

July 10, 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—PacifiCorp’s Avoided Cost Filing Update—Supplemental Filing

On April 26, 2018, PacifiCorp d/b/a Pacific Power submitted its compliance filing updating its avoided costs.¹ The Public Utility Commission of Oregon (Commission) held a public meeting on May 22, 2018, where certain parties raised concerns regarding the manner in which PacifiCorp calculated the capacity adder adjustment for standard renewable avoided cost prices. On June 12, 2018, PacifiCorp met with Staff via telephone to discuss PacifiCorp’s calculation. PacifiCorp provides the following supplemental information that explains, consistent with Commission precedent, the methods that were used to calculate the renewable capacity adder.

In Order No. 14-058, the Commission adopted a methodology for determining the capacity contribution. 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, using input estimates derived from the utility’s acknowledged IRP.”² In those exhibits, Staff set out the three inputs that are used to determine the adjustment based on the capacity contribution of a renewable resource: the value of capacity, the renewable proxy contribution to peak, and the qualifying facility (QF) resource contribution to peak.³ For the value of capacity, Staff stated that it is “taken directly from the Standard Oregon Method.”⁴ Throughout its testimony in docket UM 1610, Staff defined the “Standard Oregon Method” or “Standard Method” as the standard non-renewable methodology developed in Order No. 05-584.⁵

¹ *In the Matter of PacifiCorp d/b/a Pacific Power, Application to Update Schedule 37 Qualifying Facility Information*, Docket No. UM 1729, Standard Avoided Cost Purchases from Eligible Qualifying Facilities – Compliance Filing (Apr. 26, 2018).

² *In the Matter of Public Utility Commission of Oregon Staff Investigation into Qualifying Facility Contracting and Pricing*, Docket No. UM 1610, Order No. 14-058 at 15 (Feb. 24, 2014).

³ *See In the Matter of Public Utility Commission of Oregon Staff Investigation into Qualifying Facility Contracting and Pricing*, Docket No. UM 1610, Staff Exhibit No. 103 at 4 (March 18, 2013).

⁴ *Id.*

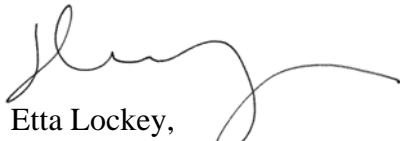
⁵ *See In the Matter of Public Utility Commission of Oregon Staff Investigation into Qualifying Facility Contracting and Pricing*, Docket No. UM 1610, Staff Exhibit No. 100 at 4 (March 18, 2013).

The “Standard Oregon Method” was used in PacifiCorp’s April 26, 2018 compliance filing for the standard non-renewable rates, with the deficiency period identified as 2030.⁶ This method states, “When a utility is in a resource sufficient position, we adopt Staff’s recommendation that QF capacity be valued based on the market.”⁷ Consistent with other Commission precedent on this topic, PacifiCorp has interpreted this to mean that the market price for energy includes the appropriate capacity value.⁸ Therefore, the incremental value of capacity over the market price would be zero. As a result, standard avoided costs have never included an incremental value for capacity during the sufficiency period.

The standard (non-renewable) avoided cost calculations in the April 26, 2018 compliance filing reflect a deficiency date of 2030. Thus, per the Standard Oregon Method, PacifiCorp is resource sufficient between now and 2029 with capacity value based on the market and there is no incremental capacity value before 2030.⁹ Because this method is also used to determine the capacity adder adjustment for renewable avoided costs under Order No. 14-058, the renewable avoided cost prices also reflect no incremental capacity value before 2030.¹⁰

Please direct any questions on this filing to Natasha Siores at (503) 813-6583.

Sincerely,



Etta Lockey,
Vice President, Regulation

⁶ *In the Matter of PacifiCorp d/b/a Pacific Power, Application to Update Schedule 37 Qualifying Facility Information*, Docket No. UM 1729, Standard Avoided Cost Purchases from Eligible Qualifying Facilities – Compliance Filing (Apr. 26, 2018).

⁷ *In the Matter of Public Utility Commission of Oregon Staff’s Investigation Relating to Electric Utility Purchases from Qualifying Facilities*, Docket No. UM 1610, Order 05-584 at 27 (May 13, 2015).

⁸ In adopting a market price floor for non-standard avoided costs, the Commission stated, “In addition, we assert that the market price includes an incremental QF capacity value.” *In the Matter of Public Utility Commission of Oregon Staff Investigation into Qualifying Facility Contracting and Pricing*, Docket No. UM 1610, Order No. 16-337 at 6 (Sep. 8, 2016).

⁹ *In the Matter of PacifiCorp d/b/a Pacific Power, Application to Update Schedule 37 Qualifying Facility Information*, Docket No. UM 1729, Standard Avoided Cost Purchases from Eligible Qualifying Facilities – Compliance Filing at Exhibits 1–4 (Apr. 26, 2018).

¹⁰ *Id.* at Exhibits 5–8.