

**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

Prehearing Memorandum of
Renewable Northwest Project

Renewable Northwest Project (“RNP”) submits this Prehearing Memorandum to summarize its testimony on identified issues relating to the contracting and pricing for Qualifying Facilities (“QFs”) under Oregon’s implementation of the Public Utilities Regulatory Policy Act of 1978 (“PURPA”). The “**RNP Issues List**” below briefly summarizes RNP’s testimony according to the sequence set forth in the Issues List adopted as Appendix A to Chief ALJ Grant’s December 21, 2012, order. Although this RNP Issues List covers only those issues on which RNP submitted testimony, RNP may take positions on additional issues in a post-hearing brief.

RNP urges the Commission to maintain the satisfactory policy balance that it achieved in its relatively recent, extensive investigation of PURPA in UM 1129. Balanced PURPA implementation promotes the measured expansion of in-state, community-scale clean energy generation that the Legislature called for in ORS 469A.210. While some marginal adjustments to the UM 1129 framework may be worthwhile in this docket, the Commission should ensure that adjustments are even-handed as between QFs and proxy resources. That way, the Commission can continue to maintain the aggregate balance that it achieved for Oregon in UM 1129.

RNP Issues List

Avoided Cost Price Calculation

Issue 1.B. - Should QFs have the option to elect avoided cost prices that are levelized or partially levelized?

Yes, the Commission should allow for levelized rates in some instances. RNP/Lindsay/200/8, 9-10. Offering levelized rates during lengthy sufficiency periods would be a way to value deferral of “lumpy” capacity additions and would be particularly appropriate if the Commission adopts Staff’s new proposal to adjust rates according to resource capacity value. RNP/Lindsay/200/9-10. (See also CREA/200/Reading/9-12; OneEnergy/100/Eddie/39 for discussion of levelization benefits.)

Renewable Avoided Cost Price Calculation

Issue 2.A. - Should there be different avoided cost prices for different renewable generation sources? (for example 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.)

In its testimony, RNP did not propose creating separate, resource-specific avoided cost rates (*i.e.*, a solar-only rate based on a solar proxy, premised upon the foundation of Oregon’s solar capacity standard). However, other parties made proposals for avoided cost rate adjustments that would impact generating resource types differently, including integration cost adjustments and capacity value adjustments. In response, RNP addressed the methods for calculating and applying integration costs (*see infra*, Issue 4.A) and spoke to capacity value adjustments (summarized here, in Issue 2.A).

Although Staff addressed capacity value adjustments under Issue 4.A, RNP believes that the concept of capacity value adjustment is more properly addressed under this Issue 2.A. The capacity contribution adjustment is proposed to be based solely on differences in generating resource type and are not related to integration costs.

Staff proposed that each utility use a specific capacity contribution value to adjust avoided cost rates for each resource type, relative to the capacity contribution of the proxy resource. Staff describes this “capacity contribution factor” as the “expected contribution to peak load of the specific QF resource type” but does not recommend a specific methodology to calculate the capacity value of each resource type. *See* Staff/100/Bless/23.

The Commission should not adopt Staff’s capacity contribution proposal unless (1) the Commission requires utilities to incorporate a broader concept and methodology for examining capacity value; and (2) the Commission attempts to balance the aggregate effect of the adjustment by, for example, allowing longer fixed rate contract terms or levelized pricing options. RNP/200/Lindsay/1.

On the first issue, RNP’s testimony points out two primary weaknesses of the capacity value concept and calculation methodology used by the utilities (RNP/200/Lindsay/2-4) and explains the strengths of the concept and methodology underlying the effective load carrying capability (“ELCC”) methodology (RNP/200/Lindsay/4-6). RNP does not expect the Commission to direct one or the other methodology in its order in this phase of the docket, but if the Commission makes capacity contribution factor a major determinant of the avoided cost rate it should set a minimum expectation that utilities incorporate both concepts into the factor proposed. RNP/200/Lindsay/6.

On the second issue, RNP points out that capacity value differences are not the only portfolio value variation among resource types that is not presently captured in Oregon’s PURPA scheme. RNP argues that, if the Commission adjusts for capacity value, it should also adjust for

other important values like investment deferral, natural gas transportation infrastructure, and gas price volatility. RNP/200/Lindsay/7-8. Longer contract terms (at least 20 years fixed) and levelized rate options are interim ways to address this without precise quantification of the amounts associated with investment deferral, natural gas transportation infrastructure, and gas price volatility portfolio differences. RNP/200/Lindsay/8-10.

Issue 2.B. - How should environmental attributes be defined for purposes of PURPA transactions?

RNP supported (1) clarifying that the renewable energy credit (“REC”) passed to the utility does not include any claims or benefits associated with on-site capture and destruction of GHGs, while (2) ensuring that the RECs that QFs pass to the utilities during the deficiency period include every attribute or element necessary for the utility to retire the conveyed instrument for Oregon RPS compliance. RNP/200/Lindsay/16-17.

Schedule for Avoided Cost Price Updates

Issue 3.C. - Should the Commission specify what factors can be updated in mid-cycle? (such as factors including but not limited to gas price or status of production tax credit.

RNP’s testimony did not address the schedule and methodology for updating avoided cost rates generally. RNP did address the need to update integration costs and (if adopted) capacity contribution factors on the same timeline as other important elements of the avoided cost rate. RNP/100/Lindsay/11-12 (integration); RNP/200/Lindsay/6-7 (capacity value). To be clear, RNP intended that the adjustments be applicable to new contracts, not to vary the integration or capacity contribution factors during the term of a QF contracts.

Price Adjustments for Specific QF Characteristics

Issue 4.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?

RNP’s primary objective is to ensure that integration cost studies are cost-based, fair, and rational. RNP/200/Lindsay/11.

For solar QFs, RNP objects to integration cost adjustments until utilities have performed adequate integration studies using solar-specific data. RNP/100/Lindsay/8-9.

For wind QFs, RNP does not object to integration cost adjustments to the avoided cost rate, so long as the Commission provides for timely updates and a robust process for determining that utility wind integration cost studies are cost-based, fair, and rational. *See* RNP/100/Lindsay/9-17; RNP/200/Lindsay/10-11.

- *Procedure for review:* Although presently inadequate, IRP reviews can continue to be the primary forum for vetting integration cost studies if the Commission explicitly sets two expectations for IRP review: (1) IRP review incorporates rigorous scrutiny of integration cost studies and IRP acknowledgment orders specifically approve or disapprove integration costs to be applied to QFs; and (2) wind integration study methodology and assumptions must be reviewed and updated in each IRP. In addition to robust IRP review, an evidentiary proceeding should be made available if a party persuades the Commission to suspend an avoided cost tariff filing based on an inaccurate integration cost. If the above changes to IRP review cannot be made, then a separate evidentiary proceeding should be used to set avoided cost adjustments for integration. RNP/100/Lindsay/11-13; RNP/200/Lindsay/11-12.
- *Frequency of updates:* Integration costs are highly sensitive to assumed gas and market prices. RNP/100/Lindsay/10. Utilities should update wind integration costs on the same timelines that it updates other significant elements of the avoided cost rate. RNP/100/Lindsay/11-12.
- *Ability to self-supply:* The Commission should clarify that QFs who commit to self-supply balancing services will be exempt from within-hour integration adjustments to the avoided cost rate. RNP/200/Lindsay/12.

Issue 4.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?

RNP's testimony does not specifically address adjustments to individual QF rates based on third party transmission costs.

However, RNP testified that, whenever third party or new utility self-build transmission costs are an element of the cost of the proxy resource in IRP modeling, they should be included in calculation of the avoided cost rate during deficiency periods. RNP/200/Lindsay/13-14.

Issue 4.C. - How should the seven factors of 18 CFR 292.304(e)(2) be taken into account?

RNP testified that rates for QFs connected at distribution voltage should be adjusted to reflect avoided line losses, so long as the QF's peak generating capability is less than the peak load at the substation to which it would connect. RNP/200/Lindsay/14-15. RNP agrees with OneEnergy's conservative estimate of average transmission line losses for PacifiCorp of 3.9%. RNP/200/Lindsay/15-16. The Commission should direct utilities to incorporate an average transmission line loss adjustment option into the tariff structure for distribution level QFs.

Eligibility Issues

Issue 5.A. - Should the Commission change the 10 MW cap for the standard contract?

RNP testified that the Commission should retain the core features of its current approach to implementing PURPA, particularly the 10 MW published rate/standard contract eligibility threshold. RNP/100/Lindsay/1. Retaining the 10 MW threshold is important to capturing all competitive renewable resource types, and rollback of Oregon's published rate thresholds would send a negative message about the state's intention to encourage renewable resources. RNP/100/Lindsay/2.

Issue 5.B. - What should be the criteria to determine whether a QF is a "single QF" for purposes of eligibility for the standard contract?

The Oregon "partial stipulation" has been an effective regulatory check against the widespread "disaggregation" seen in Idaho. RNP/100/Lindsay/6. However, RNP acknowledges that ensuring that only single 10 MW projects are eligible for the published rates is important to the integrity of the PURPA implementation. RNP/100/Lindsay/2, 5. Therefore, RNP is open to refinements to the "partial stipulation" approach that will prevent disaggregation but continue to enable community investment in clean energy. RNP/200/Lindsay/17-18. A good approach may be the revision to the partial stipulation's passive investor allowance that several parties have been working toward. See CREA/400/Hilderbrand/9-10; PAC/400/Griswold/19.

Contracting Issues

Issue 6.I. - What is the appropriate contract term? What is the appropriate duration for the fixed price portion of the contract?

RNP agrees with many intervenors that a fixed rate contract period of at least 20 years would be appropriate, particularly at a time like this when the upside risk associated with gas and market forecasts is greater than the downside risks. RNP/200/Lindsay/9. (See also CREA/100/Hilderbrand/30; CREA/200/Reading/35; REC/200/Schoenbeck/25.) This adjustment is particularly critical if the Commission adopts capacity value rate adjustments proposed by Staff. RNP/200/Lindsay/7-9.

RESPECTFULLY SUBMITTED this 20th day of May, 2013.

RENEWABLE NORTHWEST PROJECT

/s/ Megan Decker

Megan W. Decker (OSB No. 034878)
Renewable Northwest Project
421 SW 6th Avenue, Ste. 1125
Portland, OR 97204
(503) 223-4544
megan@rnp.org

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I served the foregoing PREHEARING MEMORANDUM OF RENEWABLE NORTHWEST PROJECT upon the following parties on the service list, via electronic mail, on May 20, 2013:

RENEWABLE NORTHWEST PROJECT
 By: /s/ Megan Walseth Decker
 Megan Walseth Decker, OSB No. 034878
megan@rnp.org

| | | |
|----------|---|--|
| W | STOLL BERNE | |
| | DAVID A LOKTING | 209 SW OAK STREET, SUITE 500 PORTLAND OR 97204 dlokting@stollberne.com |
| W | SMALL BUSINESS UTILITY ADVOCATES | |
| | JAMES BIRKELUND (C) | 548 MARKET ST STE 11200 SAN FRANCISCO CA 94104 james@utilityadvocates.org |
| W | ROUSH HYDRO INC | |
| | TONI ROUSH | 366 E WATER STAYTON OR 97383 tmroush@wvi.com |
| W | RICHARDSON & O'LEARY PLLC | |
| | PETER J RICHARDSON (C) | PO BOX 7218 BOISE ID 83707 peter@richardsonandoleary.com |
| W | RICHARDSON & O'LEARY | |
| | GREGORY M. ADAMS (C) ATTORNEY | PO BOX 7218 BOISE ID 83702 greg@richardsonandoleary.com |
| W | RENEWABLE NORTHWEST PROJECT | |
| | RNP DOCKETS | 421 SW 6TH AVE., STE. 1125 PORTLAND OR 97204 dockets@rnp.org |
| | MEGAN WALSETH DECKER (C) | 421 SW 6TH AVE #1125 PORTLAND OR 97204-1629 megan@rnp.org |
| W | RENEWABLE ENERGY COALITION | |
| | JOHN LOWE | 12050 SW TREMONT ST PORTLAND OR 97225-5430 jravenesanmarcos@yahoo.com |
| W | REGULATORY & COGENERATION SERVICES INC | |
| | DONALD W SCHOENBECK (C) | 900 WASHINGTON ST STE 780 VANCOUVER WA 98660-3455 dws@r-c-s-inc.com |
| W | PUC STAFF--DEPARTMENT OF JUSTICE | |
| | STEPHANIE S ANDRUS (C) | BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us |
| W | PUBLIC UTILITY COMMISSION OF OREGON | |
| | BRITTANY ANDRUS (C) | PO BOX 2148 SALEM OR 97308-2148 brittany.andrus@state.or.us |
| | ADAM BLESS (C) | PO BOX 2148 SALEM OR 97308-2148 adam.bless@state.or.us |

| | | |
|----------|---|---|
| W | PORTLAND GENERAL ELECTRIC COMPANY | |
| | J RICHARD GEORGE (C) | 121 SW SALMON ST 1WTC1301 PORTLAND OR 97204 richard.george@pgn.com |
| W | PORTLAND GENERAL ELECTRIC | |
| | JAY TINKER (C) | 121 SW SALMON ST 1WTC-0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com |
| W | PACIFICORP, DBA PACIFIC POWER | |
| | OREGON DOCKETS | 825 NE MULTNOMAH ST, STE 2000 PORTLAND OR 97232 oregondockets@pacificcorp.com |
| W | PACIFIC POWER | |
| | R. BRYCE DALLEY (C) | 825 NE MULTNOMAH ST., STE 2000 PORTLAND OR 97232 bryce.dalley@pacificcorp.com |
| | MARY WIENCKE (C) | 825 NE MULTNOMAH ST, STE 1800 PORTLAND OR 97232-2149 mary.wiencke@pacificcorp.com |
| W | OREGONIANS FOR RENEWABLE ENERGY POLICY | |
| | KATHLEEN NEWMAN | 1553 NE GREENSWORD DR HILLSBORO OR 97214 kathleenopl@frontier.com; k.a.newman@frontier.com |
| | MARK PETE PENGILLY | PO BOX 10221 PORTLAND OR 97296 mpengilly@gmail.com |
| W | OREGON SOLAR ENERGY INDUSTRIES ASSOCIATION | |
| | GLENN MONTGOMERY | PO BOX 14927 PORTLAND OR 97293 glenn@oseia.org |
| W | ONE ENERGY RENEWABLES | |
| | BILL EDDIE (C) | 206 NE 28TH AVE PORTLAND OR 97232 bill@oneenergyrenewables.com |
| W | NORTHWEST ENERGY SYSTEMS COMPANY LLC | |
| | DAREN ANDERSON | 1800 NE 8TH ST., STE 320 BELLEVUE WA 98004-1600 da@thenescogroup.com |
| W | MCDOWELL RACKNER & GIBSON PC | |
| | LISA F RACKNER (C) | 419 SW 11TH AVE., SUITE 400 PORTLAND OR 97205 dockets@mcd-law.com |
| W | LOVINGER KAUFMANN LLP | |
| | KENNETH KAUFMANN (C) | 825 NE MULTNOMAH STE 925 PORTLAND OR 97232-2150 kaufmann@lklaw.com |
| | JEFFREY S LOVINGER (C) | 825 NE MULTNOMAH STE 925 PORTLAND OR 97232-2150 lovinger@lklaw.com |
| W | IDAHO POWER COMPANY | |
| | JULIA HILTON (C) | PO BOX 70 BOISE ID 83707-0070 jhilton@idahopower.com; dockets@idahopower.com |
| | DONOVAN E WALKER (C) | PO BOX 70 BOISE ID 83707-0070 dwalker@idahopower.com |
| W | EXELON WIND LLC | |

| | | |
|----------|---|--|
| | JOHN HARVEY (C) | 4601 WESTOWN PARKWAY, STE 300 WEST DES MOINES IA 50266 john.harvey@exeloncorp.com |
| W | EXELON BUSINESS SERVICES COMPANY | |
| | CYNTHIA FONNER BRADY | 4300 WINFIELD RD WARRENVILLE IL 60555 cynthia.brady@constellation.com |
| W | ESLER STEPHENS & BUCKLEY | |
| | JOHN W STEPHENS (C) | 888 SW FIFTH AVE STE 700 PORTLAND OR 97204-2021 stephens@eslerstephens.com; mec@eslerstephens.com |
| W | ENERGY TRUST OF OREGON | |
| | ELAINE PRAUSE | 421 SW OAK ST #300 PORTLAND OR 97204-1817 elaine.prause@energytrust.org |
| | JOHN M VOLKMAN | 421 SW OAK ST #300 PORTLAND OR 97204 john.volkman@energytrust.org |
| W | DAVISON VAN CLEVE PC | |
| | MELINDA J DAVISON (C) | 333 SW TAYLOR - STE 400 PORTLAND OR 97204 mjd@dvclaw.com |
| | S BRADLEY VAN CLEVE (C) | 333 SW TAYLOR - STE 400 PORTLAND OR 97204 bvc@dvclaw.com |
| W | DAVISON VAN CLEVE | |
| | IRION A SANGER (C) | 333 SW TAYLOR - STE 400 PORTLAND OR 97204 ias@dvclaw.com |
| W | CLEANTECH LAW PARTNERS PC | |
| | DIANE HENKELS (C) | 6228 SW HOOD PORTLAND OR 97239 dhenkels@cleantechlawpartners.com |
| W | CITY OF PORTLAND - PLANNING & SUSTAINABILITY | |
| | DAVID TOOZE | 1900 SW 4TH STE 7100 PORTLAND OR 97201 david.tooze@portlandoregon.gov |
| W | CITIZENS' UTILITY BOARD OF OREGON | |
| | OPUC DOCKETS | 610 SW BROADWAY, STE 400 PORTLAND OR 97205 dockets@oregoncub.org |
| | ROBERT JENKS (C) | 610 SW BROADWAY, STE 400 PORTLAND OR 97205 bob@oregoncub.org |
| | G. CATRIONA MCCrackEN (C) | 610 SW BROADWAY, STE 400 PORTLAND OR 97205 catriona@oregoncub.org |
| W | CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP | |
| | RICHARD LORENZ (C) | 1001 SW FIFTH AVE - STE 2000 PORTLAND OR 97204-1136 rlorenz@cablehuston.com |
| | CHAD M STOKES | 1001 SW 5TH - STE 2000 PORTLAND OR 97204-1136 cstokes@cablehuston.com |
| W | CABLE HUSTON BENEDICT ET AL | |
| | J LAURENCE CABLE | 1001 SW 5TH AVE STE 2000 PORTLAND OR 97204-1136 lcable@cablehuston.com |
| W | ASSOCIATION OF OR COUNTIES | |

| | | |
|----------|---|--|
| | MIKE MCARTHUR | PO BOX 12729 SALEM OR 97309 mmcarthur@aocweb.org |
| W | ANNALA, CAREY, BAKER, ET AL., PC | |
| | WILL K CAREY | PO BOX 325 HOOD RIVER OR 97031 wcarey@hoodriverattorneys.com |
| W | *OREGON DEPARTMENT OF JUSTICE | |
| | RENEE M FRANCE (C) | NATURAL RESOURCES SECTION 1162 COURT ST NE SALEM OR 97301-4096 renee.m.france@doj.state.or.us |
| W | *OREGON DEPARTMENT OF ENERGY | |
| | KACIA BROCKMAN (C) | 625 MARION ST NE SALEM OR 97301 kacia.brockman@state.or.us |
| | MATT KRUMENAUER (C) | 625 MARION ST NE SALEM OR 97301 matt.krumenauer@state.or.us |
| W | LOYD FERY | 11022 RAINWATER LANE SE AUMSVILLE OR 97325 dlchain@wvi.com |
| W | THOMAS H NELSON | PO BOX 1211 WELCHES OR 97067-1211 nelson@thnelson.com |