

**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.

RULING

DISPOSITION: ISSUES LIST FINALIZED

The Commission opened this investigation into QF issues in response to numerous disputes about contracting, pricing, and interconnection issues, as well as various proposals by utilities to modify how avoided costs are calculated. The Commission's purpose of this docket is to address, in a generic fashion, issues related to PURPA implementation and QF contracting.

Issues List

Following two workshops, Staff and parties submitted a consolidated list of proposed issues organized in seven sections: (1) Avoided Cost Price Calculation; (2) Renewable Avoided Cost Price Calculation; (3) Schedule for Avoided Cost Price Updates; (4) Price Adjustments for Specific QF Characteristics; (5) Eligibility Issues; (6) Contracting Issues; and (7) Interconnection Issues. In addition, Renewable Northwest Project (RNP); the Renewable Energy Coalition (REC); the Community Renewable Energy Association (CREA); and PacifiCorp, dba as Pacific Power; separately filed comments proposing additional sub-issues.

Overall, there is general agreement between the parties as to the relevant issues that should be addressed by the Commission. The primary disagreement was whether to include issues identified in section (7) relating to interconnection. Pacific Power recommends that these issues be addressed in a separate docket because the interconnection process is distinct from the contracting process. According to Pacific Power, including those issues here has the potential to significantly expand the scope of this docket, cause delay, and would require participation from a separate set of company representatives—those from its transmission services department. Pacific Power states that having both its QF contracting and pricing staff and its transmission services staff participate in this docket would be difficult due to the functional separation requirements imposed by FERC that limit interaction between these two groups.

Staff, REC, and the Oregon Department of Energy oppose Pacific Power's recommendation to exclude interconnection issues. These parties believe that the contracting and pricing process of QFs is intricately related to the interconnection process, and that it would be impossible to resolve many contractual disputes without considering the interconnection process. In addition, Staff believes that including interconnection issues in this docket presents a problem with FERC's separation rules. Staff explains that those rules prevent the transmission department from sharing information with the company's merchant activities that might create an unfair advantage. Staff notes that any interaction between the two departments here would take place as part of an open and public process.

I conclude that interconnection issues should be included in this docket. To address Pacific Power's concern about unreasonably broadening the scope of this proceeding, I modify Issue 7A to clarify its focus and to incorporate the related sub-issue proposed by REC regarding the link between power purchase agreements and interconnection milestones.

I also adopt the additional sub-issue proposed both by CREA and Pacific Power to address the process and requirements or modification of standard contracts. I do not include the sub-issue proposed by RNP to address the establishment of a separate solar avoided cost rate. RNP is correct that a separate legal basis exists for a solar avoided cost rate under the mandatory purchase requirement contained in ORS 757.370. There is no need, however, to set this issue out separately. RNP may raise this issue under Issue 2A that generally addresses establishing avoided costs for different renewable generation sources. Finally, I adopt Pacific Power's proposed amendments to Issues 1A and 1B to remove reference to "standard" avoided costs. I agree with Pacific Power that the use of the term "standard" might cause confusion with the differing use of the term to refer to non-negotiated standard contract for small QFs.

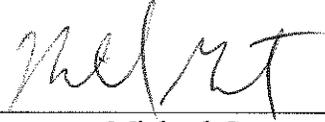
Accordingly, the list of issues, set forth in Appendix A, is adopted for this proceeding.

Procedural Schedule

The parties are directed to confer and develop a proposed schedule for this proceeding. Given the number of issues, the parties should discuss how the issues should be divided into phases, with the most time sensitive issues to be addressed first. Also, the parties should discuss and recommend what the Commission should do with the various QF proceedings whose issues have now been moved into this proceeding.

The parties should file a jointly agreed-upon proposed schedule with phase recommendations by November 9, 2012. If the parties are unable to reach agreement, they should request the Commission schedule a prehearing conference.

Dated this 25th day of October, 2012, at Salem, Oregon.

A handwritten signature in cursive script, appearing to read "Michael Grant", written above a horizontal line.

Michael Grant
Chief Administrative Law Judge

Appendix A
Issues List – UM 1610

1. Avoided Cost Price Calculation

- A. What is the most appropriate methodology for calculating avoided cost prices?
 - i. Should the Commission retain the current method based on the cost of the next avoidable resource identified in the company's current IRP, allow an "IRP" method-based on computerized grid modeling, or allow some other method?
 - ii. Should the methodology be the same for all three electric utilities operating in Oregon?
- B. Should QFs have the option to elect avoided cost prices that are levelized or partially levelized?
- C. Should QFs seeking renewal of a standard contract during a utility's sufficiency period be given an option to receive an avoided cost price for energy delivered during the sufficiency period that is different than the market price?
- D. Should the Commission eliminate unused pricing options?

2. Renewable Avoided Cost Price Calculation

- 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.)
- B. How should environmental attributes be defined for purposes of PURPA transactions?
- C. Should the Commission amend OAR 860-022-0075, which specifies that the non-energy attributes of energy generated by the QF remain with the QF unless different treatment is specified by contract?

3. Schedule for Avoided Cost Price Updates

- A. Should the Commission revise the current schedule of updates at least every two years and within 30 days of each IRP acknowledgement?
- B. Should the Commission specify criteria to determine whether and when mid-cycle updates are appropriate?
- 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.)
- D. To what extent (if any) can data from IRPs that are in late stages of review and whose acknowledgement is pending be factored into the calculation of avoided cost prices?

Appendix A
Issues List – UM 1610

- E. Are there circumstances under which the Renewable Portfolio Implementation Plan should be used in lieu of the acknowledged IRP for purposes of determining renewable resource sufficiency?
4. Price Adjustments for Specific QF Characteristics
- 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?
 - 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?
 - C. How should the seven factors of 18 CFR 292.304(e)(2) be taken into account?
5. Eligibility Issues
- A. Should the Commission change the 10 MW cap for the standard contract?
 - B. What should be the criteria to determine whether a QF is a “single QF” for purposes of eligibility for the standard contract?
 - C. Should the resource technology affect the size of the cap for the standard contract cap or the criteria for determining whether a QF is a “single QF”?
 - D. Can a QF receive Oregon’s Renewable avoided cost price if the QF owner will sell the RECs in another state?
6. Contracting Issues
- A. Should the standard contracting process, steps and timelines be revised? (Possible revisions include but are not limited to: when an existing QF can enter into a new PPA and the inclusion of conditions precedent to the PPA including conditions requiring a specific interconnection agreement status.)
 - B. When is there a legally enforceable obligation?
 - C. What is the maximum time allowed between contract execution and power delivery?
 - D. Should QFs smaller than 10 MW have access to the same dispute resolution process as those greater than 10 MW?
 - E. How should contracts address mechanical availability?
 - F. Should off-system QFs be entitled to deliver under any form of firm point to point transmission that the third party transmission provider offers? If not, what type of method of delivery is required or permissible? How does method of delivery affect pricing?
 - G. What terms should address security and liquidated damages?

Appendix A
Issues List – UM 1610

- H. May utilities curtail QF generation based on reliability and operational considerations, as described at 18 CFR §292.304(f)(1)? If so, when?
 - I. What is the appropriate contract term? What is the appropriate duration for the fixed price portion of the contract?
 - J. What is the appropriate process for updating standard form contracts, and should the utilities recently filed standard contracts be amended by edits from the stakeholders or the Commission?
7. Interconnection Process
- A. Should PPAs include conditions that reference the timing of the interconnection agreement and interconnection milestones? If so, what types of conditions should be included?
 - B. Should QFs have the ability to elect a larger role for third party contractors in the interconnection process? If so, how could that be accomplished?