

CASE: UM 1725
WITNESS: BRITTANY ANDRUS

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 200

Cross-Answering Testimony

August 31, 2015

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Brittany Andrus. My business address is 201 High Street SE,
3 Suite 100, Salem, Oregon 97301-3612

4 **Q. Please describe your educational background and work experience.**

5 A. My Witness Qualification Statement is found in Exhibit Staff/101.

6 **Q. What is the purpose of your testimony?**

7 A. I provide responses to the joint testimony of Obsidian Renewables, LLC and
8 Cypress Creek Renewables, LLC (Obsidian/Cypress Creek), and to the
9 testimony of the Renewable Energy Coalition (REC), regarding Idaho Power
10 Company's (Idaho Power or Company) applications in this docket.

11 **Q. Did any other parties file testimony?**

12 A. No other parties filed testimony; however, Gardner Capital Solar Development,
13 LLC filed a letter supporting testimony of Obsidian/Cypress Creek.

14 **Q. Please summarize Staff's understanding of the Obsidian/Cypress
15 Creek and REC positions.**

16 A. Obsidian/Cypress Creek oppose Idaho Power's requested changes based on
17 their analysis of QF activity in Idaho Power's service territory, concluding that
18 "Idaho Power has *not* experienced an extreme or unprecedented spike in
19 renewable power development in Oregon since the Commission issued Order
20 No. 14-058 last year."¹ Obsidian/Cypress Creek do not specifically address the
21 proposed change to the sufficiency period or the request for approval of a solar
22 integration charge.

¹ Obsidian-Cypress Creek/100, Brown/2 at 12-14.

1 REC urges the Commission to reject Idaho Power's application to lower
2 the standard contract and pricing eligibility cap and the contract term for wind
3 and solar QFs. If the Commission does lower the cap or shorten the contract
4 term, REC emphasizes that this relief should apply to only wind and solar QFs,
5 consistent with the Company's application. REC opposes Idaho Power's
6 application to change its resource sufficiency period arguing that the change
7 does not warrant an out-of-cycle avoided cost update. With regard to the
8 request for a solar integration charge, REC takes no position at this time.

9 **Q. On what basis does Obsidian/Cypress Creek conclude that the QF**
10 **activity in Idaho Power's Oregon service territory is not significant**
11 **enough to merit a change in policy?**

12 A. Mr. Brown's testimony provides extensive analysis of historical
13 interconnection requests for renewable energy projects over nearly 15
14 years. He demonstrates that only a small percentage of these renewable
15 project requests have come into service, representing a small percentage of
16 requested capacity. He provides a hypothetical example of the energy
17 production from the 50 MW of solar QF capacity currently under contract if it
18 were to come on-line, which shows that the energy produced would
19 represent about ten percent of Idaho Power's Oregon load. Mr. Brown
20 further notes that 18 MW of QF capacity is operating in Oregon,
21 representing just two percent of the 781 total MW of QFs operating system-
22 wide.

1 **Q. Does Staff take issue with any part of this analysis?**

2 A. A minor issue is that the capacity of operating QF projects under Oregon
3 power purchase agreements (PPA) is actually 21 MW, including the Fighting
4 Creek Landfill Gas to Energy Station.²

5 A more significant issue is that Staff does not agree that the pattern of
6 renewable energy transmission interconnection requests can be used as a
7 proxy for the proportion of QFs with executed power purchase agreements that
8 will actually be built. The fact is that the 21 MW of QF capacity already in
9 operation does represent a large share of the Oregon peak load, approximately
10 17 percent. As stated in Staff's earlier testimony, the addition of even one
11 additional 10 MW solar or wind QF currently under contract but not yet
12 operating would raise that capacity ratio to 25 percent. On an energy basis,
13 operating QFs represent approximately 3.6 percent of the Oregon load. The
14 addition of a single 10 MW project (of the 110 MW currently under contract but
15 not yet operating), assuming a 20 percent capacity factor, moves that to about
16 six percent. If all 110 MW were to come on-line at that same capacity factor,
17 the QF share of Oregon load on an energy basis would exceed 30 percent.

18 All of these calculations are intended to convey the fact that, contrary to
19 Obsidian/Cypress Creek's assertions, the amount of QF generation currently in
20 operation is not insignificant. When even a small subset of the projects under

² This QF is located in Idaho, but the point of delivery to Idaho Power has been determined to be in Oregon; see Docket UM 1572.

1 contract is added, QFs would represent a significant proportion of the Idaho
2 Power Oregon load on a capacity and an energy basis.

3 **Q. Do Obsidian/Cypress provide other evidence that the QF activity in Idaho**
4 **Power's Oregon territory is not as significant as the Company states?**

5 A. Mr. Brown describes three additional reasons the number of QF PPA requests
6 will likely not lead to viable projects: 1) the 30 percent federal Investment Tax
7 Credit (ITC) is scheduled to end at the end of 2016; 2) Idaho Power's recently
8 approved avoided costs are significantly lower than those previously in place;
9 and 3) prohibitively high interconnection costs due the existing transmission
10 infrastructure.

11 **Q. Does Staff dispute the influence of these factors?**

12 A. For the most part, no. Regarding the ITC, Staff notes that the credit will not go
13 to zero in December 2016, but rather to ten percent. Nonetheless, this is a
14 significant factor that will impact project economics. It is possible that the credit
15 may be extended or changed, but there is no basis on which to predict it. A
16 factor that offsets the ITC reduction in part is the continuing decline in solar PV
17 capital costs, commonly cited in industry publications.³

18 With respect to Idaho Power's reduced avoided costs, Staff agrees with
19 Obsidian/Cypress that the most recent update in June 2015 was a significant
20 reduction, which represents a negative impact for prospective QF projects.
21 Staff's analysis shows that the reduction for baseload QFs was approximately

³ E.g., Photovoltaic System Pricing Trends, National Renewable Energy Laboratory, September 2014
(<http://www.nrel.gov/docs/fy14osti/62558.pdf>).

1 13 percent on a levelized basis. However, even with this reduction, the avoided
2 cost prices are above market rates.

3 Staff also concurs, on the basis of Idaho Power's response to a Staff data
4 request, that the lack of available capacity in the Oregon portion of Idaho
5 Power's transmission system is likely to be a significant barrier to future QF
6 development in that area.⁴

7 **Q. So, Staff believes that the amount of QF generation operating and under**
8 **contract is significant, but agrees with Obsidian/Cypress Creek that**
9 **future development is expected to be constrained. Why does Staff**
10 **continue to support a reduction in the eligibility cap for standard avoided**
11 **cost prices and PPAs?**

12 A. As stated by the Commission in its Order No. 05-584, the 10 MW cap was
13 intended to reduce barriers to entry.⁵ As discussed in Staff's opening
14 testimony, it does not appear that a cap as high as 10 MW is needed for this
15 purpose. The 60 MW of solar under contract consist of six 10 MW projects by a
16 single developer.⁶ It appears the 10 MW cap, intended to mitigate barriers to
17 entry for QF developers, is being leveraged by developers in Idaho Power's
18 Oregon service area that clearly have the resources to negotiate contracts with

⁴ Idaho Power Company's response to Staff's data request No. 11: "The five Oregon Qualifying Facility ("QF") wind projects and the six Oregon QF solar projects will require network transmission upgrades for network transmission service. These projects will use all of the incremental transmission capacity from their respective network transmission upgrades leaving no transmission capacity for additional generation projects, regardless of size, in this area of Idaho Power's transmission system."

⁵ See Order No. 05-584 at 16-17.

⁶ Docket RE 141, Idaho Power Company Qualifying Facility Contracts or Summaries per OAR 860-029-0020(1).

1 utilities. Additionally, Staff supports lowering the eligibility cap for consistency
2 between Oregon and Idaho QF policies.

3 **Q. Are Obsidian/Cypress Creek's arguments pertinent to whether contract**
4 **terms should be shortened?**

5 A. Yes. Longer contract terms present greater risk of deviations between the
6 avoided costs in the contract and the utility's actual prices. The potential harm
7 from this risk increases with the amount of contracted for and built QF capacity.
8 Obsidian/Cypress Creek's observations about QF activity in Idaho Power's
9 service territory support Staff's position that the contract term should not be
10 shortened, even if they are not particularly relevant to the question of whether
11 the eligibility cap should be lowered.

12 **Q. What is Staff's response to REC's positions?**

13 A. REC, like Obsidian/Cypress Creek, maintains that Idaho Power has overstated
14 the significance of the problem of QF development in its Oregon territory, and
15 that transmission issues may halt further QF development. As discussed
16 above, Staff does not think these observations are particularly pertinent to
17 whether the eligibility cap should be lowered.

18 With respect to Idaho Power's requested reduction to the standard
19 contract term, REC explains that short contract terms will result in QFs never
20 receiving capacity payments because pricing will always be based on the
21 utility's resource sufficiency, and will therefore be priced at the market. Staff
22 agrees, and continues to hold the position that the contract term maximum
23 should remain at 20 years, with the last five years priced at market.

1 Regarding the change to the resource sufficiency period, REC cites
2 several reasons for the Commission to deny Idaho Power's request. REC
3 opposes the change because it "would upset the expectations of QFs and it is
4 unnecessary...[and] would create a dangerous precedent and harmful
5 uncertainty...[and] will have little practical impact."⁷ Staff recognizes this
6 argument, but the Commission has addressed this issue by setting the barrier
7 for mid-cycle updates "very high" when establishing the annual avoided cost
8 updates.

9 REC also states that the integrated resource plan (IRP) "has little analysis
10 regarding the correct demarcation regarding resource sufficiency and
11 deficiency because the demarcation is typically outside of the action plan."⁸
12 REC concludes that "here is a relatively arbitrary and inaccurate date for a
13 capacity deficit that has a huge impact on avoided cost rates."⁹ Staff disagrees
14 with these assertions. The IRP process entails a thorough review of the utility's
15 load and resource balance, which is a prerequisite to the development and
16 analysis of resource portfolios. There is substantial precedent in Oregon for
17 using the IRP as the basis for utility avoided costs, and Staff believes that the
18 current policy requires a rigorous process.

19 REC further asserts that there is no need for this mid-cycle change to
20 avoided cost prices because Idaho Power's 2015 IRP "may be acknowledged

⁷ Coalition/100, Lowe/17 at 14-18.

⁸ Coalition/100, Lowe/12 at 2-5.

⁹ Id at 11-12.

1 by the Commission shortly after this proceeding is completed.”¹⁰ Staff believes
2 that this position depends upon the definition of “shortly.” The schedule in
3 Docket LC 63 indicates that the Commission will address IPC’s 2015 IRP on
4 March 24, 2016; within 30 days of that, the company will file new AC, which will
5 need to be reviewed by Staff and parties, and subsequently provided to the
6 Commission for approval. This means that the next avoided cost update will
7 likely occur in late April or in May 2016, as compared to a December 31, 2015,
8 target for the order in this docket. Staff does not agree that the forthcoming
9 IRP acknowledgment obviates the need for this update.

10 REC does not believe that the basis of Idaho Power’s request for a mid-
11 cycle update meets the “very high” standard the Commission established for
12 those updates in Order No. 14-058. Staff disagrees. The 400 MW of demand
13 respond resource is significant, having a meaningful effect on Idaho Power’s
14 load and resource balance. Staff maintains its position that this capacity
15 addition is significant enough to warrant a mid-cycle update. As stated in
16 Staff’s July 27 testimony, Idaho Power’s demand response resource was
17 acquired as a result of a Commission approved stipulation. This factor, in
18 combination with the magnitude of the impact of the resource change, merits
19 the requested mid-cycle update.

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

21 A. Yes.

¹⁰ Coalition/100, Lowe/12 at 22-23.