

October 7, 2016

Via Email

Chair Lisa Hardie
Commissioner John Savage
Commissioner Steve Bloom
Oregon Public Utility Commission
201 High St SE, Suite 100
Salem, Oregon 97301

RE: In the Matter of Cypress Creek Renewables, LLC, Petition for Declaratory Ruling
Docket No. DR 51

Dear Commissioners:

The Renewable Energy Coalition (the “Coalition”) submits these comments supporting Cypress Creek Renewables, LLC’s (“Cypress Creek”) request that the Oregon Public Utility Commission (the “Commission”) issue a declaratory ruling confirming that renewable qualifying facilities (“QF”) that sell their output and cede their renewable energy certificates to a utility will be offered renewable prices. Renewable prices are appropriate because the QFs will allow that utility to avoid building (or buying) renewable generation to meet its renewable portfolio standard requirements. PacifiCorp’s refusal to pay renewable prices to larger renewable QFs is inconsistent with the Public Utility Regulatory Policies Act (“PURPA”) and Commission precedent, will harm the development of new non-utility renewable generators in Oregon, and limit the options and threaten the economic viability of existing renewable QFs.

The Coalition represents QFs throughout the Northwest, and its focus is on renewable energy policy that could impact future opportunities for its members to sell energy to state-regulated utilities. The Coalition’s members include irrigation districts, cooperatives, municipal corporations, water districts, companies, and individuals. Although most Coalition members have small projects, at least one member is above the Commission’s size threshold for standard contracts and will be directly affected by the outcome of this declaratory ruling. In addition, the current standard contract size thresholds of 3 MW for solar and 10 MW for all other generation types are not set in stone, and future Commission policy could lower these thresholds which could result in most of the Coalition’s members being required to negotiate non-standard contracts.

Biomass One is a Coalition member that has a 30 MW wood-fired power plant located in White City, an unincorporated community in economically depressed Jackson County Oregon. Biomass One consumes 335,000 tons of wood debris annually, including 59,000 tons collected from public contribution. Biomass One has a free yard

debris drop-off center and rents several different mobile collection units that provide a cost effective and feasible alternative to burning debris for the local timber industry. Current estimates indicate this valuable service recovers 70% of the wood debris generated in Jackson County. Aside from generating electricity, Biomass One is important to the local economy because it employs 62 individuals and buys waste wood that would otherwise lie in piles, find its way into local landfills, or be burned in open fields. By burning debris in its facility, Biomass One also improves air quality by reducing particulate emissions 500 to 1 as compared to open-field burning. Biomass One currently sells all of its electricity to PacifiCorp and renewable energy certificates in California, but may seek to sell both its power and renewable energy certificates to PacifiCorp when its current contract expires.

The Coalition finds it difficult to understand PacifiCorp's position that renewable QFs are not eligible for renewable avoided cost prices. In UM 1396 and confirmed again in UM 1610, the Commission established a policy that renewable QFs have the option of choosing between a renewable resource rate based on a wind resource proxy or a standard rate based on a combined cycle combustion turbine proxy.¹ The Commission never limited the renewable prices to only QFs under the size threshold.

When adopting renewable avoided cost rates in UM 1396, the Commission simply concluded, "a separate avoided cost stream for renewable resources should be adopted for PGE and Pacific Power".² The Commission provided detailed explanations regarding a wide number of issues, including when to determine resource sufficiency/deficiency, ownership of renewable energy certificates, differences between resource types, and how prices would be calculated.³ The Commission even rejected a proposal to prevent renewable QFs from selling power under standard rates in certain circumstances.⁴ Despite the numerous and myriad issues addressed, the Coalition is not aware of PacifiCorp or any other party suggesting that the Commission distinguish between or limit the options available to large QFs. Similarly, PacifiCorp did not ask the

¹ Re Commission Investigation Into Resource Sufficiency Pursuant to Order No. 06-538, Docket No. UM 1396, Order No. 11-505 at 4-5 (Dec. 13, 2011).

² Id. at 4.

³ Id. at 4-5.

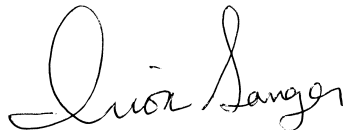
⁴ The Commission concluded that renewable QFs "have the option of choosing between the renewable resource QF rate-likely to be based on a wind resource or the standard QF rate based on the CCCT proxy. If the QF chooses the standard avoided cost stream, it would retain the RECs associated with the energy." Order No. 11-505 at 5. This rejected PacifiCorp's proposal "that when the renewable avoided cost stream is lower than the non-renewable avoided cost stream," then wind QFs should not be allowed to choose the standard rate. Re Commission Investigation Into Resource Sufficiency Pursuant to Order No. 06-538, Docket No. UM 1396, PacifiCorp Reply Comments at 10-11 (June 28, 2011).

Commission, and the Commission did not allow the Company to only offer standard prices to large renewable QFs when using the GRID model to set prices in UM 1610.⁵

Allowing large renewable QFs to sell renewable power at renewable avoided cost rates is consistent with the policies of the Federal Energy Regulatory Commission (“FERC”). When adopting renewable avoided cost rates, the Commission cited FERC precedent stating “that ‘where a state requires a utility to procure a certain percentage of energy from generators with certain characteristics, generators with those characteristics constitute the sources that are relevant to the determination of the utility's avoided cost for that procurement requirement.’”⁶ The Commission further explained that a renewable avoided cost rate is consistent with PURPA because the Oregon renewable portfolio standard requires electric utilities to acquire renewable resources.⁷ If large renewable QFs elect to sell renewable power to PacifiCorp, then they are deferring renewable not gas generation, and not paying them a renewable price would be unlawfully discriminatory.

Cypress Creek’s filing is illustrative of the unreasonable positions that utilities can and do take in the negotiation process. The Commission should remedy this unnecessary harm to Cypress Creek and other large QFs by expeditiously granting the declaratory ruling request and confirm that all renewable QFs will be paid renewable rather than standard avoided cost prices when they sell their power and renewable energy certificates to PacifiCorp.

Sincerely,

A handwritten signature in cursive script that reads "Irion A. Sanger".

Irion A. Sanger

⁵ See Re Commission Investigation into Qualifying Facility Contracting and Pricing, Docket No. UM 1610, Order No. 16-174 at 22-23 (May 13, 2016).

⁶ Order No. 11-505 at 4.

⁷ Id.