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6228 SW Hood Ave.  
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March 18, 2013

Oregon Public Utility Commission  
Attention: Filing Center  
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Re: Docket UM 1610—Investigation into Qualifying Facility Contracting and Pricing

Attention Filing Center:

Enclosed for filing in UM 1610 are an original and five (5) copies of

Direct Testimony of Small Business Utility Advocates:  
SBUA 100 Testimony of Greg Price

This document is being filed by electronic mail with the Filing Center. Hard copies will be sent via US Mail. An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

This document is being served upon the UM 1610 service list.

Sincerely,

Diane Henkels, CLP  
Counsel for SBUA

Enclosure

Cc: UM 1610 Service list (by e-mail)



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**CERTIFICATE OF FILING SERVICE**

I hereby certify that on March 18, 2013, I served a copy of SBUA's Direct Testimony upon the persons named in the UM 1610 Service list by electronic mail only as all parties have waived service.

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**UM 1610 Investigation into Qualifying Facility  
Contracting and Pricing**

**Small Business Utility Advocates**

**Response Testimony of Gregory Price**

**March 18, 2013**



1 **Q: What is the purpose of your testimony?**

2 A: To provide support to and help assure a fair market for small businesses working in the  
3 distributed renewable energy market sector and their related projects.

4 **Q: Please summarize your testimony:**

5 A: My testimony will describe the small business sector of the Oregon economy, how it  
6 relates to renewable energy generation in the state, why the federal Public Utility Regulatory  
7 Policies Act of 1978 (“PURPA”) and the Oregon PURPA statute and rules are important to small  
8 business, why a threshold of 10 MW should be maintained, and I will respond to observations  
9 concerning the characterization of entities that develop PURPA wind energy projects.

10 **2. Small business in Oregon and PURPA**

11 **Q: What is a small business in Oregon?**

12 A. Small businesses are referred to differently in different State of Oregon sources, but  
13 generally signify businesses with a certain number of employees. For example, ORS 183.310,  
14 the Oregon Administrative Procedures Act, Section (10) defines “Small business” as “a  
15 corporation, partnership, sole proprietorship or other legal entity formed for the purpose of  
16 making a profit, which is independently owned and operated from all other businesses and which  
17 has 50 or fewer employees.” As used in the Oregon Small Business Development Act of 1983,  
18 “small business” means a business having 100 or fewer employees. ORS 285B.123(2).

19 In March 2012, more than half of the private-sector firms in Oregon had fewer than five  
20 employees, and firms with fewer than 20 employees accounted for 89 percent of all Oregon

1 firms.<sup>1</sup> By comparison, firms with 250 employees or more represented less than one percent of  
2 the total number of firms but employed about 36 percent of Oregon workers.<sup>2</sup>

3 **Q: What proportion of utility rate payers are small businesses?**

4 A: It is difficult to know exactly, however, of the 1,400,277 customers of OPUC regulated  
5 utilities<sup>3</sup>, commercial and industrial customers of OPUC regulated utilities number 195,803,  
6 according to 2011 OPUC statistics.<sup>4</sup> Many if not the vast majority of those commercial and  
7 industrial customers are likely to be small businesses.

8 **Q: What is the relation between distributed wind energy and small business?**

9 A: Distributed wind, commonly referred to as small and community wind, is the use of wind  
10 turbines at homes, farms, businesses, and public facilities to off-set all or a portion of on-site  
11 energy consumption. The distributed sector of wind and other forms of renewable energy,  
12 includes project developers, general contractors, distributors, manufacturers, engineers,  
13 electricians, small and rural businesses, farms, and residential home owners, and local  
14 governments.

15 **Q: Where in Oregon is the impact of distributed wind energy experienced most?**

16 A: Generally, Oregon's better wind resources is located in rural parts of the state so the  
17 impact of the distributed wind industry is felt as much or more in rural Oregon than in the urban  
18 areas. Oregon's rural area is much larger than its urban area, and most of the resources for other  
19 renewable energy generation are located in rural Oregon. First quarter statistics for 2010  
20 indicate that smaller firms play a crucial role in the economies of rural counties throughout the

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<sup>1</sup> Oregon Labor Market Information System 2012  
<http://www.qualityinfo.org/olmisj/ArticleReader?itemid=00008504>

<sup>2</sup> Id.

<sup>3</sup> <http://www.oregon.gov/puc/docs/statbook2011.pdf> p. 9

<sup>4</sup> <http://www.oregon.gov/puc/docs/statbook2011.pdf> p. 19

1 state.<sup>5</sup> In Oregon's non-metro areas, the smallest firms (1-9 employees) account for 24 percent  
2 of payroll employment compared to just 15 percent for the metro areas. Large firms are  
3 concentrated in metro areas.

4 **Q: What is the significance of this docket to small business in Oregon?**

5 A: Decisions made in this docket will impact the ability of small businesses to participate in  
6 Oregon's clean energy economy. Clean technologies and wood and forest products are key  
7 industry sectors identified as focus areas and pressing needs by the Small Business Advisory  
8 Council in a 2009-2010 Action Plan, and funding and regulatory issues were identified as  
9 barriers.<sup>6</sup> High priorities within the small business community therefore include supporting  
10 small renewable energy companies that facilitate the development of clean technologies.

11 Distributed generation can help reduce overhead costs for businesses by reducing their  
12 electric consumption and/or utility bill. Distributed generation also creates local jobs and fosters  
13 business opportunity and growth for small businesses. All distributed generation projects require  
14 local skilled labor, equipment, resources, and small business to support and create successful  
15 development of distributed projects, which is vital to the fiscal health of rural Oregon.

16 Additionally, one of the strongest market driver in Oregon is the Energy Trust of Oregon, which  
17 is only located in investor-owned utility service territory, and often not available to projects in  
18 rural Oregon where there is good wind resource, or to projects above 100kW, but below 10MW  
19 that still need these financial incentives to be viable. The perspective of small business concerns  
20 are multifaceted and include the goal of maintaining just and reasonable electricity rates. Small  
21 Business Utility Advocates believes rate concerns should be tempered with strong support for  
22 developing clean technologies and small-scale distributed generation businesses.

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<sup>5</sup> <http://www.qualityinfo.org/olmisj/ArticleReader?itemid=00006573#seg0002>

<sup>6</sup> <http://www.oregon4biz.com/SBACouncil/ActionPlan.pdf> pp 5-6

### 3. Project Eligibility

1  
2 **Q: What is a reasonable size demarcation for projects eligible for standard offer**  
3 **contracts?**

4 A: Maintaining the cap at 10MW would be the most reasonable since this is a clear  
5 demarcation from larger non-PURPA projects. It is important to note that projects under 10MW  
6 have significant barriers to overcome. Many of which are uncertainties that cannot be quantified  
7 or modeled given that many of these variables are unknown and are risky since developers and  
8 investors have to spend very large amounts of money before they can even determine if their  
9 project is feasible. Not knowing what your risks are or how significant they may be in advance  
10 stifles what little market opportunity there is, and puts a risk premium on smaller projects that is  
11 not only unreasonable, but also unnecessary and debilitating. Most investors and financiers are  
12 not interested in financing smaller projects, especially projects below 10MW. Trying to finding  
13 financial partners and investors for projects is already difficult to finance without having a  
14 standard offer or knowing in advance the terms and agreements in the contract. Uncertainty  
15 regarding whether you can get a fair rate for production prevents projects from even getting off  
16 the ground. These projects have to leverage tax equity and other incentives to be viable given  
17 their relatively small economy of scale, and this viability becomes more difficult to achieve as  
18 the projects get smaller and the relative legal, financing costs, including contract negotiation, and  
19 other linear costs, increase. Yet these smaller projects can be the ones that create the most local  
20 value to the community where the projects are located. A National Renewable Laboratory  
21 Report indicates the higher rate of return to communities of smaller wind projects. If we are  
22 create additional and unnecessary market barriers such as lowering the standard rate size

1 eligibility threshold, we will shut out an entire market segment that should be growing and  
2 bringing value and benefits to the local regions and businesses that need it the most.

3 **Q: It has been stated that PURPA project developers are more sophisticated and better**  
4 **funded now than in the past. Do you agree with this statement?**

5 A: I disagree with this statement. Many of the smaller QF's have a hard time finding  
6 financing, are not able to leverage the tax equity needed to make many of these projects work,  
7 and have large upfront risks and investment requirements just to determine feasibility that can  
8 stop many of these projects before they begin. Many of these are very simple, relatively  
9 unsophisticated projects relative to large utility scale wind farms and simply do not have a large  
10 enough economy of scale needed to absorb numerous development costs that are required of  
11 much larger projects. The smaller QF's are unnecessarily burdened by these costs, the less likely  
12 they will have any probability of success. Negotiating on an equal footing through the process is  
13 difficult for small energy generators, or related businesses. Small businesses and renewable  
14 energy generators, for example, typically do not have the time and financial resources to  
15 participate directly in the regulatory processes impacting these projects, which presents a danger  
16 that their interests will not be adequately represented.

17 **4. Mechanical Availability Guarantee ("MAG")**

18 **Q: What is a reasonable MAG for small wind projects?**

19 A. The industry standard provided by manufacturer's maintenance service agreements is  
20 usually 95%, but this is different than the agreement within a PPA, and there is no exact industry  
21 standard. What is important to take into consideration is that as projects get smaller, especially  
22 under 10MW, the relative cost of service and maintenance is much higher, and the cost of  
23 unreasonably high expectations for a MAG is also much higher while doing little to create

1 significant value in regards to less loss as a result of higher mechanical availability. Both parties  
2 are almost always mutually invested in the operation and availability of the turbine, and  
3 unexpected down time or lower availability would already negatively impact the opposing party  
4 to the IOU with in a PPA. Further penalization resulting from MAG requirements that are too  
5 high transfers more liability and uncertainty to the other party while holding them to an  
6 unreasonable standard. If there is a higher MAG it is only reasonable that the additional value of  
7 greater availability, certainty, and reduced liability be reflected in the rate or standard offer  
8 provided. For many manufacturers or operations and maintenance companies that offer  
9 Maintenance and Service Guarantees that come with MAG, the cost of that service contract  
10 increases along with higher MAG, and/or longer terms. That cost and risk have to be recovered  
11 and generally it would be with the cost of the contract. For this reason it would reasonable that  
12 for a higher MAG additional value is offered with in the PPA, either in the form of higher rates  
13 paid for power produced or more amenable terms for the renewable energy generator.

14 **5. Conclusion:**

15 **Q: Are there any other issues you would like to address?**

16 A: No.

17 **Q: Does this conclude your testimony?**

18 A: Yes.

19