

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1610 (Phase II)

In the Matter of)	
)	OBSIDIAN RENEWABLES LLC’S
PUBLIC UTILITY COMMISSION OF)	PRE-HEARING BRIEF
OREGON Investigation Into Qualifying)	
Facility Contracting and Pricing)	
)	
)	

Obsidian Renewables, LLC (“Obsidian”) respectfully submits this prehearing brief to address the appropriate methodology for calculating the capacity contribution payment for renewable solar QF projects. The original Staff proposal for calculating capacity payments as adopted by the Commission in Order 14-058 resulted in a computational error for renewable solar QF projects. Obsidian raised this issue in a timely motion for clarification, which was granted. Staff agrees with the issue raised by Obsidian, and has subsequently modified its own proposed methodology to eliminate the mathematical error. The Commission should resolve this issue simply by approving Staff’s revised proposal.

Solar capacity contribution payments are thoroughly addressed by the testimony on file with the Commission in this docket, and there is no need for a lengthy legal brief further belaboring the issue. Obsidian witness David Brown explained how the initial Staff proposal results in an inadvertent double discount of the capacity payment for solar projects. Obsidian/400; Brown/5, 10. The initial proposal first discounts the capacity rate to account for the fact that the capacity contribution of solar is less than a combined cycle combustion turbine plant. *Id.* The initial proposal would then pay this discounted rate only in a limited subset of hours—which results in a second discount of the total

payments. *Id.* The result is total capacity payments that are disproportionately low as compared to the quantity and value of the capacity actually contributed by the solar resource.

Obsidian provided in its testimony a simple hypothetical example to illustrate the double-discount error. Obsidian/400; Brown/10. Imagine there are two workers doing the same job, one that works full time and one that works half time. If their compensation is proportionate to their work, the part time work should make half as much as the full time worker. According to the methodology in Staff's initial proposal, however, the part time worker would only get paid half of the hourly rate as the full time worker. Moreover, this discounted hourly rate would only be paid in half as many hours as the full time worker. The end result is that the part time worker gets paid only one quarter of the total compensation of the full time worker, rather than one half. The problem lies in simultaneously discounting both variables—the rate and the number hours over which the rate is paid.

In its testimony filed on this issue, Staff agrees with Obsidian that its initial proposal inadvertently applies a double-discount to the capacity payment for renewable solar QF projects. Staff/600; Andrus/8. Staff testified that this results in a capacity payment that is disproportionately low. Staff/600; Andrus/9. Staff explained that this is *not* what was intended by its initial proposal. *Id.* Staff has advanced a revised methodology that would eliminate the problem as result in a capacity payment that is commensurate to the resource's capacity contribution. Staff/600; Andrus/10. Obsidian joins Staff in asking the Commission to adopt the revised methodology and eliminate the error.

The Commission should reject the position asserted by the purchasing utilities on this issue. First, the utilities argue that Staff somehow “mischaracterizes” its own proposal. Idaho Power/1000; Youngblood/3. The utilities argue that Staff *did* intend to apply a double discount to the solar capacity payment. *Id.* As explained above, Staff has squarely rejected the notion that it intended to apply a double discount to renewable solar QF capacity payments. Staff/600; Andrus/9. Second, the utilities mistakenly assert that Staff is advocating for a fixed capacity payment—one that is paid even when the resource is not generating—which results in an overpayment to solar QF projects. PAC/1100; Dickman/6-7. This is just wrong. Staff has been very clear in asserting that the revised payment amount would only be paid when the resource is actually generating. Staff/600; Andrus/11-12.

In their reply testimony, the utilities also make clever attempts to refute Obsidian’s part-time worker hypothetical. PacifiCorp and Idaho Power both suggest that the half-time worker *should* be paid only one quarter of the wages of the full-time worker because the half-time worker does inferior work. PAC/1400; Dickman/2-3; Idaho Power/1200; Youngblood/5-7. This is nonsense. There is no *qualitative* distinction between electrical energy delivered, or capacity contributed, by different generating technologies. Electrons are electrons and capacity is capacity. For present purposes, the only difference is the *quantity* of energy delivered and the probability that such energy will be available for delivery during the utility’s peak load hours. This difference in the probability of availability during peak hours is *already* captured in the calculation of the resource’s capacity contribution value. No further “discounts” are needed.

Finally, Obsidian’s witness David Brown discussed why the Effective Load Carrying Capability (“ELCC”) method is the appropriate and industry-standard method

for calculating the capacity contribution value of a solar project. Obsidian/400; Brown/11-15. PGE and PacifiCorp are already performing the ELCC analysis in their IRPs. Obsidian/400; Brown/15-17. PacifiCorp is currently using its ELCC analysis in other jurisdictions, including Utah and Wyoming. Obsidian/400; Brown/17. PacifiCorp's refusal to use the same ELCC methodology in Oregon that it uses in other jurisdictions—which by all accounts is the correct methodology—is not reasonable. The Commission should order that the solar capacity payment rate should be calculated using the ELCC valuations.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I caused to be served the foregoing **OBSIDIAN RENEWABLES LLC'S PRE-HEARING BRIEF** sent via electronic mail and, where paper service is not waived, via postage-paid first class mail upon the following parties of record:

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