



Oregon

John A. Kitzhaber, MD, Governor

Public Utility Commission

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July 22, 2011

UM 1546 Service List

RE: Notice of Public Meeting to Address PURPA Issues

The purpose of this letter is to notify the parties to this docket that the Commission will address a matter at its July 26, 2011 Public Meeting that may address the merits of an issue in this contested case proceeding. I provide this notice to avoid the possibility of any communication being construed as ex parte under OAR 860-001-0340.

In this complaint, Threemile Canyon Wind I, LLC (Threemile Canyon) seeks relief under the Public Utility Regulatory Policies Act (PURPA). Among other things, Threemile Canyon seek an order requiring PacifiCorp, dba Pacific Power, to purchase all energy generated under the utility's Schedule 37, without adjustments for incremental third-party transmission costs.

At next week's meeting, the Commission will consider a request by Pacific Power to revise its Schedule 37 tariff to add additional charges for incremental third-party transmission costs. A copy of Staff's Report containing a description of the request and recommendation to suspend the filing for investigation, is attached as Appendix A.

Notice is hereby given that any party to this proceeding may appear at the Public Meeting and rebut any communication. Please do not hesitate to contact me if you have any questions.

Michael Grant
Chief Administrative Law Judge
Public Utility Commission of Oregon
(503) 378-6102

ITEM NO. 1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 26, 2011**

REGULAR CONSENT EFFECTIVE DATE July 27, 2011

DATE: July 19, 2011

TO: Public Utility Commission

FROM: Ed Durrenberger

THROUGH: Lee Sparling and Maury Galbraith

SUBJECT: PACIFIC POWER: (Advice No. 11-011) Revises Schedule 37, Avoided Cost Purchases from Qualifying Facilities (QF) of 10,000kW or less to designate the QF as a network resource susceptible to transmission charges within the Pacific Power system.

STAFF RECOMMENDATION:

Staff recommends that the Commission suspend and investigate Pacific Power's (PacifiCorp or Company) Advice No. 11-011.

DISCUSSION:

On June 27, 2011, PacifiCorp filed Advice No. 11-011, which requests a revision to Schedule 37, the "Avoided Cost Purchases from Qualifying Facilities of 10,000 kW or Less" tariff. The filing proposes modifications that would designate eligible QFs larger than 100 kW as a network resource that could, under some circumstances, be charged transmission costs to move the QF output to load.

The Company states that the change is intended to prevent a circumstance where a QF receives the full published avoided cost rate for the energy output and then, because of the QF point of delivery, causes PacifiCorp to incur third party transmission costs to move the energy to load thereby causing costs greater than its avoided costs. The PacifiCorp filing indicates that there are multiple QFs with pending requests for Schedule 37 power purchase agreements (PPA) that, by virtue of the point of delivery, are likely to require additional outside transmission agreements to bring the output to load. For this reason, the Company requests an effective date of July 27, 2011.

PacifiCorp has provided notice of this filing to small QFs with pending applications for a Schedule 37 power purchase agreement. As a consequence, Staff has received notice from some in the QF community that they intend to oppose this change because of the effect it will have on the economic viability of a project and that they would like the filing suspended while the Commission conducts an investigation and hearings in to whether the change proposed is fair, just, and reasonable.

Staff's Analysis:

The Company filing proposes a significant change to the standard avoided cost PPA and more time is needed to investigate the effects and consequences of the proposed revision. In addition to raising issues that appeared to have been settled in the UM 1129 "QF Docket" and its ensuing Orders, the filing raises questions related to the financial uncertainty of planning projects if the standard avoided cost PPA is subject to an after-the-fact and unknown transmission charge. Not surprisingly, more than one member of the QF community has expressed opposition to the change and to the fairness of its relatively short notice. Staff proposes the Commission suspend the tariff filing for up to six months while it conducts an investigation.

Alternately, if the Commission determines that this issue presents a potential for imminent harm to customers or the Company that requires the tariff provision to be adopted according to PacifiCorp's requested effective date (July 27, 2011), the Commission could allow the advice to go into effect without suspension, but order a hearing be conducted on the filing and make the filing subject to refund under ORS 757.215(4).

PROPOSED COMMISSION MOTION:

Staff recommends that the Commission suspend and investigate PacifiCorp's Advice No. 11-011.