PACIFIC POWER
A DIVISION OF PACIFICORP

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April 26, 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 – Standard Avoided Cost Purchases from Eligible Qualifying Facilities – Motion for Emergency Interim Relief

In compliance with OAR 860-001-420, PacifiCorp d/b/a Pacific Power submits the enclosed Motion for Emergency Relief to the Public Utility Commission of Oregon.

PacifiCorp is concurrently filing its updated avoided cost information in this docket.

PacifiCorp respectfully requests that all communications related to this filing be addressed to:

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Please direct questions on this filing to me at (503) 813-6583.

Sincerely,

Natasha Siores
Manager, Regulatory Affairs

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1729

In the Matter of PACIFICORP, d/b/a PACIFIC POWER, Application to Update Schedule 37 Qualifying Facility Information.	PACIFICORP'S MOTION FOR EMERGENCY INTERIM RELIEF

I. INTRODUCTION

In accordance with OAR 860-001-420(1), PacifiCorp d/b/a Pacific Power requests that the Public Utility Commission of Oregon (Commission) issue an order: (1) approving the concurrently filed updated avoided cost prices based on the acknowledgment of the company's 2017 Integrated Resource Plan (IRP); (2) requiring that all qualifying facilities (QFs) receive the same avoided cost price based on the assumed deferral of a new wind resource in 2021 (*i.e.*, the renewable avoided cost price stream included in the update to the avoided cost information formerly known as Schedule 37); and (3) granting the requested relief immediately, and on an interim basis pending the Commission's review of the updated avoided cost prices and resolution of the request to modify the methodology for calculating standard avoided cost prices implicated by the above requests.

PacifiCorp's updated avoided cost pricing reflects the success of renewable energy resources, whose costs are now becoming more cost-effective than fossil-fuel resources. Specifically, this result shows how the wind resources in PacifiCorp's Energy Vision 2020 plan are significantly more cost effective than fossil fuel resources. However, the Commission's current methodology, which was established when renewable energy resources were presumed to be more expensive than natural gas-fired resources, produces now an illogical and untenable result in PacifiCorp's avoided cost prices. This filing seeks to provide some interim relief to protect PacifiCorp's customers, and recommends the Commission open a generic docket to re-examine the methodology for avoided costs in light of this new reality.

PacifiCorp has filed an update to its avoided cost information (formerly known as Schedule 37) standard renewable and non-renewable avoided cost prices for sales to QFs under the Public Utility Regulatory Policies Act (PURPA). The updated renewable prices—which are calculated based on the wind resources identified in PacifiCorp's 2017 IRP for acquisition by the end of 2020—are significantly lower than the non-renewable prices—which are based on a natural-gas-fired combined-cycle combustion turbine plant (CCCT) to be acquired in 2030. PacifiCorp respectfully requests that the Commission require that all QFs seeking standard power-purchase agreements (PPAs) from PacifiCorp obtain PPAs with the renewable avoided cost prices because these prices most accurately reflect the cost PacifiCorp will avoid by purchasing these QFs' output and prevents harm to customers by maintaining customer indifference as required under PURPA.

The Commission originally adopted a separate, renewable avoided cost stream for QFs that provide their renewable energy credits (RECs) to the utility to help comply with Oregon's renewable portfolio standard (RPS). At that time, the Commission assumed that utilities were acquiring higher-cost renewable resources to meet their RPS obligations. Based on precedent from the Federal Energy Regulatory Commission (FERC), the Commission concluded that QFs that allow a utility to avoid RPS compliance costs could be eligible for a *higher* avoided cost price—reflecting the higher cost of renewable resources and the incremental RPS compliance obligation avoided due to the QF transaction. Given the results of PacifiCorp's updated avoided cost filing, this is no longer the case, and the Commission should not differentiate between renewable and non-renewable avoided cost prices for the following reasons:

First, allowing a QF to select the non-renewable prices would provide the QF with a windfall at customers' expense. PacifiCorp's non-renewable avoided cost prices no longer reflect the costs PacifiCorp theoretically avoids because of a QF transaction. FERC mandates that the avoided cost price take into account all of the resources that are available to a utility, unless a state policy requires a utility to procure energy and capacity from a smaller subset of resources, in which case there can be a *higher* avoided cost price reflecting the avoidance of costs associated with the state-mandated resource. For this reason, a *higher* avoided cost price for renewable QFs can comply with PURPA's strict customer indifference standard. But allowing QFs to select a higher avoided cost price based on a limited subset of resources (*i.e.*, CCCTs), without a commensurate obligation to procure from that limited subset, violates PURPA. The fact that PacifiCorp's avoided cost prices calculated using a proxy wind resource are lower than the prices using a proxy CCCT, together with the fact there is no obligation in Oregon to obtain CCCT generation, indicates that the renewable avoided cost price more accurately reflects the costs PacifiCorp avoids due to any QF transaction.

Moreover, given PacifiCorp's updated avoided cost prices, a renewable QF choosing the non-renewable price would receive avoided cost prices up to 20 percent higher than the renewable price for providing only energy and capacity—but not RECs—to the utility. This outcome is not logical because it would require that PacifiCorp's retail customers effectively pay a QF project a higher price so that the QF project can keep its RECs. Not only is this result illogical, it also is illegal, because PURPA requires that utility customers remain indifferent to QF purchases and pay no more than the utility's avoided cost. Paying a renewable QF higher prices based on a non-renewable resource does not accurately reflect the costs avoided. And paying a QF more to receive less does not achieve customer indifference. Therefore, all QFs should be offered the renewable avoided cost price.

Second, based on changed circumstances, the rationale behind the Commission's current policy allowing renewable QFs to choose among different avoided cost price streams no longer applies. At the time the Commission adopted its policy, utilities were not yet required to calculate resource-specific avoided cost prices. The Commission was concerned that a renewable price reflecting an intermittent resource would not fairly represent the value of a baseload renewable QF—in which case it would make sense for the QF to have the option of a price based on a proxy resource with more similar characteristics. But the Commission has since directed utilities to offer avoided cost prices for each specific resource type. As a result, baseload renewable QFs now have the option of selecting a renewable baseload price. Therefore, it is no longer necessary to allow renewable QFs to select the non-renewable price.

Furthermore, the Commission's original policy decision appeared to reflect its belief that renewable avoided cost prices would be higher than non-renewable prices, and would only be selected by those QFs for whom the renewable prices were not an accurate reflection of the resource. Renewable resources are now competitive with traditional sources of generation as evidenced by PacifiCorp's 2017 IRP. So long as this outcome remains true, the underlying assumption that renewable avoided costs should be higher than non-renewable prices is unfounded and justifies a departure from the policy of allowing renewable QFs to choose non-renewable prices. To allow a renewable resource to select a higher price based on a non-renewable proxy resource turns the logic behind the Commission's policies on their head, and would be deeply unfair to the customers who would bear the costs.

For all of these reasons, PacifiCorp renews its request that the Commission open a generic docket to re-examine renewable avoided cost calculations. And until the generic docket is resolved or PacifiCorp's avoided costs are updated again, PacifiCorp requests that the Commission require that all standard QFs receive the renewable avoided cost prices set forth in the updated standard avoided cost prices (formerly known as Schedule 37), in order to maintain customer indifference.

II. BACKGROUND

A. PURPA's customer-indifference standard.

PURPA requires utilities to purchase output from QFs,[1] and delegates to state regulators the authority to implement this requirement and the FERC associated regulations.[2] PURPA requires that the rates electric consumers pay for their output be "just and reasonable,"[3] and places an upper limit on the prices that a utility may be required to pay a QF—the utility's avoided cost.[4] FERC defines "avoided cost" as "the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from

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[1] 16 U.S.C. § 824a-3(a); 18 C.F.R. § 292.303(a).
[2] 16 USC § 824a-3(f).
[3] 16 U.S.C. § 824a-3(b).
[4] 16 U.S.C. § 824a-3(b), (d); 18 C.F.R. § 292.304; *see also* Conference Report to accompany H.R. 4018 at 98 (Oct. 6, 1978) (stating that PURPA intended to set an "upper limit" on price utilities can be required to pay).

another source."[5] Consistent with this definition, FERC has emphasized that that the amount paid to QFs must leave utility customers "indifferent" as to whether the utility purchases from the QF or uses its more traditional sources of power.[6]

In Oregon, ensuring accurate avoided cost calculations is one of the Commission's primary goals,[7] and the Commission recognizes that "the goal of calculating avoided costs is to accurately estimate the costs a utility would incur to obtain an amount of power that it purchases from a QF, either by the utility's self-generation or by purchase from a third party."[8] The Commission has continually acknowledged the importance of the customer-indifference standard,[9] and has identified customer indifference as its "primary aim."[10]

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[5] 18 C.F.R. § 292.101(b)(6); *see also* ORS 758.505(1) (defining "avoided cost").
[6] *S. Cal. Edison Co., et al.*, 71 FERC ¶ 61,269, 62,080 (1995), overruled on other grounds, *Cal. Public Utilities Comm'n*, 133 FERC ¶ 61,059 (2010).
[7] *In the Matter of the Public Utility Commission of Oregon Staff's Investigation Relating to Electric Utility Purchases from Qualifying Facilities*, Docket No. UM 1129, Order No. 05-584 at 26 (Mar 13, 2005).
[8] Order No. 05-584 at 20.
[9] *See, e.g., In the Matter of the Investigation into Electric Utility Tariffs for Cogeneration and Small Power Production Facilities*, Docket No. R-58, Order No. 81-319 at 3 (May 6, 1981) (stating goal of PURPA is "to provide maximum economic incentives for development of qualifying facilities while insuring that the costs of such development do not adversely impact utility ratepayers who ultimately pay these costs"); Order No. 05-584 at 11 (May 13, 2005) ("We seek to provide maximum incentives for the development of QFs of all sizes, while ensuring that ratepayers remain indifferent to QF power by having utilities pay no more than their avoided costs."); Docket No. UM 1129, Order No. 06-538 at 37 (Sept. 20, 2006) ("[O]ur overriding goals in this docket are to encourage QF development, while ensuring that ratepayers are indifferent to QF power."); Docket No. UM 1129, Order No. 07-360 at l (Aug. 20, 2007) ("This Commission's goal is to encourage the economically efficient development of QFs, while protecting ratepayers by ensuring that utilities incur costs no greater than they would have incurred in lieu of purchasing QF power (avoided costs)"); *In the Matter of the Public Utility Commission of Oregon, Investigation into Qualifying Facility Contracting and Pricing,* Docket No. UM 1610, Order No. 14-058 at 12 (Feb. 24, 2014) ("We first return to the goal of this docket: to ensure that our PURPA policies continue to promote QF development while ensuring that utilities pay no more than avoided costs.").
[10] Order No. 05-584 at 45 ("In balancing the goals of facilitating QF contracts while sufficiently protecting ratepayers, we recognize that the primary aim is to ensure that ratepayers remain indifferent to the source of power that serves them.").

B. The Commission's adoption of renewable avoided cost prices.

In a series of orders in dockets UM 1129, UM 1396, and UM 1610, the Commission detailed the requirements for utilities to follow in calculating their avoided cost prices.[11] Originally, the Commission required PacifiCorp to offer only one avoided cost price stream, which was based, during periods of resource deficiency, on the variable and fixed costs of a natural-gas-fired CCCT proxy resource and used inputs and assumptions from an acknowledged IRP.[12] During periods of resource sufficiency, QFs received market prices.[13]

In 2011, FERC clarified that a state may implement multi-tiered avoided-cost pricing based on state-imposed procurement requirements, such as Oregon's RPS.[14] To ensure that utility customers remain unharmed, FERC specified that the renewable avoided cost price must be "tied to a state requirement that the utility either build a particular resource or purchase from a particular resource."[15] Based on FERC's reasoning, in Order No. 11-505, the Commission found that Oregon's RPS requirements provided a basis for requiring utilities to offer renewable avoided cost prices,[16] and decided to adopt a separate, renewable avoided cost stream for PacifiCorp and Portland General Electric Company (PGE)—the two Oregon utilities currently subject to the state's RPS.[17] The Commission recognized that renewable QFs willing to cede their RECs to the utility "allow the utility to avoid building (or buying) renewable generation to meet their RPS requirements," and concluded that these

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[11] *See, e.g.*, Order No. 05-584 at 2; Order No. 06-538 at 44-56; *In the Matter of Public Utility Commission of Oregon Investigation into Determination of Resource Sufficiency*, Docket No. UM 1396, Order No. 11-505 (Dec. 13, 2011); Order No. 14-058 at 12-13.
[12] Order No. 05-584 at 27; Order No. 14-058 at 12.
[13] Order No. 05-584 at 26-28.
[14] Order No. 11-505 at 4 (quoting FERC).
[15] *Cal. Public Utilities Comm'n*, 134 FERC ¶ 61,044, P32 (2011).
[16] Order No. 11-505 at 9.
[17] Order No. 11-505 at 4.

QFs "should be offered an avoided cost stream that reflects the costs that [the] utility will avoid."[18]

The Commission applied the same sufficiency/deficiency framework to renewable avoided-cost pricing. Utilities are considered renewable-resource sufficient until the next acquisition of a renewable resource identified in an IRP preferred portfolio.[19] During periods of renewable-resource deficiency, the renewable avoided cost is calculated based on the next renewable resource acquisition identified in the IRP.[20] If a QF selects the renewable avoided cost price, the QF must cede its RECs to the purchasing utility during the renewable-resource deficiency period, under the assumption that the QF is allowing the utility to avoid RPS compliance costs that would otherwise be incurred.[21] Because of concerns that an avoided cost price based on an intermittent renewable resource would not accurately compensate a baseload renewable QF, the Commission adopted a policy allowing renewable QFs to choose either the renewable or non-renewable avoided cost prices.

C. PacifiCorp's standard avoided cost update.

The preferred portfolio in PacifiCorp's 2017 IRP identified the acquisition of new wind resources, which will come online by the end of 2020, as part of the Energy Vision 2020 strategy.[22] PacifiCorp explained that acquisition of these resources—and the accompanying, time-limited production tax credits (PTCs)—are a component of the least-

[18] Order No. 11-505 at 9.
[19] Order No. 11-505 at 6.
[20] Order No. 11-505 at 4.
[21] Order No. 11-505 at 1, 4.
[22] Docket No. LC 67, 2017 Integrated Resource Plan at 2 (Apr. 4, 2017).

cost, least-risk plan to meet an identified resource need.[23] The Commission acknowledged the 2017 IRP at a public meeting on December 11, 2017, and on March 27, 2018, the Commission clarified that the 30-day period for updating avoided costs begins when the Commission acknowledges the IRP at a public meeting.[24] The Commission ordered PacifiCorp to file updated avoided costs within 30 days of this clarification.[25]

Therefore, concurrent with this Motion, PacifiCorp is filing updated standard avoided cost prices, which comply with all of the Commission's requirements regarding avoided cost calculations described above. The updated non-renewable prices include a 2030 deficiency date and are calculated based on a 2030 west-side CCCT proxy resource, which is consistent with the timing of the first CCCT resource in the acknowledged 2017 IRP. Current and updated non-renewable prices are reflected in the table below.

Table 1: PacifiCorp's Current and Updated Non-Renewable Avoided Cost Prices ($/MWh)[26]

Resource Type	Baseload	Wind	Fixed Solar	Tracking Solar
Current Prices	$40.71	$34.65	$44.05	$43.88
Updated Prices	$43.03	$38.93	$49.32	$49.73
Increase	$2.32	$4.28	$5.27	$5.85

[23] Docket No. LC 67, PacifiCorp's Response Comments at 5 (Oct. 30, 2017); Docket No. LC 67, PacifiCorp's Response to Staff's Public Meeting Memo at 2 (Nov. 28, 2017).
[24] *In the Matters of PacifiCorp Schedule 37 Avoided Cost Purchases from Eligible Qualifying Facilities (UM 1729), and 2017 Integrated Resource Plan (LC 67),* Docket Nos. UM 1729 & LC 67, Order No. 18-096 (Mar. 27, 2018); *see also* Order No. 14-058 at 23-26.
[25] Order No. 18-096.
[26] 15-Year Levelized Prices starting in 2021.

The updated renewable prices include a 2021 deficiency date and are calculated based on the Energy Vision 2020 Wyoming wind resources from the acknowledged 2017 IRP. Current and updated renewable prices are reflected in the table below:

Table 2: PacifiCorp's Current and Updated Renewable Avoided Cost Prices ($/MWh)[27]

Resource Type	Baseload	Wind	Fixed Solar	Tracking Solar
Current Prices	$57.55	$47.68	$56.34	$57.23
Updated Prices	$37.51	$32.14	$41.73	$42.57
Decrease	($20.04)	($15.54)	($14.61)	($14.66)

As demonstrated in these tables, PacifiCorp's updated renewable avoided cost prices—applicable to QFs that cede their RECs to the utility—will be lower than the updated non-renewable prices. Using tracking solar as an example, if standard QFs are allowed to continue to choose between renewable and non-renewable prices, this outcome would require retail customers to pay a QF project a $7.16/MWh premium so that the QF project can retain the RECs generated by the solar facility. This clearly does not conform to the customer indifference standard.

III. DISCUSSION

So long as the renewable avoided cost price stream is lower than the non-renewable avoided cost price stream, the Commission should depart from its past policy of allowing QFs to choose between the two avoided cost price streams. Instead, the Commission should restrict all QFs to receive renewable avoided cost prices, because these prices are the most

[27] 15-Year Levelized Prices starting in 2021.

accurate estimate of the costs PacifiCorp actually avoids. Under such conditions, Oregon retail customers would be harmed and would not be held indifferent if QFs were permitted to elect the higher, non-renewable prices. In addition, a departure from past policy is justified because the reasoning underlying the policy does not apply under current market conditions.

A. Allowing renewable QFs to receive non-renewable avoided cost prices would lead to absurd results and would force customers to pay more than the utility's true avoided cost.

Under PacifiCorp's updated prices, if a three MW tracking solar QF were allowed to elect the non-renewable prices, the QF would receive a $7.16/MWh premium that is nearly 20 percent *more* than the same QF would receive under the renewable avoided cost prices. Over the 15 year life of the PPA (beginning January 1, 2021), the QF would receive $1,037,447 in additional revenue for delivering the exact same energy and capacity product *but not delivering any RECs*. If just ten standard solar QF projects totaling 30 MW were to execute PPAs based on the inflated non-renewable prices, customers would be saddled with approximately $10 million in costs that would be above PacifiCorp's avoided costs. These renewable QFs would be paid 20 percent more than the costs of the renewable resource it is presumed to defer—while keeping its RECs.[28] Non-renewable QFs also would be compensated in excess of PacifiCorp's true avoided cost if paid the non-renewable prices,

[28] It is important to note that the updated prices reflect a negative implied RPS compliance cost. The assumption underlying the Commission's adoption of a separate, renewable avoided cost stream—calculated based on the next renewable resource the utility plans to acquire—is that utilities acquire renewable resources for RPS compliance. Therefore, it follows that the renewable avoided cost price represents the cost of the avoided energy and capacity, *plus the cost of avoided RPS compliance*. Because the non-renewable prices do not include an RPS-compliance component, the difference between the renewable and non-renewable prices should represent the RPS-compliance cost that PacifiCorp avoids when a renewable QF transfers its RECs to the company. Here, the implied RPS compliance cost is negative, meaning that PacifiCorp would either pay QFs *more* to provide energy and capacity alone, or *less* to provide energy, capacity, and the associated RECs. This makes no sense. RPS compliance is not free, and PURPA does not require customers to pay more to receive less.

because non-renewable QFs should be assumed to defer the same wind resources, which are being acquired for their economic value, not for their RECs.[29] As a result, customers would be harmed and would not be economically indifferent to any QF purchase made at the non-renewable prices, as PURPA requires, and instead would be paying more for the power than they would have paid but-for the purchase from the QF.[30]

Allowing QFs to select a higher non-renewable avoided cost stream runs afoul of FERC's order permitting states to adopt separate, renewable avoided cost prices. FERC's decision was premised upon the assumption that renewable prices would be higher, because they captured additional costs the utility avoids—beyond those reflected in the non-renewable prices.[31] FERC clarified that avoided costs need not reflect the lowest possible cost and declared that a state may implement higher prices for QFs that allow the utility to avoid costs of complying with a state procurement law, such as a RPS.[32] If a state requires a utility to purchase from generators with certain characteristics, FERC explained, that subset of generators comprise the sources relevant to the utility's avoided cost calculation for that type of generator.[33]

[29] The current framework for calculating renewable avoided costs assumes that renewable resources will only be procured to meet RPS-compliance requirements, but PacifiCorp's renewable-resource acquisitions to date have not been driven by RPS compliance, and this is not expected to change. In addition, PacifiCorp has been clear that the renewable-resource acquisitions included in the 2017 IRP preferred portfolio are not needed to meet an RPS-compliance obligation—meaning that PacifiCorp would be acquiring these renewable resources even if they did not provide RECs that could be used to comply with Oregon's RPS. Docket No. LC 67, PacifiCorp Reply Comments at 59-61 (July 28, 2017).

[30] *Indep. Energy Producers Ass'n, Inc. v. Cal. Pub. Utils. Comm'n*, 36 F.3d 848, 858 (9th Cir. 1994) ("If purchase rates are set at the utility's avoided cost, consumers are not forced to subsidize QFs because they are paying the same amount they would have paid if the utility had generated energy itself or purchased energy elsewhere.").

[31] *Cal. Pub. Util. Comm'n*, 133 FERC ¶ 61,059 at P21-30 (2010), reh'g denied, 134 FERC ¶ 61,044 (2011).

[32] *Id.*

[33] *Id.*; *see also So. Cal. Edison Co.*, 70 FERC ¶ 61,215, 61,677 (1995) (in setting avoided cost prices, state regulatory authority must "reflect prices available from *all sources able to sell to the utility*" (emphasis added)).

Therefore, a state may offer separate, higher renewable avoided cost prices if such prices reflect a specific requirement for utilities to buy from renewable resources. But it does not follow that a state may offer QFs access to higher prices that reflect the avoided cost of non-renewable resources, because Oregon does not require utilities to purchase from non-renewable generators. As a result, permitting QFs to select a non-renewable avoided cost price—when the non-renewable price is higher—runs counter to FERC precedent, and the Commission should not allow QFs seeking to contract with PacifiCorp to receive the updated, higher non-renewable avoided cost prices.

B. The reasoning underlying the Commission's original decision to allow renewable QFs to choose the non-renewable avoided cost price no longer applies.

When the Commission initially decided that renewable QFs could choose non-renewable avoided cost prices, the Commission and parties were primarily concerned that baseload renewable QFs needed an avoided cost option that was based on a baseload proxy resource.[34] In Order No. 11-505, the Commission declined parties' requests to derive avoided costs for each type of renewable resource, but acknowledged that the distinction between intermittent and baseload resources should be reflected in avoided cost price options.[35] Recognizing that an avoided cost price based on an intermittent wind resource might not fairly represent the value of a baseload renewable resource, the Commission decided to allow renewable QFs the option to select the non-renewable price, based on a

[34] Order No. 11-505 at 5; Docket No. UM 1396, Renewable Energy Coalition Opening Comments at 3-4 (May 13, 2011); PacifiCorp's Reply Comments at 10 (June 28, 2011) (explaining that PacifiCorp refined its position based on concerns expressed at the workshop regarding renewable baseload QFs).
[35] Order No. 11-505 at 5.

CCCT proxy resource.[36] PacifiCorp expressed concern that allowing renewable QFs to select the non-renewable price when it is higher would result in QFs being paid more than the utility's avoided cost.[37] Ultimately, the Commission declined to prohibit a renewable QF from selecting a higher non-renewable-price option, pointing to its concern that QFs should have an option to choose a non-renewable price that would better reflect the value of a baseload renewable resource.[38]

Because the Commission now requires that avoided cost prices be adjusted for the resource-specific capacity contribution, baseload renewable QFs will be fairly compensated by the renewable avoided cost price and no longer require the option to select the non-renewable price. In 2014, "to produce more accurate avoided cost estimates," the Commission directed utilities to calculate resource-specific avoided cost streams based on the capacity contribution of each resource type.[39] The Commission recognized that, for baseload renewable QFs, this change would result in a higher on-peak price than the previous methodology.[40] As a result of this change, PacifiCorp now has avoided cost prices specific to each type of renewable resource—including baseload—and there is no longer any reason to allow renewable QFs to choose the non-renewable price.

The Commission's decision to allow renewable QFs to select the non-renewable prices was based on the assumed rationale that renewable avoided cost prices, which include

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[36] Order No. 11-505 at 5.
[37] Docket No. UM 1396, PacifiCorp's Opening Comments at 9 (May 13, 2011).
[38] Order No. 11-505 at 9.
[39] Order No. 14-058 at 15.
[40] Order No. 14-058 at 15.

the cost of RECs, would be higher than non-renewable prices.[41] This basis may have been reasonable in 2011, when renewable resources generally were not considered to be cost-effective, but it no longer holds true. Renewable resource costs have dropped steadily, and renewable resources now are being acquired because they are the least-cost, least-risk option—not just for RPS compliance. PacifiCorp's acknowledged 2017 IRP identified the new Energy Vision 2020 wind resources as the least-cost, least-risk resources. This significant change in circumstances justifies departing from the Commission's past policy and provides further support for reconsidering the policy allowing renewable QFs to choose the non-renewable prices.

C. Interim relief is necessary to protect customers from irreparable harm.

The Commission should grant PacifiCorp interim relief to eliminate the threat that the company will be required to execute QF contracts—with 20-year terms—at inaccurate avoided cost prices, which would irreparably harm PacifiCorp's customers. As explained above, if QFs are allowed to opt for the non-renewable avoided cost price, they would be receiving inaccurate, excessively high prices, which will inevitably result in customer harm. And customers would feel these impacts for decades, because PacifiCorp's standard PPAs have a 20-year term and guarantee 15 years of fixed prices that begin when the facility comes

[41] Although the Commission's order does not explicitly state this assumption, it is reasonable to infer that the Commission believed renewable avoided cost prices would be higher than non-renewable, because renewable technologies generally were not viewed as cost-competitive and the renewable prices accounted for RECs, which were thought to be more valuable than they are today. *See, e.g.*, Docket No. UM 1396, Reply Comments of the Community Renewable Energy Assoc. at 10 (June 28, 2011) ("a properly calculated renewable avoided cost rate for small QFs should be higher than the rate calculated under the gas proxy if the renewable proxy rate properly accounts for the avoided cost factors . . ."). Assuming that the Commission believed that non-renewable prices were likely to be higher, it would have had no reason to adopt a separate, renewable price because all QFs would prefer the non-renewable price.

online. PacifiCorp's requested interim relief protects customers by ensuring they are not required to compensate renewable QFs at inaccurate prices.

PacifiCorp's interim relief must be implemented as soon as possible to protect customers. When avoided cost prices decrease—as is the case here for all of PacifiCorp's avoided cost prices when appropriately calculated using the 2021 wind proxy—QF developers are provided an incentive to execute contracts or otherwise establish legally enforceable obligations before the Commission approves the updated lower prices. Thus, time is of the essence. If the Commission delays in implementing the company's requested relief, there is a real and substantial risk of customer harm. Moreover, the harm is not reciprocal—under the company's proposal here, if the Commission grants PacifiCorp's relief immediately, and then ultimately approves higher avoided cost prices, any contract executed in the interim can be modified to reflect the higher prices.[42] In other words, the only potential harm to QFs will result from a potential, slight delay in obtaining higher avoided cost prices. The harm to customers, on the other hand, will last for decades.

More than 35 years ago, the Commission noted its primary goal in establishing QF policies was "to provide maximum economic incentives for the development of [QFs] *while insuring that the costs of such development do not adversely impact utility ratepayers who ultimately pay these costs*," and it reaffirmed this goal in Order No. 14-058.[43] PacifiCorp's interim relief proposal appropriately balances these factors: It protects customers from the significant costs in excess of avoided costs that will result if PacifiCorp must execute PPAs

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[42] This modification can occur either through Commission order or by the QF simply executing a new contract at the higher prices.

[43] Order No. 81-319 at 3 (emphasis added); Order No. 14-058 at 3, 12 ("We first return to the goal of this docket: to ensure that our PURPA policies continue to promote QF development while ensuring that utilities pay no more than avoided costs.").

that lock in inaccurate avoided cost prices. At the same time, it does not impede QF development, because renewable QFs may continue entering PPAs and will have the accurate, renewable avoided cost stream available to them.

In addition, PacifiCorp's requested relief would not interrupt the contracting process, because it would not affect those QFs that already have incurred a legally enforceable obligation to the currently effective prices. For all of these reasons, the Commission should grant PacifiCorp's request for interim relief.

D. The Commission should open a generic docket to re-examine how it calculates renewable avoided costs.

In docket UM 1802, PacifiCorp requested that the Commission open a generic docket to investigate and change the framework for determining the avoided cost prices for RPS-eligible QFs.[44] Although the Commission did not open a generic docket in the order resolving UM 1802, it recognized the need for such a docket—"it may be appropriate to reevaluate the framework for renewable avoided cost rates in a larger policy docket"—and suggested that it would "more fully address the future rate framework for renewable avoided costs."[45]

The current renewable avoided cost calculation methodology is based on the incorrect assumption that any renewable resource identified in an IRP is being acquired for RPS compliance. Therefore, PacifiCorp proposed in UM 1802 that the Commission open a generic docket and adopt a new policy, in which utilities use the same methodology for

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[44] *See In the Matter of Public Utility Commission of Oregon, Investigation to Examine PacifiCorp, dba Pacific Power's Non-Standard Avoided Cost Pricing*, Docket No. UM 1802, PacifiCorp's Opening Brief at 6, 26-30 (Sept. 18, 2017).
[45] Docket No. UM 1802, Order No. 18-131 at 10 (Apr. 19, 2018).

determining the avoided costs of energy and capacity for all QFs (adjusted for equivalent capacity contributions and other operational characteristics), regardless of whether they are RPS-eligible, and allow renewable QFs that cede their RECs to the utility to obtain an incremental price that reflects the RPS-compliance cost avoided because of the RECs.

The discrepancy between PacifiCorp's renewable and non-renewable avoided costs reflected in the present avoided cost update provides further evidence that the framework for calculating avoided costs should be reconsidered. Application of the current calculation methodologies would lead, absent PacifiCorp's request for interim relief, to the illogical situation in which a renewable QF could elect higher prices based upon a CCCT proxy resource, rather than more accurate prices based on the next renewable resource PacifiCorp plans to acquire—thereby being paid *more* to retain its RECs. And non-renewable QFs would be unjustifiably offered higher prices than renewable QFs.

The Commission has stated that "[u]tilities' avoided cost methodologies were designed to capture the avoided costs actually realized by the utility when it purchases power from a QF, and are intended to be simple and clear…"[46] Because the currently mandated calculation methodologies do not accurately capture actual avoided costs, and also have given rise to a number of questions and disputes, PacifiCorp respectfully requests that the Commission open a generic docket to re-examine its avoided cost calculation requirements.

IV. CONCLUSION

PacifiCorp respectfully requests that the Commission immediately approve the concurrently filed updated avoided cost prices, while also requiring all QFs to take the

[46] Order No. 14-058 at 12.

avoided cost prices calculated using the 2021 wind proxy resource. Granting QFs the higher non-renewable avoided cost prices would violate PURPA and harm customers because the non-renewable prices do not accurately reflect PacifiCorp's avoided cost and would compensate renewable QFs more for providing less. Moreover, the rationale for allowing baseload renewable QFs to choose the non-renewable prices no longer exists, and the assumption that renewable prices will be higher than non-renewable prices is no longer accurate. PacifiCorp's proposal fairly balances the interests of QF developers and utility customers, and aligns the resource characteristics to ensure customer indifference. Finally, the Commission should open a generic docket to re-examine avoided cost calculation methodologies so that the current price discrepancy can be avoided in the future.

Respectfully submitted this 26th day of April, 2018.

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