ITEM NO. CA3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 24, 2025

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** July 1, 2025

DATE: June 17, 2025

TO: Public Utility Commission

FROM: Ryan Bain

THROUGH: Scott Gibbens and Curtis Dlouhy **SIGNED**

SUBJECT: PACIFIC POWER:
Docket No. UM 1729(10)
Update to Standard Avoided Cost Schedule for Qualifying Facilities.

STAFF RECOMMENDATION:

Approve Pacific Power's (Company) annual May 1 update to its standard avoided cost schedule.

DISCUSSION:

Issue

Whether the Commission should approve Pacific Power's annual May 1 update of its standard avoided cost schedule.

Applicable Orders and Rules

ORS 757.205(1) provides that "every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls, and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it."

ORS 758.525(1) provides that "at least once every two years each electric utility shall prepare, publish and file with the Public Utility Commission a schedule of avoided costs equaling the utility's forecasted incremental cost of electric resources over at least the next 20 years. Prices contained in the schedules filed by public utilities shall be reviewed and approved by the commission."

OAR 860-029-0080(7)(a) specifies that on May 1 of each year, a public utility must file with the Commission updates to the avoided cost information filed under section (2) of this rule to be effective within 60 days of filing to reflect:

> (A) Updated natural gas prices;
> (B) On- and off-peak forward-looking electricity market prices;
> (C) Changes to the status of the Production Tax Credit [PTC]; and
> (D) Any other action of change in an acknowledged IRP update relevant to the calculation of avoided costs.

Oregon Public Utility Commission Order No. 19-172 and Oregon Public Utility Commission Order No. 20-064.

Analysis

Background
On May 1, 2025, in compliance with the above stated rule and statutes, Pacific Power filed its revised standard avoided cost schedule, Sheet Nos. 37-8 through 37-27. This filing includes updates to the Natural Gas Forward Prices, Electric Forward Prices, and the Company's fixed monthly third-party transmission rate charge option for QFs located in load pockets. The Company's updated third-party transmission rates incorporate forecasted tariff rates for Bonneville Power Administration (BPA) and Portland General Electric (PGE) when third-party transmission is necessary to move out generation from QFs located in load pockets. Third Party transmission is discussed further below.

Filing Overview
Staff has reviewed the Company's application and workpapers and finds that they are in compliance with the Commission approved methodology for Pacific Power's avoided cost rates. Staff finds that overall, the rates were properly calculated and recommends that the rates be allowed to go into effect. Staff's review included verifying the accuracy of updated inputs, and scrutiny of the workpaper calculations for accurate references and output.

Natural Gas Forward Prices
Pacific Power filed their annual update utilizing the Company's Official Forward Price Curve from March 2025.

Staff scrutinized the updated forward gas inputs during its review and believes the vintage used is appropriate and commensurate with previous filings and Commission precedent. In the updated forecast, gas prices have fallen by an average of approximately 5 percent over the 2026-2040 forecast horizon.

Electric Forward Prices
Pacific Power updated its Official Market Price Forecast on-peak and off-peak electric market prices using a weighted blend of forward monthly market prices for Mid-Columbia, California-Oregon Border (COB), and Palo Verde, from March 2025, for their sufficiency period pricing ending December 31, 2026. Forward electric market prices in the near term, the January 2025 through December 2026 combined (flat) On- and Off-peak monthly rates, have decreased by approximately 28 percent since the Company's previous avoided cost schedule update. Staff believes the vintage used is appropriate and commensurate with previous filings and Commission precedent.

Third-Party Transmission Rates
As mentioned, PacifiCorp's third-party transmission rate update only applies to the five-year fixed price transmission charge option for QFs located in load pockets. These are charges that a QF must pay when third-party transmission is necessary to move a QF's generation out to the Company's load. The Commission authorized these charges in Docket No. UM 1610 in Order Nos. 19-172 and 20-064. The Company determines at the time of contract execution whether it must acquire third-party transmission to move the QF's generation, and the QF can elect to pay a pass-through of the actual transmission charges, or it can elect to pay a forecasted estimate of rates in five-year increments that are fixed at the time of contracting and updated in the contract every five years (as the Company procures long-term firm transmission in five-year increments). The Company is updating its publicly posted rate, in accordance with the methodology prescribed by the Commission's orders. While this is not a factor specified for May 1 avoided cost updates, the update is timed to coincide with updates to BPA's and PGE's transmission rate changes and does not otherwise affect QFs located outside of load pockets. Staff finds the update to the Company's third-party transmission rates to be reasonable for inclusion in the Company's May 1 avoided cost update as it results in more equitable avoided costs and is in alignment with Staff's recommendation in Docket No. UM 2000 for avoided transmission.[1]

[1] See UM 2000, Staff/400, Drennan/7-8.

Price Comparison
The Company's proposed standard fixed levelized avoided costs for a 15-year contract (2026 through 2040), as shown in Table 1, saw an average decrease of approximately 6.6 percent across resource types. The Company's proposed standard renewable fixed levelized avoided costs for a 15-year contract saw an average decrease of approximately 2 percent across resource types.

Table 1 Current and Proposed 15-year Levelized Avoided Costs (2026-2040)

Standard Fixed Non-Renewable Avoided Costs ($/MWh)

	Baseload	Wind	Fixed Solar	Tracking Solar	Solar + Storage
Current	$ 61.59	$ 62.27	$ 53.52	$ 53.85	$ 78.30
Proposed	$ 57.75	$ 58.44	$ 49.45	$ 49.79	$ 74.20

Standard Renewable Fixed Avoided Costs ($/MWh)

	Baseload	Wind	Fixed Solar	Tracking Solar	Solar + Storage
Current	$ 63.43	$ 60.90	$ 48.25	$ 49.82	$ 80.33
Proposed	$ 61.67	$ 59.10	$ 48.15	$ 49.62	$ 77.74

Conclusion

Staff believes Pacific Power followed the requirements for updating its avoided cost rates, implementing methodology appropriately and using appropriate updated inputs, consistent with its obligations under Oregon statutes ORS 757.205 and ORS 758.525. Further, Staff finds the Company's update to its third-party transmission rates to be supportable for inclusion with the Company's May 1 avoided cost update, as this is in furtherance of rates that are just, fair, and reasonable.

PROPOSED COMMISSION MOTION:

Approve Pacific Power's update to its standard avoided cost schedule.