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August 7, 2015

VIA ELECTRONIC MAIL ONLY

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street, Suite 100
P.O. Box 1088
Salem, OR 97308-1088

Re: *In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff Investigation into
Qualifying Facility Contracting and Pricing*
PUC Docket No.: UM 1610 / Phase 2
DOJ File No.: 330-030-GN0240-12

To the Filing Center:

On behalf of the Oregon Department of Energy, enclosed for filing today with the
Commission in the above-captioned matter are the following documents:

1. August 7, 2015 Reply Testimony of Philip Carver, Exhibit ODOE/1100;
2. August 7, 2015 Reply Testimony of Diane Broad, Exhibit ODOE/1200; and
3. August 7, 2015 Reply Testimony of Philip Carver and Diane Broad, Exhibit
ODOE/1300.

Sincerely,

Renee M. France
Senior Assistant Attorney General
Natural Resources Section

Enclosures
RMF:jrs/#6709704

DOCKET NO. UM 1610
Phase 2
EXHIBIT: ODOE/1100
WITNESS: PHILIP CARVER

Before the
PUBLIC UTILITY COMMISSION OF OREGON

OREGON DEPARTMENT OF ENERGY

Reply Testimony of Philip Carver

August 7, 2015

1 **Q. Are you the same Phil Carver who testified at ODOE/700 and ODOE/900?**

2 A. Yes.

3 **Q. What is the purpose of your reply testimony?**

4 A. I will address issue number five from the ALJ memo of March 26, 2015. The
5 other Oregon Department of Energy (ODOE) witness, Diane Broad, will
6 address issue number nine. Together we will respond to Idaho Power on the
7 relationship among issues three, four and six.

8 **Q. What do you propose on issue number five?**

9 A. On issue number five, ODOE agrees in part and disagrees in part with the
10 testimony of Drennan at PAC/1200. ODOE shares the Company's desire for
11 consistency between the IRP acknowledgement order and the Commission
12 approval avoided cost prices. The response testimony of Drennan¹ makes it
13 clear that this outcome can only occur if the Commission order in the IRP
14 docket includes all decisions related to all IRP assumptions and inputs. This
15 would include issues related to action items the Commission acknowledges (or
16 not) and issues related to setting reasonable avoided cost prices.

17 **Q. Where does ODOE disagree with PacifiCorp's proposal?**

18 A. PacifiCorp's proposal leaves the resolution of disputes about avoided cost
19 assumptions to cases where a party requests suspension of the avoided costs
20 filing that currently occurs after the acknowledgement order. Doing so would
21 preclude the Commission from achieving consistency in its decisions about

¹ PAC/1200; Drennan/10

1 acknowledging action items in the plan and setting reasonable avoided cost
2 prices.

3 Achievement of consistency requires that these two sets of issues be raised in the
4 same proceeding. Even if the Commission does not share the view that the IRP
5 and avoided cost orders should be consistent, any substantive resolution of
6 issues related to avoided costs after the IRP order would result in an
7 inappropriate delay in adopting timely and properly adjudicated avoided cost
8 prices. By adopting the whole of PacifiCorp's proposal, the Commission would
9 be inappropriately letting the Company set avoided cost prices without a
10 realistic opportunity for intervenors to challenge the assumptions.

11 **Q. Where else does ODOE disagree with PacifiCorp's Response Testimony?**

12 A. ODOE disagrees that under the current process, "These [IRP] inputs and
13 assumptions are **fully vetted in the utility's acknowledged IRP, and do not**
14 **require a second round of litigation.**"² In the current process the
15 Commission acknowledgement order only addresses whether or not the action
16 items proposed by the filing utility seem reasonable.

17 The Commission noted in the most recent acknowledgment order on
18 PacifiCorp:

19 *Once a utility completes a plan, we review it for adherence to the procedural*
20 *and substantive requirements outlined in Order No. 89-507. We generally*
21 *either acknowledge the plan -- that is, find it reasonable based on*
22 *information available at that time -- or return it to the utility with comments.*
23 *We may also decline to acknowledge specific action items if we question*
24 *whether the utility's proposed resource decision presents the least cost and*
25 *risk option for its customers.*³

² PAC/1200; Drennan/10 at lines 9 and 10.

³ Order No. 14-252 (<http://apps.puc.state.or.us/orders/2014ords/14-252.pdf>) at 1

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The Commission has not, to date, ruled on the reasonableness of specific assumptions or inputs in its acknowledgement orders. An avoided cost docket after the acknowledgement order is not a second round of litigation for the avoided cost inputs, it is the first.

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As pointed out by OPUC Staff⁴, under OAR 860-029-0080:

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Any standard rates filed under OAR 860-029-0040 [Rates for Purchases from QFs] shall be subject to suspension and modification by the Commission

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PacifiCorp proposes that the Commission simply “rely on inputs and assumptions

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developed in the utility’s acknowledged IRP...”⁵ Contrary to the implication of

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this sentence, these assumptions are not produced by a consensus process.

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They are produced by the Company, sometimes over the strenuous objections

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of parties involved in the IRP process. Even if the objections occur before and

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after the IRP is filed with the Commission, the current acknowledgement

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process offers no adjudication of the dispute.

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PacifiCorp’s proposal for adjudication after acknowledgement is at odds with its

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goal of having consistency between the acknowledged IRP and the avoided

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cost prices set by the Commission. Any change in the assumptions in an

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avoided cost docket following acknowledgment would typically imply small but

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real changes in the action plan that the Commission has just acknowledged. In

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the Company’s proposed process the Commission would only address

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assumptions in the IRP that are integral to short term action plans, then the

⁴ Staff/500; Andrus/23 at lines 6-8

⁵ PAC/1200; Drennan/10 at lines 7 and 8; emphasis added

1 Commission would be precluded from adjudicating disputes over assumptions
2 that drive avoided costs because **any** change in assumptions would likely lead
3 to small but real inconsistencies with its acknowledgement of the utility's action
4 plan.

5 **Q. What does ODOE now propose?**

6 A. ODOE proposes that all issues related to the IRP, including inputs and
7 assumptions related to avoided cost prices be adjudicated in an expanded IRP
8 docket. For the proceeding to be effective, utilities would file their avoided cost
9 prices with their IRPs, including the OPUC Staff's Minimum Filing
10 Requirements, with ODOE's proposed additions.⁶

11 **Q. Does this conclude your reply testimony?**

12 A. Yes, except for the joint reply with Diane Broad at ODOE/1300.

⁶ ODOE/900;Carver/8

DOCKET NO. UM 1610
Phase 2
EXHIBIT: ODOE/1200
WITNESS: DIANE BROAD

Before the
PUBLIC UTILITY COMMISSION OF OREGON

OREGON DEPARTMENT OF ENERGY

Reply Testimony of Diane Broad

August 7, 2015

1 **Q. Are you the same Diane Broad who testified at ODOE/800 and**
2 **ODOE/1000?**

3 A. Yes.

4 **Q. What is the purpose of your reply testimony?**

5 A. I will address issue number nine from the ALJ memo of March 26, 2015. The
6 other Oregon Department of Energy (ODOE) witness, Philip Carver, will
7 address issue number five. Together we will respond to Idaho Power on the
8 relationship among issues three, four and six.

9 **Q. What is ODOE's position on issue number nine relative to other parties?**

10 A. On issue number nine, ODOE agrees with the testimony of Staff/600 and
11 CREA/600 that utilities should provide clear, detailed information on load
12 pockets to the QF early in the process; additionally, a range of transmission
13 service options should be offered to the QF, including limited curtailment.
14 ODOE appreciates the attempt at a clear definition of load pocket in the
15 testimony of PAC/1300 by Mr. Griswold. ODOE also appreciates the testimonial
16 (PAC/1300) examples of actions by the utility to determine the correct amount
17 of transmission service needed, which is sometimes less than full nameplate
18 output of the QF. The possibilities for transmission service options that ODOE
19 has proposed are explored by both CREA/600 and PAC/1300. Despite the
20 concerns raised by Mr. Griswold, ODOE maintains the position that in the
21 standard contract (or an addendum) QFs should be able to choose
22 transmission service other than long-term firm, point-to-point transmission, if
23 the alternate service is a better fit to the generation profile and will result in

1 lower cost while maintaining reliable QF output from the load pocket. ODOE
2 acknowledges a risk to the utility, and characterizes this as a small and
3 manageable risk in comparison to other standard utility business practices.

4 **Q. What is the most specific definition offered among the parties for a load**
5 **pocket?**

6 A. In the testimony of Mr. Griswold for PacifiCorp¹ he describes the PacifiCorp
7 system as having isolated pockets of retail load which are served by legacy
8 one-way transmission agreements. "The Company refers to these areas that
9 are entirely or partially reliant on third-party transmission as load pockets."

10 **Q. Is this definition adequate?**

11 A. ODOE sees the definition offered by PacifiCorp as a step in the right direction,
12 but encourages the Commission to consider a definition which does not include
13 service areas connected to PacifiCorp-owned transmission. Because the
14 assumption behind issue nine is that the output of a QF in a load pocket is
15 certain to result in extra cost to export the excess generation, exporting that
16 excess generation must occur on third-party transmission. If the service area is
17 connected to PacifiCorp-owned transmission, the ability to determine the actual
18 need for transmission service on third-party transmission can become overly
19 complex.

20 **Q. What information is critical to the QF early in the process?**

21 A. A prospective QF needs to know the full range of costs to interconnect and
22 operate the facility and the amount the QF will receive in payment for its output.

¹ PAC/1300, Griswold/13 5-7

1 This includes knowing that a prospective project is in a load pocket and what
2 the transmission limitations are likely to be. OPUC Staff recognizes a need for
3 greater transparency, earlier in the process². While ODOE agrees with Staff
4 that asking utilities to regularly publish detailed data for every load pocket could
5 be overly cumbersome, we think providing the QF with the right granularity of
6 data should be the focus. Staff proposed that PacifiCorp provide annual peak
7 and minimum load for each load pocket.³ For a QF with a significant seasonal
8 variation in output, such as a solar project, this information alone is not very
9 helpful. ODOE maintains that monthly peak and minimum loads should not be
10 burdensome for PacifiCorp to produce.

11 **Q. What are the reasons QFs should be offered a choice of transmission**
12 **service options?**

13 A. ODOE agrees with the testimony of Mr. Skeahan for CREA⁴, that offering only
14 long-term firm, point-to-point (LTF PTP) transmission is a “one size fits all”
15 approach which does not allow for economic optimization for factors such as
16 generation profile and variability of load in the load pocket, factors which
17 PacifiCorp certainly analyzes when procuring transmission for its own
18 generation assets. In the testimony of Mr. Griswold for PacifiCorp⁵ he
19 characterizes the complex transmission arrangements utilized by the Company
20 to service its discontinuous retail load.

² Staff/600, Andrus/29

³ Staff/600, Andrus/29 12-14

⁴ CREA/600; Skeahan/14 14-20

⁵ PAC/1300, Griswold/12 18-22

1 *[...the Company purchases service across transmission owned by a*
2 *third party in order to deliver (or export) generation to (or from) an isolated*
3 *portion of its service territory to supply its retail load. And many of those same*
4 *transmission providers also purchase transmission service from PacifiCorp*
5 *Transmission to supply their own retail loads.]*

6 Although it has not been disclosed to date in this proceeding, ODOE believes it
7 reasonable to assume that not every transmission service contract executed by
8 the Company to accomplish the goals above is a contract for LTF PTP
9 transmission.

10 In ODOE's opening testimony⁶ three QF arrangements for transmission service
11 were described, including the impact on the income to the QFs. That testimony
12 showed that there could be a high cost for transmission relative to income for
13 projects with high seasonal variability, like Adams Solar Center and Elbe Solar
14 Center. Mr. Griswold described how PacifiCorp made efforts to tailor the
15 transmission service to the need of these two projects, and lower the overall
16 costs.⁷ ODOE appreciates this disclosure by the Company of the details of its
17 effort to reduce the transmission service cost burden on the QF. The Company
18 did not disclose how much time passed from the execution of the PPA to the
19 arrangements for a lower amount of transmission service (14MW instead of
20 10MW), or how that arrangement was negotiated. The QF is at the mercy of
21 PacifiCorp to act on its behalf to procure transmission service, and has no
22 option but to accept the estimated costs at the time of PPA signing. Allowing

⁶ ODOE/800, Broad

⁷ PAC/1300, Griswold/19 2-16

1 the QF to explore other transmission service options, such as short-term firm
2 (STF) transmission, would give more clarity to the QF as to the relative cost of
3 transmission and the decrease in revenue.

4 **Q. What is the key advantage of LTF PTP transmission?**

5 A. PacifiCorp has shown a strong preference in execution of recent PPAs for LTF
6 PTP transmission for excess generation from a QF out of a load pocket. Mr.
7 Griswold states “Long-term firm (LTF) PTP is the only form of transmission
8 service that provides the utility a dependable right to wheel surplus generation
9 from a load pocket to the Company's larger system for the full term of a PPA.”⁸

10 The aspects of LTF PTP transmission that are appealing are two-fold: the
11 transmission service cannot be reduced by another party, since LTF PTP is the
12 highest priority form of service; and the transmission right can be renewed in
13 five-year periods so that transmission service is assured for the entire 15 to 20
14 years of the PPA.

15 **Q. Are other transmission service options too risky?**

16 A. The answer depends on the load pocket, its load profile and types, and the
17 generation profile of the QF. However, the point is that in some situations the
18 answer is a clear “no”. There are transmission service options such as STF
19 PTP which offer significant potential savings to certain types of QFs, and
20 represent minimal risk of failure to deliver generation to load.

21 PacifiCorp seems to take the position that any curtailment due to lack of
22 transmission service availability is an unacceptable risk. Mr. Griswold says “the

⁸ PAC/1300; Griswold/17 9-11

1 sole purpose of the QF purchase by the Company is to serve its retail load on a
2 firm basis. The Company and its customers should not bear the risk of
3 inadequate or less than firm transmission service to move that resource to
4 load.”⁹ ODOE supports the objective of PacifiCorp to have generation
5 resources that are dependable. However, the Company makes choices in the
6 build and operation of its own assets, as well as market transactions, which
7 represent a balance between cost and risk. The electric system that the
8 Company operates does not guarantee 100% availability. Such a system would
9 be extremely costly and not a prudent investment. QF output should be viewed
10 through a similar lens, with the Commission allowing a limited number of
11 transmission service options and payment reductions in the standard QF
12 contract.

13 **Q. Should the standard contract allow for adjustments to the transmission**
14 **service fee?**

15 A. Yes. Mr. Griswold rightly points out that “Just as any tariff has prices changes, in
16 order to pass through the most accurate cost to the QF, it should be based on
17 actual costs incurred.”¹⁰ As ODOE suggested in previous testimony, the
18 standard contract should include a provision for “truing-up” at the end of the
19 year so the QF is paying for actual transmission costs incurred. The contract
20 should also have a provision for changes in the transmission service tariff,
21 either yearly or every five years.

22 **Q. Does this conclude your testimony?**

⁹ PAC/1300, Griswold/17 1-4
¹⁰ PAC/1300, Griswold/16 1-3

- 1 A. Yes, except for the joint reply with Phil Carver at ODOE/1300.

DOCKET NO. UM 1610
Phase 2
EXHIBIT: ODOE/1300
WITNESS: PHILIP CARVER and DIANE BROAD

Before the
PUBLIC UTILITY COMMISSION OF OREGON

OREGON DEPARTMENT OF ENERGY

**Reply Testimony of Philip Carver and Diane
Broad**

August 7, 2015

1 **Q. Are you the same Phil Carver and Diane Broad who testified at**
2 **ODOE/700, ODOE/800, ODOE/900 and ODOE/1000?**

3 A. Yes.

4 **Q. What is the purpose of this portion of your reply testimony?**

5 A. Here we reply to Michael Youngblood of Idaho Power¹ on the relationship
6 among ODOE positions on issues three, four and six.

7 **Q. Youngblood states: “It is ironic that ODOE is concerned whether or not a**
8 **market price forecast reflects the actual practices of a utility, in light of**
9 **their testimony on Issues 3 and 4 ...”² How do you interpret this**
10 **statement?**

11 A. We interpret this statement to suggest that the ODOE position on issue 6 to
12 examine actual utility practice in executing market transactions contradicts
13 ODOE’s position on issues 3 and 4 about the appropriate rate credit for
14 capacity contributions from intermittent renewable QF projects.

15 **Q Are the ODOE positions on these issues contradictory?**

16 A. No.

17 **Q. Please elaborate.**

18 A. ODOE’s position on these and other issues in this docket is that the QF is
19 entitled to a fair payment under the federal PURPA law – the costs the utility
20 can avoid because of the purchase of the QF power. The capacity payments

¹ Idaho Power/1000; Youngblood/13; lines 8 though 16

² Idaho Power/1000; Youngblood/13; lines 11 and 12

1 ODOE and OPUC staff advocate under issues 3 and 4 would leave the net
2 capacity position and costs for a utility unchanged before and after purchases
3 from the QF. Similarly under issue 6, if a utility's actual purchases reflect the
4 types of power products used to forecast wholesale prices, then the avoided-
5 cost prices set on this basis will leave costs unchanged.

6 ODOE's positions throughout its testimony rest on the consistent principle of fair
7 avoided-cost pricing.

8 **Q. Does this conclude your joint testimony?**

9 A. Yes.