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Re: UM 1610 - PacifiCorp's Second Amended Compliance Filing Re Load Pockets

Stephanie and Marc,

We write on behalf of our clients, the Community Renewable Energy Association (“CREA”) and the Renewable Energy Coalition (“REC”) (collectively referred to as the “Joint QF Parties”). In preparation for our telephone call schedule for tomorrow, we are providing our evaluation of PacifiCorp’s Second Amended Compliance Filing in Docket No. UM 1610, which was made in response to OPUC Order No. 19-172 regarding treatment of load pocket qualifying facilities.

On December 11, 2019, PacifiCorp filed its second amended compliance filing to comply with the OPUC’s order resolving the load pocket issue. CREA and REC previously filed an objection to the initial compliance filing on July 29, 2019 (referred to herein at the “*July 29th Objection*”), and we then filed an objection to PacifiCorp’s amended compliance filing on August 16, 2019 (referred to herein as the “*August 16th Objection*”), where we highlighted points of continued disagreement and noted points of agreement. We have reviewed PacifiCorp’s 2nd Amended Filing and compared it to the objections previously made by CREA and REC, and below we have organized the status of each issue arranged by issue. In summary some issues have been resolved with PacifiCorp’s latest filing, but some major points of disagreement remain. For issues noted below that have not been resolved, CREA and REC maintain their prior position.

Issues Joint QF Parties’ Objected to in August 16th Objection

1. **Pre-Established standard capacity and ancillary service charges in rate schedule.**
The Joint QFs Parties’ objection argued that the Commission should require PacifiCorp to publish the standard capacity charge (\$/kW-month) and ancillary service charges for the main transmission providers in its rate schedule for approval each time PacifiCorp’s avoided costs are approved. *See Joint QF Parties’ July 29th Objection*, at 5.

PacifiCorp's Treatment in 2nd Amended Filing: Issue Appears Resolved; but we would need confirmation on calculations. PacifiCorp agreed to include five-year forecasted transmission rates for BPA and PGE in the rate schedule, and it states BPA and PGE make up 99% of the situations where third-party transmission will be necessary. This appears to resolve this issue, however CREA and REC have not confirmed that the calculations were appropriately made.

2. **Five-Year Fixed-Price Period Commencement Date.** The Joint QF Parties asserted that the Commission should require PacifiCorp to begin the five years of forecasted pricing at the same time as commencement of the period five-year period of fixed-price payments under transmission agreement, as opposed to the five-year period commencing at execution of the PPA. *Joint QF Parties' July 29th Objection* at 6-8.

PacifiCorp's Treatment in 2nd Amended Filing: Issue Resolved. Although not noted or explained in the text of PacifiCorp's 2nd Amended Filing, PacifiCorp appears to have corrected this problem in the proposed Attachment for inclusion in the PPA. The five-year period runs from the "start date under the transmission service agreement," as opposed to the prior documents which stated that the five-year period began on the effective date of the PPA.

3. **Rate Reduction for Losses.** The Joint QF Parties objected to the assessment of line losses to the QF beyond the point of delivery to PacifiCorp. *Joint QF Parties' July 29th Objection* at 9-11.

PacifiCorp's Treatment in 2nd Amended Filing: No Change; Issue Still in Dispute. PacifiCorp made no perceptible changes on this point.

4. **Escalation Factor in Fixed Transmission Rates.** The Joint QF Parties argued that the escalation factor used by PacifiCorp should be transparent and consistent with escalation factors used for other regulatory purposes, such as that used for escalation of other avoided cost components or consistent with escalation of third-party transmission used in the utility's integrated resource plans ("IRP"). *See Joint QF Parties' July 29th Objection* at 11-12.

PacifiCorp's Treatment in 2nd Amended Filing: Issue Appears Resolved; but we would need confirmation on calculations. The compliance filing Rate Schedule (at pp. 18 and 19 note 2) states that it escalates the transmission rates at the same rate as PacifiCorp's IRP. This appears to resolve this issue, however CREA and REC have not confirmed that the calculations were appropriately made.

5. **Duplicative Integration Charges.** The QF Parties objected to the proposal in PacifiCorp's amended compliance filing in the rate escalation formula that states PacifiCorp will assess the load pocket QF the "variable energy resource balancing service" charges of the third-party transmission provider because it would result in

duplicate integration charges to the QF. *See Joint QF Parties' August 16th Objection* at 6-7.

PacifiCorp's Treatment in 2nd Amended Filing: Issue Appears Resolved; but we would need confirmation on calculations. The duplicative integration charge appears to have been deleted because it was included in the complex formula that was deleted and replaced with the rate tables. Although the new rate tables for fixed transmission rates do not contain a line item with wind integration or balancing services, CREA and REC have not confirmed that the calculations were appropriately made for the ancillary services to omit these items.

6. **BPA Network Transmission.** The Joint QF Parties have argued that the Commission should require that PacifiCorp's proposed PPA Exhibit be modified to clarify that PacifiCorp may only assign third-party point-to-point transmission costs to a QF after PacifiCorp's merchant arm, referred to as Energy Supply Management ("PacifiCorp ESM") has received notification that the QF cannot be designated as a network resource under either of PacifiCorp ESM's network service agreements, including its network service agreement with Bonneville Power Administration ("BPA"). *Joint QF Parties' July 29th Objection* at 12-14.

PacifiCorp's Treatment in 2nd Amended Filing: No Change; Issue Still in Dispute. PacifiCorp made no perceptible changes on this point.

7. **Transmission Studies and Communications.** The Joint QF Parties argued that the Commission should require PacifiCorp to provide to individual QFs all information and communications with transmission personnel to support any finding by PacifiCorp that the QF is located in a load pocket and subject to load pocket charges. *Joint QF Parties' July 29th Objection* at 15-16.

PacifiCorp's Treatment in 2nd Amended Filing: No Change; Issue Still in Dispute. PacifiCorp made no perceptible changes on this point.

8. **Preliminary Analysis of Load Pocket Status Prior to Contract Execution.** The Joint QF Parties argued that PacifiCorp should provide all QFs with a preliminary determination during contract negotiations of whether they may be subjected to load pocket charges after transmission studies are completed during the months after PPA execution. *Joint QF Parties' July 29th Objection* at 18-19.

PacifiCorp's Treatment in 2nd Amended Filing: No Change; Issue Still in Dispute. PacifiCorp made no perceptible changes on this point.

9. **Treatment When No Third-Party Transmission Available.** The Joint QF Parties opposed the language in the compliance filing still will have the effect of giving PacifiCorp the right to refuse to purchase the QF's output if PacifiCorp determines there

is no third-party transmission solution to the alleged load pocket problem and even to refuse to allow for extensions to the scheduled commercial operation date of more than 3 years after the PPA's effective date to accommodate delays in transmission availability. *See Joint QF Parties' July 29th Objection* at 19-21.

PacifiCorp's Treatment in 2nd Amended Filing: No Change; Issue Still in Dispute. PacifiCorp made no perceptible changes on this point.

10. **Quarterly Status Reports.** The Joint QF Parties argued that the Commission should require status reports regarding the impact of this new policy on QFs. *See Joint QF Parties' July 29th Objection* at 21-22.

PacifiCorp's Treatment in 2nd Amended Filing: No Change; Issue Still in Dispute. PacifiCorp made no perceptible changes on this point.

Issues Already Noted as Resolved in Joint QF Parties' August 16th Objection

The Joint QF Parties previously agreed that PacifiCorp adequately resolved the concerns raised with respect to the following issues, which we have confirmed are still resolved in PacifiCorp's 2nd Amended Filing:

11. PacifiCorp's formula should only assign a charge for the transmission capacity purchased, as requested in *Joint QF Parties' July 29th Objection* at 9. **Resolved in PacifiCorp's Amended and 2nd Compliance Filings.**
12. The PPA Addendum should contain reasonable deadlines for PacifiCorp to conduct the load pocket studies and for the QF to select an option, as requested in *Joint QF Parties' July 29th Objection* at 16-17. **Resolved in PacifiCorp's Amended and 2nd Compliance Filings.**
- 13.
14. The PPA Addendum Should Provide Each QF the Ability to Switch Its Selection of an Option after Each Five-Year Period, as requested in *Joint QF Parties' July 29th Objection* at 18. **Resolved in PacifiCorp's Amended and 2nd Compliance Filings.**

15.

New Issues Presented in PacifiCorp's 2nd Amended Compliance Filing

16. The description of the third-party transmission policy was moved from its prior location as a PPA Exhibit in the standard contract form to Rate Schedule Exhibit, and some language formerly in Rate Schedule was moved to the new Rate Schedule Exhibit. However, the Rate Schedule states that an exhibit substantially in the same form as the Rate Schedule Exhibit will later be included in the PPA. **Joint QF Parties' Position:** **We do not plan to object on this point.**

17. PacifiCorp added to the Exhibit (which will be included in the PPA) that the QF must now also pay for all transmission study costs, unless it terminates the PPA after being informed of the load pocket issue. This is an inappropriate change to make without any explanation, but in the interest of the allowing the process to move forward we do not plan to raise this issue and focusing on more important substantive points. **Joint QF Parties' Position:** We do not plan to object on this point.
18. In the Exhibit, PacifiCorp shortened from 30 calendar days to 10 business days the amount of time the QF has to accept PacifiCorp's calculation of the fixed transmission charge. This is not noted or explained in the filing, but presumably there is less time needed now because the charge is just pulled from a rate table in the rate schedule as opposed to being individually calculated from a complex formula. Again, while it is inappropriate for PacifiCorp to make such a change without any explanation, we do not plan to raise the issue in the interest of moving the process forward and focusing on more important substantive points. **Joint QF Parties' Position:** We do not plan to object on this point.

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