

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**UM 2011**

In the Matter of  
  
PUBLIC UTILITY COMMISSION OF  
OREGON,

RENEWABLE ENERGY  
COALITION’S CLOSING  
COMMENTS

General Capacity Investigation

**I. INTRODUCTION**

The Renewable Energy Coalition (the “Coalition”) provides these Comments pursuant to the Oregon Public Utility Commission (the “Commission”) Staff’s September 29, 2022 announcement proposal for conclusion of this docket (Staff’s “Proposal”).<sup>1</sup> The Coalition offers two main comments on Staff’s new Capacity Value Best Practices (“Best Practices”).<sup>2</sup> First, the Coalition again urges Staff to recognize and differentiate the treatment of existing non-utility owned resources. Staff’s Best Practices are unclear, and it is possible that existing non-utility owned resources will be measured based on their contribution to the utility’s planned system. The Coalition maintains its prior recommendations that existing resources should be measured based on either: 1) the value they actually provide, or 2) in the alternative, the value they provide relative to the system when they first committed to serve it. Staff should adopt clear language on this point.

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<sup>1</sup> Staff Proposal at 6 (Sept. 23, 2022).

<sup>2</sup> Staff attached its Staff Capacity Value Best Practices (dated September 23, 2022) to the Proposal. Staff Proposal, Attachment A [hereinafter Best Practices].

Second, the Coalition disagrees with Staff’s decision to conclude this docket, after 43 months, without resolving the third and most significant question: How should capacity be valued?<sup>3</sup> This would be a deeply disappointing result for the Coalition, which primarily intervened and engaged in this docket to address this question.<sup>4</sup> The Commission has historically had a balkanized approach to capacity valuation, which has led to the undervaluing of capacity provided by qualifying facilities (“QFs”), particularly those that are operating rather than proposed. Failing to set a uniform and consistent value will continue this status quo of capacity being valued not based on its actual value, but based on whether it is a favored or unfavored resource. Therefore, the Coalition recommends that Staff use this docket to set a generic valuation method for all use cases. In the alternative, the Coalition recommends that Staff determine the appropriate value for QFs in UM 2000 (as it is planning), but then apply that value to all use cases.

Not resolving the question of how capacity is valued is also an unnecessary result. Staff previously answered this question stating:

When assigning a dollar value to the capacity contribution of supply- or demand-side resources (including hybrid resources), the price will be determined using the resource type’s [effective load carrying capability (“ELCC”)] (or alternate approach)<sup>5</sup> multiplied by the relevant cost of capacity.<sup>6</sup>

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<sup>3</sup> Staff Proposal at 1.

<sup>4</sup> See Coalition Petition to Intervene at 2 (May 6, 2019).

<sup>5</sup> The Coalition continues to take no position on the use of ELCC versus other technical methodologies.

<sup>6</sup> Notice of Commission Workshop and Agenda, attachment Staff Capacity Value Best Practices – Updated Draft at 3 (Nov. 4, 2021).

Further, Staff's Proposal affirms that an answer is achievable but then unclearly declines to answer. Based on Staff's vague explanation, the Coalition respectfully submits that Staff has mistaken valuation (\$ or \$/MW) for compensation (e.g., \$/hour). The Coalition hopes these Comments clarify this apparent misunderstanding and help this docket achieve its intended goals.

The Coalition briefly comments on two other items that do not need to be addressed in the Best Practices. Regarding the sufficiency-deficiency, the Coalition agrees with Staff's comments and looks forward to resolving this issue in UM 2000. The Coalition has been raising this issue since at least 2010, and the Coalition is concerned that it will continue to undervalue QF capacity and engender disputes if not resolved expeditiously. This policy is particularly harmful for existing QFs, who receive more fair treatment and capacity payments during the "sufficiency" period in Idaho and Washington. The Coalition urges Staff to prioritize this issue in UM 2000 so this longstanding issue can be fixed.

Regarding the utilities' current capacity modeling practices, the Coalition disagrees with Staff's Proposal that all of these practices are reasonable. To the extent Staff addresses this in this docket (which is not needed), the Coalition recommends Staff reframe its conclusions.

The Coalition looks forward to seeing other stakeholders' reactions and reserves the right to respond or raise additional issues in the future.

## II. COMMENTS

### A. The Commission Should Clarify the Treatment of Existing Resource to Accurately Reflect the Value they Provide

The Coalition has consistently and clearly advocated in this docket for the accurate measuring of capacity value for existing resources.<sup>7</sup> Nonetheless, it remains unclear from Staff's Best Practices how existing resources will be measured. The Coalition urges Staff to clarify this point. The Coalition maintains its prior recommendations that existing resources should be measured based on either: 1) the value they actually provide, or 2) in the alternative, the value they provide relative to the system when they first committed to serve it.<sup>8</sup>

It is possible that Staff intends to measure existing resources just like new resources, which the Coalition vehemently opposes. The Best Practices state:

The most accurate and preferred methodology to calculate the capacity contribution of *all types* of supply-, and demand-side resources (including hybrid resources') is Effective Load Carrying Capability (ELCC).<sup>9</sup>

Staff later specifies that ELCC means "last-in/incremental ELCC."<sup>10</sup> E3 defines last-in ELCC as "a measurement of the marginal ELCC of a resource after all other intermittent

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<sup>7</sup> E.g., Coalition Comments at 2, 5-6 (Mar. 8, 2021); Coalition Reply Comments at 1-6 (Apr. 26, 2021); Redline Comments of the Coalition at 1-2 (Aug. 3, 2021); Coalition Comments on Staff's Capacity Value Best Practices Updated Draft at 2 (Oct. 20, 2021). The Coalition has provided oral comments as well.

<sup>8</sup> Coalition Comments on Staff's Capacity Value Best Practices Updated Draft at 2 (Oct. 20, 2021).

<sup>9</sup> Best Practices at 1 (emphasis added).

<sup>10</sup> Best Practices at 3.

or energy-limited resources have been added.”<sup>11</sup> Further, Staff proposes to measure ELCC based on a utility’s last acknowledged preferred portfolio.<sup>12</sup>

It is possible that Staff intends a different measurement to apply to non-utility resources that are already included in a utility’s preferred portfolio, which will or at least should depend in part on existing resources. The treatment in utility Integrated Resource Plans (“IRPs”) is still being discussed and may not be fully resolved until the conclusion of Docket No. UM 2038.<sup>13</sup> However, the Commission has already directed both PacifiCorp and Idaho Power Company to make realistic assumptions about existing non-utility resources in their IRPs.<sup>14</sup> Assuming that a non-zero percentage of existing QFs renew their contracts means utilities will have a reduced need for new resources, ergo preferred portfolios will depend in part on assumed capacity value provided by existing resources. This value should be recognized in Staff’s Best Practices.

Staff may be proposing to measure the contribution of existing non-utility steel in the ground by assuming: 1) those projects are not in the ground and 2) the utility’s system is independent entirely from the resource. If so, then the Coalition respectfully disagrees. To the extent Staff is assuming another approach will occur, the Coalition requests

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<sup>11</sup> Ben Shapiro, et al, *Principles of Capacity Valuation, UM 2011 Capacity Investigation*, Energy and Environmental Economics at 3-4 (Dec. 2020) . Best Practices at 3.

<sup>13</sup> See generally *In re Investigation into Treatment of QFs in Utility IRP Process*, Docket No. UM 2038.

<sup>14</sup> *In re Idaho Power Company 2019 IRP*, Docket No. LC 74, Order No. 21-184 at 19-20 (June 4, 2021); *In re PacifiCorp 2021 IRP*, Docket No. LC 77, Order No. 22-178 at 14 (May 23, 2022).

clarifying edits to the Best Practices. For instance, the Coalition previously recommended the following red-line addition:

For existing resources only, all yearly ELCC values shall be set equal to the highest yearly ELCC value in the existing resource’s prior contract(s). If no yearly ELCC value exists, the ELCC values shall be set equal to an ELCC value determined based on the system conditions that existed at the time that the existing resource first committed, via contract or otherwise, to sell to the utility.<sup>15</sup>

The above recommendation is an equitable result considering that utility-owned resources are measured when added to the system and not subject to subsequent reductions in their capacity value, as existing QFs currently suffer.

**B. Resource Agnostic Valuation Is Achievable**

The Coalition opposes Staff’s proposal to relegate valuation questions to use-case specific questions. The Commission opened this docket to pursue a fair, apples-to-apples comparison of capacity across resource types.<sup>16</sup> As drafted, Staff’s Best Practices decline to answer the third and most significant question in this docket: How should capacity be valued?<sup>17</sup> Instead, the Best Practices “do not address capacity value.”<sup>18</sup>

Staff previously answered this question, and the Coalition sees no reason to remove Staff’s prior resource-agnostic answer to this valuation question:

When assigning a dollar value to the capacity contribution of supply- or demand-side resources (including hybrid resources), the price will be determined using the resource

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<sup>15</sup> Redline Comments of the Coalition at 2 (Aug. 3, 2021).

<sup>16</sup> See Coalition Reply Comments at 6-7 (Apr. 26, 2021) (discussing this purpose).

<sup>17</sup> Staff Proposal at 1.

<sup>18</sup> Best Practices at 3.

type’s ELCC (or alternate approach) multiplied by the relevant cost of capacity.<sup>19</sup>

Indeed, Staff’s Proposal recognizes that “consistent capacity valuation across applications is possible.”<sup>20</sup> It is unclear from the above why Staff would decline to provide a best practice for valuing capacity when it is possible.

Staff’s explanation in the Proposal is unclear. It appears that Staff is concerned that a generic pricing structure (\$/MW/hour, etc.) is not possible or may not be appropriate.<sup>21</sup> However, this is a different question than setting a compensation value (\$ or \$/MW). Indeed, Staff previously distinguished valuation from “payment for capacity.”<sup>22</sup>

Further, this docket is only setting best practices which may be adjusted in use-case dockets. The Coalition urges Staff to retain its valuation best practice to provide a baseline for future discussions. By having a baseline, future discussions can focus on the merit of the change (i.e., is the adjustment just and reasonable?) rather than starting from scratch. Worse, by splitting this generic docket into use-case specific cases, Staff would be inviting confusion and disparate treatment, particularly for non-utility resources like QFs.<sup>23</sup>

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<sup>19</sup> Notice of Commission Workshop and Agenda, attachment Staff Capacity Value Best Practices – Updated Draft at 3 (Nov. 4, 2021).

<sup>20</sup> Staff Proposal at 1; *see also* Staff Proposal at 2 n1.

<sup>21</sup> Staff Proposal at 1-2. *But see In re PacifiCorp 2022 IRP*, Docket No. LC 77, Staff Final Comments at 40 (Feb. 11, 2022) (agreeing with PacifiCorp that a specific change to QF compensation “could be accomplished” in UM 2011).

<sup>22</sup> Notice of Commission Workshop and Agenda, attachment Staff Capacity Value Best Practices – Updated Draft at 3 (Nov. 4, 2021).

<sup>23</sup> The Coalition maintains that a generic proceeding is most likely to produce a fair perspective across all applications. Coalition’s Reply Comments at 8 n17.

The Coalition urges Staff not to abandon 43 months of stakeholder engagement by removing capacity valuation from the best practices. The Coalition recommends that Staff have one docket that sets a generic value for all use cases. In the alternative, the Coalition recommends that Staff determine the appropriate value in UM 2000 and apply that value to all other use cases.

### **C. Sufficiency-Deficiency**

The Coalition agrees with Staff that “[p]arties engaged in meaningful discussion about whether and how to continue to use sufficiency/deficiency demarcation.”<sup>24</sup> The Coalition maintains that the current sufficiency/deficiency demarcation is problematic. The Coalition appreciates Staff’s continued commitment to addressing this issue and looks forward to further discussions in UM 2000.

The Coalition emphasizes that correcting the harmful sufficiency/deficiency demarcation policy should be a priority issue in UM 2000. The Coalition has been advocating against the utility-controlled demarcation since at least 2010.<sup>25</sup> This issue significantly undervalues QF capacity, and it will likely continue to derail QF capacity valuation, even under robust Best Practices from this docket. To accurately value QF capacity on a level playing field with other capacity resources, the Commission must remedy the utility-controlled demarcation policy.

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<sup>24</sup> Staff Proposal at 2.

<sup>25</sup> *E.g., In re Investigation into Determination of Resource Sufficiency, Pursuant to Order No. 06-538, Docket No. UM 1396, Order No. 10-488 at 7 (Dec. 22, 2010) (“REC urges the Commission to consider measures to prevent the utilities from ‘gaming’ their major resource acquisitions...”).*



As noted in prior comments, the demarcation between years is an arbitrary and flawed paradigm, because capacity is not only relevant on a yearly basis.<sup>26</sup> Considering the actual use and relevance of capacity in meeting grid demands, capacity is relevant every time the utility dispatches the marginal generator unit to maintain grid balance and meet peak demand (or actively avoids such dispatch). In addition to oversimplifying capacity needs, the demarcation policy is utility-controlled and therefore subject to utility gaming. In prior comments, the Coalition identified specific examples of when utilities have acquired resources during the sufficiency period, where they supposedly have no need for additional capacity.<sup>27</sup> The Coalition also explained different approaches in Idaho and Washington that are potential alternative models.<sup>28</sup>

Oregon's approach is particularly harmful to existing contracted resources when they renew their contracts and stop receiving capacity payments until the next deficiency date. The Coalition maintains this treatment substantially undervalues capacity, is inequitable, and is inconsistent with public policy goals. The Coalition continues to recommend: 1) eliminating the demarcation; and 2) adopting instead a valuation methodology that appropriately recognizes the value of capacity at all times, including the value for maintaining ongoing supply and demand balance for grid stability.<sup>29</sup>

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<sup>26</sup> *E.g.*, REC Comments at 7 (Mar. 8, 2021).

<sup>27</sup> REC Comments at 8-9 (Mar. 8, 2021).

<sup>28</sup> REC Reply Comments at 4-6 (Apr. 26, 2021).

<sup>29</sup> REC Comments at 7-8 (Mar. 8, 2021).

Earlier in this docket, Staff proposed modifying the demarcation policy to rely on historic utility resource acquisitions rather than utility IRP forecasts.<sup>30</sup> Staff also proposed applying the policy through a fixed incremental ramp, increasing capacity contribution over a number of years, beginning at commercial operations.<sup>31</sup> The Coalition remains concerned by Staff’s proposed start date, which could be worse than the status quo.<sup>32</sup> Apart from that concern, the Coalition remains interested in Staff’s proposal as a potentially administratively simple approach that could increase transparency, reduce gaming and disputes, and provide a more “settled and uniform institutional climate” for QFs.<sup>33</sup> The Coalition appreciates Staff’s attention to this issue and looks forward to continuing discussions in UM 2000.

**D. Current Modeling Practices**

In Staff’s Proposal, Staff wrote that “Oregon utilities are largely performing capacity contribution modeling using reasonable assumptions and industry standard methodologies.”<sup>34</sup> The Coalition respectfully disagrees. PacifiCorp and Portland General Electric Company (“PGE”) do not have reasonable assumptions about QF renewal rates or on line dates. Staff has recognized the flaws in these assumptions.<sup>35</sup>

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<sup>30</sup> See Redline Comments of the Coalition at 1 (Aug. 3, 2021).

<sup>31</sup> See Redline Comments of the Coalition at 1 (Aug. 3, 2021).

<sup>32</sup> See Redline Comments of the Coalition at 1 (Aug. 3, 2021).

<sup>33</sup> ORS 758.515.

<sup>34</sup> Staff Proposal at 2.

<sup>35</sup> *In re Idaho Power 2023 IRP*, Docket No. LC 78, Staff Final Comments at 28-29 (Sept. 8, 2022) (supporting further empirical analysis on QF renewals and criticizing a different QF assumption as unreasonable); *In re PGE Updates to Schedule 201, QF (10 MW or Less) Avoided Cost Information*, Docket No. UM 1728, Staff Report at 6 (June 24, 2021) (recommending changes to use a “more

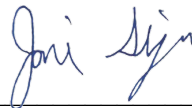
Further, the Coalition continues to have concerns with how utilities, particularly PGE, have implemented ELCC in the past. The Coalition does not believe Staff needs to consider or resolve these issues in this docket but recommends that Staff revise this portion of the Staff Proposal if Staff feels it is necessary to say anything on this matter.

### III. CONCLUSION

For the foregoing reasons, the Coalition urges Staff to revise the Best Practices to 1) properly measure the capacity value of existing resources and 2) provide guidance on resource-agnostic valuation as this docket intended.

Dated this 24th day of October 2022.

Respectfully submitted,



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reasonable” assumption until there is a more rigorous investigation in UM 2000 or UM 2038); Docket No. LC 77, Staff Final Comments at 40 (discussing QF assumptions in PacifiCorp’s “problematic planning perspective”).