

February 16, 2024



## UM 2000 Broad Investigation of PURPA

### *Process Announcement*

This announcement provides an update to Oregon Public Utility Commission Staff's (Staff) docket strategy for the UM 2000 Public Utility Regulatory Policies Act (PURPA) Investigation into qualifying small power production facilities (QFs). This announcement explains the next steps in the UM 2000 investigation, including Staff's intention to use a Staff proposal as the starting point for the contested case investigation.

### Background

On February 24, 2023, Staff released its update to the UM 2000 proposed process ([Staff's Process Proposal and Scope Update](#)) which focuses on QF avoided cost rates and QF forecasting practices. The process contemplates a scoping phase (Phase 1) followed by a contested case investigation (Phase 2). The remainder of this announcement explains the Phase 1 scope process. See Attachment 1 for the most recent version of Staff's proposed issues list.

### Next Steps

The updated schedule below outlines Staff's plan to scope the contested case phase of UM 2000. To facilitate an efficient and focused investigation, Staff intends for the contested case to start with a Staff proposal for updating QF avoided cost rates and QF forecasting practices. Staff seeks to refine its proposal and identify any areas of consensus prior to initiating the contested case through the process below.

Phase 1 Schedule Proposal		
Timeline	Activity	Description
<b>March 7, 2024</b>	Staff Straw Proposal Filed	Staff's straw proposal for Phase 1 issues resolution is filed.
<b>March 15, 2024</b>	Workshop	Workshop to discuss Staff's straw proposal and to raise/refine Phase 1 issues for resolution in Phase 2.
<b>March 28, 2024</b>	Comments Due	Stakeholder comments on Staff's straw proposal and Phase 1 issues are due.
<b>April 11, 2024</b>	Workshop	Workshop to discuss Staff's proposal and stakeholder comments.
<b>Mid- to late-April, 2024</b>	Phase 2 Initiation	Staff will work with the ALJ to schedule a prehearing conference for the Phase 2 contested case.

Phase 2 will launch following the conclusion of Phase 1 and is anticipated to take five months or longer.

**If you have questions on the process or content of this proposal, please contact:**

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## Attachment 1

Below is the issues list that Staff is considering in the development of its Staff Proposal.

### **A. Pricing Approach**

#### 1. *Competitive or Administrative Pricing*

*In response to FERC Order No. 872, Staff would like to examine whether moving to or adding a competitive solicitation approach to set “avoided costs” for QF energy and capacity sales would provide fair pricing in a more efficient manner.<sup>1</sup> Consistent with Staff’s interest when this docket was first opened, Staff is also interested in discussion of the use of utility RFP data for administrative price setting if that remains the approach.<sup>2</sup>*

#### 2. *Capacity Payment Methodology*

- i. Whether to utilize a “fixed” or “pay as you go” capacity payment approach for dispatchable and non-dispatchable resources, as described in E3’s UM 2011 report.<sup>3</sup>*
- ii. How should hybrid (renewable + storage resources) be compensated for capacity?*
- iii. Should the current sufficiency/deficiency methodology for capacity payments be modified in light of HB 2021 or the UM 2011 best practices?*

### **B. Standard Price Options**

#### 1. *Number And Differentiation of Standard Prices*

- i. Staff would like to consider the appropriate standard price offerings under current policies. Is it still reasonable to differentiate between standard and renewable options following HB 2021? Does HB 2021 require adoption of another avoided cost price stream?*
- ii. What latitude should QFs have to choose between different avoided cost price streams?*

#### 2. *How does HB 2021 affect the treatment of RECs in PURPA transactions?*

### **C. Standard Pricing Terms**

- 1. Should payments continue to be fixed for 15-year periods?*
- 2. Should the total purchase term of a contract continue to be 20 years?*

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<sup>1</sup> FERC Order No. 872 Allows states to utilize transparent and non-discriminatory competitive solicitations to set avoided costs for QF energy and capacity sales.

<sup>2</sup> See Staff’s discussion of market-based pricing approaches, Docket No. UM 2000, Commission Order No. 19-051, Appendix A, pp. 5-7, <https://apps.puc.state.or.us/orders/2019ords/19-051.pdf#page=6>.

<sup>3</sup> See E3’s Principles of Capacity Valuation report, Capacity Compensation Frameworks, starting on p. 16, <https://edocs.puc.state.or.us/efdocs/HAH/um2011hah82625.pdf#page=16>

3. *Is there a need for performance metrics in the contract?*
4. *Should the contract specify that the QF is RPS compliant?*

**D. Energy Price Methodology**

5. *Should the Commission implement variable/competitive energy prices as allowed under FERC Order No. 872?*

**E. IRP Planning Assumptions**

6. *QF Renewal Rate and Forecast Assumptions.*

***[Sections F & G may need to be adapted if a competitive solicitation approach to avoided cost setting is identified as the preferred pricing approach.]***

**F. Capacity Price**

*An examination of how the capacity price should be determined. The inputs and methodologies will also be examined.*

- i. *QF Resource Characteristics e.g., location, data sources, configuration, and equipment assumptions for standard pricing.*
- ii. *Capacity Contribution Inputs and Methods, including assumptions regarding the utility's resource portfolio (2011 IRP based best practices for capacity contribution determination).*
- iii. *Issues flowing from UM 2299 for resolution, including 3<sup>rd</sup> Party Sales, Ancillary Services and Capacity Rights in avoided costs, Purchase and Sale of Capacity Rights, Title and Risk of Loss of Net Output, Off-System Addendum (Recitals, Firm/Conditional Firm Delivery).*
- iv. *Avoided Resource Characteristics, including interconnection and transmission values.*
- v. *Sufficiency/Deficiency methodology.*
- vi. *Evaluation of resource-agnostic capacity valuation.*
- vii. *Should the Commission implement competitive capacity prices as allowed under FERC Order No. 872?*

**G. Energy Price**

- i. *Issues related to the energy portion of administrative based or competitive solicitation pricing.*
- ii. *Sufficiency/Deficiency Treatment.*