Staff’s proposed method for calculating capacity adjustments, as set forth in Staff/102-103”. *Id.* at 15. Movants seek clarification because Staff’s method goes beyond the Commission’s stated intent to adjust for capacity contribution of resource type by reducing capacity payments to well below the actual capacity contribution. In the alternative, Movants seek reconsideration on the grounds that Staff’s method contains an error by allocating adjusted capacity such that solar projects, and possibly also base load projects, cannot earn the full value of the adjusted capacity ordered by the Commission.

Movants do not challenge in this motion the Commission’s core finding that avoided cost rates should be adjusted to reflect resource-specific contributions to capacity. However, the way in which the actual power purchase rates are calculated in Staff’s exhibit results in a “double-discount” of the qualifying facility’s capacity value and should be corrected to avoid paying QFs less than the full avoided costs.

A generator’s capacity value does not depend on how many hours per year the generator operates in total. Rather, as ordered in Order No. 14-058, it depends on the generator’s capability to operate during periods of maximum peak demand (for illustration, the 100 hours of highest demand).¹

¹ PacifiCorp has argued that capacity contribution should be based on the generator’s ability to operate during the 100 hours of highest demand, a concept with which some stakeholders disagree. However, even using PacifiCorp’s concept of capacity, Staff’s methodology for adjusting rates to reflect solar’s contribution to capacity will not result in compensation that is proportional to the capacity value the generating resource brings to the system. Movants reserve the right to demonstrate superior methods for calculating capacity contribution through future Integrated Resource Plans and avoided cost proceedings.

A generator that runs for only those 100 hours should be paid the same number of dollars for its capacity value as a generator that runs for 8,500 hours in the year (including the 100 hours of highest demand). A generator that provides 30% of its nameplate capacity during those 100 hours should be paid 30% of the dollars for capacity that a full output generator would earn. This appears to be the Commission's intent in Order No. 14-058.

Under the calculation approved by the Commission, however, QF projects will not be paid for their actual capacity value.

The methodology adopted in Order 14-058 provides for the dollars associated with solar's capacity value to be spread across 57% of the hours in the year (i.e. 6 AM to 10 PM, excluding Sundays and Holidays), even though solar projects will not operate, or only have very limited operation, during many of those hours.

In terms of payments for capacity value, the methodology treats the hour of 8:00 to 9:00 PM on a Saturday in April (defined as "on-peak" but likely to be a light load hour, and when solar will have little or no generation) the same as 3:00 to 4:00 PM on a Tuesday in July (very likely to be a heavy load hour, and when solar will very likely be generating at high output).

To correct this error, the Commission should clarify that the dollars associated with solar's actual capacity value be paid via the avoided cost power purchase payments actually received by solar projects. One straightforward option would be for capacity payments for all resource types to be expressed in dollars per kilowatt-month, rather than blended into the avoided cost prices on a dollars per MWh basis.

However, because a dollars per kilowatt-month basis would significantly change the structure of avoided cost rates, it is preferable to maintain the dollars per MWh method of payment. This can be accomplished by using the same generation profile for a typical solar

project that is used in calculating the solar capacity contribution to determine the hours of on-peak output for a typical solar project. Doing so could also avoid the “double discounting” error in the calculation of the avoided cost rates without switching to a flat monthly payment of dollars per kilowatt-month.

To illustrate with a simple example calculation without the “double discount,” CREA’s expert, Dr. Don Reading has calculated the corrected solar on-peak rate for 2018 using the data from Staff Exhibit 103. For a given month, assume there are 417 on-peak hours, and the typical solar project’s output for that month is 165 hours.² Dividing the 417 on-peak hours by a typical solar project’s output of 165 hours [417/165] results in a factor of 2.53. This factor would then be multiplied by the QF Capacity Adder determined by the Commission. Staff Exhibit 103 at column “g” of page 2 shows this value for 2018 for solar to be \$6.12 per MWh. But the corrected calculation without the “double discount” would result in an adder of \$15.48 per MWh [$\6.12×2.53]. This would produce an on-peak price, again using Staff Exhibit 103 at page 2, of \$83.75 per MWh, as opposed to the “double discount” rate of \$74.39 per MWh value for 2018 in Staff’s exhibit.

The Commission should correct the double discounting method of calculating the capacity component of the avoided cost rates to ensure Oregon utilities pay QFs the full avoided costs for the energy and capacity supplied.

II. Cost of Transmission for Proxy Resources

At page 17 of Order 14-058, the Commission stated:

If the proxy resource used to calculate a utility’s avoided costs is an on-system resource, there are no avoided transmission costs, and thus the costs of third-party

² These numbers are illustrative. Movants support the current practice of using annual rates and are not advocating monthly pricing.

transmission are *not* included in the calculation of avoided costs prices. This is the situation for Pacific Power.

In so finding, the Commission did not address substantial testimony in the record on this issue. *E.g.*, May 23, 2013, Cross Examination Hearing UM 1610, p. 28 (Dickman); OneEnergy/200, Eddie/7-9; OneEnergy/405 (PacifiCorp's Response to OneEnergy's Data Request 5.6); CREA/200, Reading/17-20; CREA/300, Svendsen/14-15; OneEnergy/100, Eddie/22, 31-32; RNP/200, Lindsay/13-14; *see also CREA's Post-Hearing Brief* at 26-29 (citing to the record and hearing transcript); *OneEnergy's Post-Hearing Brief* at 16-18 (citing to the record and hearing transcript). The issue driving this testimony is PacifiCorp's use of wind projects in transmission-constrained locations on its system as the proxy resource for the Standard Renewable rate, without including the cost of transmission to get that power to load.

Movants do not request the Commission now decide whether any specific proxy resource requires transmission upgrades to serve loads. Rather, Movants request the Commission, on clarification of Order No. 14-058, clarify that the cost of transmission upgrades to move power from *any* proxy resource to the utility's load must be included in avoided cost rates.

This clarification will ensure that a proxy resource located in an on-system generation bubble—and therefore requiring transmission upgrades or third-party transmission to move its generation to load—is responsible for such costs, in similar fashion to the Commission's treatment of a QF located in a load pocket.

Movants request the finding at page 17 of Order No. 14-058 be revised to state:

If the proxy resource used to calculate a utility's avoided costs is an on-system resource and able to serve load as a network resource without transmission upgrades, there are no avoided transmission costs, and thus the costs of third-party transmission (or on-system transmission upgrades) are *not* included in the calculation of avoided costs prices. ~~This is the situation for Pacific Power.~~

III. Conclusion


Movants respectfully request the Commission clarify that the capacity payment to QF resources should equal the capacity contribution of the resource as explained *supra*. In the alternative, Movants respectfully request the Commission issue an order on reconsideration correcting the error in Staff's methodology as explained *supra*.

Movants also request the Commission clarify that the transmission upgrade costs of a proxy resource should be included in the cost of the proxy resource.

Dated this 24th day of April 2014.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on the 24th day of April 2014, I served a true and correct copy of the foregoing *Motion for Clarification and Application for Reconsideration by OneEnergy, Inc. and the Community Renewable Energy Association* in OPUC Docket No. UM 1610 on the following named persons/entities by electronic mail.

DATED this 24th day of April 2014.

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