

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1725

In the Matter of)	
)	
IDAHO POWER COMPANY,)	RENEWABLE ENERGY COALITION
)	POST-HEARING BRIEF
)	
Application to Lower Standard Contract)	
Eligibility Cap and to Reduce the Standard)	
Contract Term, for Approval of Solar)	
Integration Charge, and for Change in)	
Resource Sufficiency Determination.)	
_____)	

I. INTRODUCTION

Pursuant to the Administrative Law Judge’s October 5, 2015 Ruling, the Renewable Energy Coalition (the “Coalition”) submits this post-hearing brief responding to the pre-hearing briefs of the Oregon Public Utility Commission (the “Commission” or “OPUC”) Staff and Idaho Power. The Coalition is not responding to all the arguments in the other parties’ briefs, but only those few issues that were not addressed or warrant a response. The Coalition continues to oppose Idaho Power’s recommendation to: 1) lower the size threshold for wind and solar qualifying facilities (“QF”) to 100 kilowatts (“kW”); and 2) reduce the contract term for wind and solar projects to two years. Instead of lowering the contract term, the Commission should increase it to twenty years of fixed prices (rather than fifteen years of fixed prices and five years of indexed prices). The Coalition also no longer opposes Idaho Power’s proposal to change its resource sufficiency demarcation as long as the Commission waives one of the upcoming avoided cost rate updates.

Finally, if the Commission adopts any relief, then the Coalition supports the concept in Idaho Power's recommendation that: 1) any relief only apply to wind and solar QFs; 2) changes not be made for Oregon's other utilities; and 3) the Idaho Public Utilities Commission's policies paying existing QF capacity payments be used in Oregon. In addition, the Commission should consider adopting a solar size threshold in the 3 to 5 megawatt ("MW") level, as opposed to 100 kW. While the Coalition disagrees with many of Idaho Power's recommendations, the Coalition recognizes that Idaho Power's operational and regulatory circumstances are different from the other Oregon utilities, which sometimes warrants unique treatment for Idaho Power. The Coalition also appreciates Idaho Power's recognition that baseload QFs and existing QFs should be treated differently because they provide more valuable power.

II. ARGUMENT

1. **Short-Term Contracts Will Prevent New and Existing QFs From Obtaining the Necessary Financing**

Idaho Power asserts that short-term contracts will not unreasonably limit QF development, pointing to the fact that it received contract requests with five year contracts in Idaho and has a single solar QF contract request in Idaho since the Idaho Commission lowered contract terms to two years.¹ The testimony and briefing of the Coalition, Staff, Obsidian, and the Community Renewable Energy Association demonstrate that the vast majority of developers need longer term fixed price contracts to be able to obtain financing. The only way that short contracts will not "unreasonably" limit QF development is if the definition of a reasonable level of development is

¹ Idaho Power Pre-hearing Brief at 15-16.

redefined to mean minimal to no new projects and the closure of those existing projects that need to make investments to upgrade or maintain facilities.

Idaho Power points to Washington when stating that short-term contracts do not unreasonably limit QF development.² This is a perfect example of Idaho Power and the Coalition having different definitions of the term “reasonable.”

Idaho Power specifically identifies Puget Sound Energy (“PSE”) as executing “numerous” contracts despite ten-year contract terms. PSE has a peak demand of 4,837 MW in 2012 and 2,437 aMW in 2012.³ PSE has seventeen QF contracts, nine of which are under 1 MW, none of which are larger than 5 megawatts, and a total QF nameplate capacity of around 25 MW.⁴ In contrast, Idaho Power has a peak demand of 3,407 MW and an average load of 1,739 aMW in 2014.⁵ Despite being a smaller utility than PSE, Idaho Power has 781 MWs of PURPA capacity on its system, with 21 MWs of that in Oregon.⁶ Idaho Power apparently believes that PURPA development that is thirty times lower than its own “is not unreasonably limited”.

Without analyzing the specific QF projects, the most the comparison to PSE shows is that a very small level of QF development is possible under ten-year contracts. There is no evidence that more than a handful of projects will be able to be built or make

² Id. at 15 n.55.

³ Puget Sound Energy 2013 Integrated Resource Plan, Docket Nos. Dockets UE-120767 & UG-120768, Appendix H at H-19 to H-21. available at: https://pse.com/aboutpse/EnergySupply/Documents/IRP_2013_AppH.pdf

⁴ Puget Sound Energy 2013 Integrated Resource Plan, Docket Nos. Dockets UE-120767 & UG-120768, Appendix D at D-9 to D-11. available at: https://pse.com/aboutpse/EnergySupply/Documents/IRP_2013_AppD.pdf

⁵ Re Idaho Power Co., 2015 IRP, Docket No. LC 63, IRP at 23.

⁶ Idaho Power Application at 5; Coalition/200, Lowe/4.

capital upgrades with two-year contracts. Instead, two-year contracts will lead to even fewer new QFs and existing QFs shutting down their operations.

PacifiCorp's Washington operations tell an equally compelling story of the importance of contract terms. PacifiCorp's standard contract rates in Washington are currently limited to five years.⁷ PacifiCorp's overall company wide operations have a small but important amount of QFs, including 141 existing QFs representing 1,732 MW of installed capacity.⁸ After over thirty-five years since PURPA was passed, PacifiCorp is currently purchasing power from only three projects in Washington with "about 4 MWs, which represents less than 0.3% of all PacifiCorp's MWs of QF contracts."⁹ In comparison, PacifiCorp's Washington operations represent about 8% of the company's load.¹⁰ At least two of the three Washington QF projects were built when Washington QFs could obtain contract terms over thirty years. Despite a similar service territory to Oregon, PacifiCorp currently has no new Washington QF contracts, or even interconnection or contract requests.¹¹ This starkly illustrates that very few QFs can be constructed under five year contract terms.

Idaho Power's historic PURPA development also illustrates the importance of contract terms. There was only one PURPA project that was able to develop in Idaho

⁷ Pacific Power & Light Co., Schedule 37 (Washington). available at: https://www.pacificpower.net/content/dam/pacific_power/doc/About_Us/Rates_Regulation/Washington/Approved_Tariffs/Rate_Schedules/Cogeneration_and_Small_Power_Production.pdf

⁸ WUTC v. PacifiCorp, Docket No. UE-144160. John Lowe Declaration at ¶ 6 (July 13, 2015). can be accessed at: <http://www.utc.wa.gov/docs/Pages/DocketLookup.aspx?FilingID=144160>

⁹ Id. at ¶ 7.

¹⁰ available at: http://www.pacificcorp.com/content/dam/pacificcorp/doc/About_Us/Company_Overview/PC-FactSheet-Final_Web.pdf

¹¹ Id. at ¶ 10.

Power’s service territory during the period of time in which the company had five-year contract terms.¹² When given the option to enter into twenty-year or longer contract terms, very few selected shorter term contracts.¹³

While there will always be limited exceptions, the simple reality is that PURPA projects need long term contracts to be built and for existing projects to make significant capital investments. The only reason for the Commission to adopt short-term contracts is that it agrees with Idaho Power’s definition of a “reasonable” level of PURPA projects being almost no QF projects.

2. Idaho Power Has a Need for Power that Can Be Met By QFs

Idaho Power repeatedly asserts that it does not have any need for additional capacity, which the company characterizes as meaning that additional QFs “are not needed to serve load and will not be needed for much of a 20-year contract term.”¹⁴ This is not accurate. Idaho Power plans “to continue participating in the regional power market and enter into mid- and long-term PPAs” during the 2015-2018 period.¹⁵ In addition, over its IRP Action Plan period, Idaho Power plans to make investments in its existing Shoshone Falls hydroelectric project expansion, complete retrofits for Jim Bridger units 3 and 4, and start evaluation of additional Jim Bridger capital investments for 2021 and 2022.¹⁶ Therefore, Idaho Power is purchasing energy resources and is making investments in its existing capacity resources over the next few years.

¹² Coalition/300, Lowe/1.

¹³ Id.

¹⁴ Idaho Power Pre-hearing Brief at 8, 13.

¹⁵ Re Idaho Power Co., 2015 IRP, Docket No. LC 63, Idaho Power IRP at 143.

¹⁶ Id. at 142.

QFs that sell power to meet Idaho Power’s resource needs will be paid avoided cost rates based on forecasts of market prices until the company’s next capacity “deficit.” As Idaho Power will be making investments in capacity resources as well, QFs may be undercompensated because they will not be paid for the capacity value they provide during the company’s “sufficiency” period. QFs may also be undercompensated because the company may need to retire coal plants earlier than expected, which would move up the capacity “deficit.”

In addition, existing Oregon QFs are not currently paid for the capacity value they provide to Idaho Power. Specifically, Idaho Power relies upon them renewing their contracts in their integrated resource plan, but Idaho Power’s Oregon rates do not pay Oregon QFs for this capacity. Existing Oregon QFs essentially provide this capacity for free to Idaho Power, while existing Idaho QFs are compensated for this capacity value. In regards to maintaining Oregon’s small but important existing non-utility owned renewable energy projects, the Oregon Commission’s policies are significantly **worse** than the Idaho Commission. This is remarkably inconsistent with Oregon’s policies “that by 2025 at least eight percent of Oregon’s retail electrical load comes from small-scale renewable energy projects with a generating capacity of 20 megawatts or less” and to reduce reliance upon carbon emitting coal resources.¹⁷

Regardless, Idaho Power has a need for energy resources right now, and QFs will be paid avoided cost rates based only on energy prices during the time before the company’s capacity “deficit.” The fact that Idaho Power is not planning to build a new

¹⁷ ORS §§ 469A.210; 468A.205(1).

gas plant anytime soon does not mean that the company does not need power to serve load. Put differently, Idaho Power needs power.

3. Staff and Idaho Power Have Not Justified a 100 kW Size Threshold

Staff and Idaho Power argue that the size threshold should be lowered to 100 kW for wind and solar projects because there are sophisticated solar developers that can disaggregate their projects to avoid the 10 MW size threshold.¹⁸ Staff and Idaho Power point to a number of solar QF contracts in the 10 MW range owned by the same company and a handful of projects in the 4 to 5 MW range.¹⁹

The best case argument that Idaho Power and Staff have is that the size threshold for solar projects only should be set at the 4 to 5 MW range. There is evidence that single solar developers can enter into multiple contracts in the 4 to 10 MW range, but there is no evidence that wind projects are currently doing the same thing. If the Commission believes that it needs to remedy problems associated with one specific QF resource type, then any relief should only apply to the resource type that is allegedly causing any problems.

In addition, since the Commission issued its order lowering the size threshold for solar projects to 3 MWs, Idaho Power has not signed any small QF contracts that are 3 MWs or lower.²⁰ Instead, Idaho Power has signed solar QF contracts above 3 MWs.²¹ This means that no QFs have been able to disaggregate their projects to take advantage of standard rates below 3 MWs, and there is no evidence that the size threshold should be any lower than 3 MWs. For example, Staff and Idaho Power have not submitted

¹⁸ Staff Pre-hearing Brief at 5-7; Idaho Power Pre-hearing Brief at 5, 10.

¹⁹ Staff Pre-hearing Brief at 6; Idaho Power Pre-hearing Brief at 5.

²⁰ Idaho Power/501, Allphin/3.

²¹ Id.

evidence that solar developers in the 100 kW to 3 MW range are sophisticated or that they do not need the protection of standard rates and contract terms. One hundred kW and 3 MW projects are not simply differences in degree, but differences in kind.

The Commission's 3 MW size threshold appears to have stopped solar QFs from "disaggregating" their projects, and it appears that a higher cap would achieve the same result. If the Commission is going to lower the size threshold, then it should not be any lower than Staff and Idaho Power have justified, and should be the highest level that will achieve the results the Commission is seeking.

4. It Is Appropriate to Treat Idaho Power Differently from PacifiCorp and Portland General Electric Company ("PGE")

While the Coalition disagrees that policy changes are warranted, the Coalition agrees that is not inappropriate to treat Idaho Power differently than PacifiCorp and PGE because of the company's unique circumstances. Idaho Power has a very small service territory in Oregon, and there are policy reasons for the Commission to seriously consider the issue of inconsistent regulatory treatment between Oregon and Idaho.

In addition, the Coalition recognizes that Idaho Power has demonstrated that it is more willing to comply with its obligations under the Public Utility Regulatory Policies Act ("PURPA") than PacifiCorp or PGE. For example, while it is simply impossible for a QF above the size threshold to develop in PacifiCorp's Oregon or Washington service territories, Idaho Power has entered into some contracts above the size threshold in both Idaho and Oregon. The Commission's PURPA policies should take into account how seriously the utilities have attempted to comply with the law. Similarly, the Commission should be cognizant of the real world impacts of its decisions, and it may be appropriate to treat Idaho Power differently than Oregon's other utilities. Therefore, if the

Commission lowers the size threshold or contract term, it should make it clear that the relief only applies to Idaho Power because of its unique factual and regulatory circumstances.

III. CONCLUSION

For the reasons discussed above and in the reply brief, the Commission should reject Idaho Power's proposals (other than the changed capacity deficit date), or adopt the Coalition's alternative recommendations.

Dated this 10th day of December 2015.

Respectfully submitted,

A handwritten signature in black ink that reads "Irion Sanger". The signature is written in a cursive style with a large, looped initial "I".

Irion Sanger
Sanger Law, PC
1117 SE 53rd Avenue
Portland, OR 97215
Telephone: 503-756-7533
Fax: 503-334-2235
irion@sanger-law.com

Of Attorneys for the Renewable Energy Coalition