

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 77

In the Matter of
PACIFICORP, dba PACIFIC POWER's,
2021 Integrated Resource Plan

THE RENEWABLE ENERGY
COALITION'S REPLY COMMENTS

I. INTRODUCTION

The Renewable Energy Coalition (the "Coalition") respectfully submit these Reply Comments in response to PacifiCorp's Reply Comments¹ and Staff's Final Comments² for consideration by the Oregon Public Utility Commission (the "Commission" or "OPUC") in the matter of PacifiCorp's 2021 Integrated Resource Plan ("2021 IRP"). PacifiCorp's 2021 IRP assumes that no qualifying facilities ("QFs") will renew their contracts and provides an inadequate explanation of the impact of renewing QF contracts on its load resource balance as directed by Commission Order No. 20-186 in LC 70.

The Commission should adopt Staff's recommendations to require PacifiCorp to assume a non-zero QF renewal rate in the long-term. The Coalition disagrees with Staff's recommendation that PacifiCorp assume a zero QF renewal rate in the short-term, but strongly supports Staff's recommendation that, even if near-term QF renewal assumption is zero, existing and operating QFs should continue to be paid a full capacity

¹ PacifiCorp's Reply Comments (Dec. 23, 2021).

² Final Staff Comments (Feb. 11, 2022).

payment upon contract renewals. The Coalition still believes it is reasonable to estimate QF renewals with a non-zero renewal rate in the short-term, but the Coalition is not opposed to adopting Staff's recommendation, as long as renewing QFs no longer have capacity payments withheld when they renew their contracts.

Finally, the Commission should be clear and explicit in any directive to PacifiCorp to avoid a situation similar to this 2021 IRP related to QF renewals in which the Coalition and Staff believe that PacifiCorp did not comply with the Commission's prior order. Ever since 2016 when the Commission first agreed with the Coalition and Staff that a certain amount of capacity is not being valued in QFs rates when QFs renew their contracts, there have been disputes about the meaning of the Commission's orders. Hopefully, a clear and explicit order to PacifiCorp will minimize disputes and enable PacifiCorp, Staff, and interested stakeholders to focus on ensuring that a reasonable QF renewal rate is established, and existing QFs are paid a full capacity payment in their contract renewals.

II. COMMENTS

A. The Coalition is Generally Supportive of Staff's Recommendations for the Long-Term Assumptions and for Capacity Payments if a QF Renews, but the Coalition Disagrees with Staff's Short-Term Zero QF Renewal Recommendation

Staff recommends that PacifiCorp should be required to model QF renewals in the next IRP.³ Specifically, Staff makes four specific recommendation regarding QF renewals. The first two recommendation are:

³ Final Staff Comments at § 3.1.1.

First, for the long-term forecast, Staff maintains that PacifiCorp should model QF renewals at some reasonable rate. Second, Staff recommends that for the first 4-5 years of the planning horizon, zero QF renewals should be assumed unless the Company has specific knowledge that a QF will renew.⁴

Staff reasons this will “allow the Company to plan for a reliable near-term Action Plan, while modeling later QF renewals at a reasonable rate.”⁵

Third, Staff recommends that PacifiCorp in the short-term “allow assumption of no renewals based on [PacifiCorp’s] problematic planning perspective, *however, do not withhold capacity payments from QFs that do actually renew based on [the Coalition’s] suggested solution.*”⁶

Fourth, Staff recommends that

In the public input process prior to its 2023 IRP, [PacifiCorp] should engage with stakeholders in the public input process to propose a method for modeling some level of assumed QF renewals in its next IRP and then apply said modeling in its 2023 IRP.⁷

B. The Commission Should Adopt Staff’s Recommendation that Renewing QFs Should Receive a Full Capacity Payment in their Contract Renewals

Overall, the Coalition is supportive of Staff’s recommendation that, even if QF renewal assumption is zero, if a QF does renew, then that QF should be paid for the capacity it contributes. As explained in the Coalition’s previous comments and consistent with the policy of the Idaho Public Utilities Commission,⁸ existing QFs

⁴ Final Staff Comments at § 3.1.1.

⁵ Final Staff Comments at § 3.1.1.

⁶ Final Staff Comments at § 3.1.1 (emphasis added).

⁷ Final Staff Comments at § 3.1.1.

⁸ The Coalition’s Opening Comments at 1-3, 12-14 (Dec. 3, 2021).

provide capacity value to PacifiCorp and should continue to be paid for that value when they renew their PPAs commencing with the first day of the new contract. Thus, the Coalition is very supportive of this Staff recommendation and urges the Commission to adopt this recommendation.

C. The Commission Should Adopt a Non-Zero QF Renewal Rate in the Long-Term

The Coalition is also supportive of Staff’s recommendation to require PacifiCorp to assume a non-zero QF renewal rate in the long-term. The Coalition recommends that the rate be either 100% or 75%.⁹ QF contracts, even more than other contracts without a mandatory purchase obligation, should be appropriately and reasonably forecasted like other resources and costs that are included in rates. The Coalition is not aware of any other input or assumption in PacifiCorp’s IRP in which it is known for certain that the cost will be incurred (here the renewal of most existing QF contracts), but that PacifiCorp simply ignores the costs. The Commission has even acknowledged that “non-renewal may not be the best planning assumption when many (or most) QFs do, in fact, renew.”¹⁰ Thus, the Commission should adopt Staff’s recommendation to require PacifiCorp to assume a non-zero QF renewal rate in future IRPs and direct PacifiCorp to engage with

⁹ *In re Portland General Electric Company Application to Update Schedule 201 QF Information*, Docket No. UM 1728, the Coalition and Northwest & Intermountain Power Producers Coalition’s Comments on the 2021 Annual Update at 2, 20-21 (June 8, 2021) (“PGE’s forecast that 0% of existing QFs will renew their contracts is similarly inaccurate, not reflective of the best evidence available, and unreasonable, and the Joint QF Trade Associations recommend that for the purposes of this proceeding, a renewal assumption of 75% be used.”).

¹⁰ *In re PacifiCorp 2017 Integrated Resource Plan*, Docket No. LC 67, Order No. 18-138 at 12 (Apr. 27, 2018).

stakeholders prior to PacifiCorp’s 2023 IRP in order to develop a “method for modeling some level of assumed QF renewals ... and then apply said modeling to its 2023 IRP.”¹¹

D. Short-Term QF Renewals Will Be Greater than Zero

PacifiCorp should model a reasonable rate for QF renewals in the short-term. PacifiCorp argues that there are near-term reliability concerns and that it cannot require QFs to renew.¹² Staff proposes assuming a zero QF renewal rate “for the first 4-5 years of the planning horizon” in PacifiCorp’s IRP “unless the Company has specific knowledge that a QF will renew.”¹³ The Coalition disagrees; however, the Coalition does not object to a temporary zero short-term QF renewal rate, if Staff’s recommendation that renewing QFs are paid a full capacity payment is adopted.

1. PacifiCorp’s Near-Term Reliability Concerns and Argument that it Cannot Require QFs to Renew are Misguided

In PacifiCorp’s Reply Comments, PacifiCorp reasons it should not be required to use a non-zero QF renewal rate in the near-term because of reliability concerns.¹⁴ Later PacifiCorp states the “effective contribution of expiring QFs in the first ten years of the Company’s analysis is less than 100 [megawatts (“MW”)], which is small relative to the Company’s portfolio and likely within the uncertainty associated with load.”¹⁵ These two positions are inconsistent.

¹¹ Final Staff Comments at § 3.1.1.

¹² PacifiCorp’s Reply Comments at 45, 48.

¹³ Final Staff Comments at § 3.1.1.

¹⁴ PacifiCorp’s Reply Comments at 45.

¹⁵ PacifiCorp’s Reply Comments at 46. The Coalition does not agree that the number would be this small, but for the purposes of addressing PacifiCorp’s new “reliability” concern, the Coalition uses this number.

PacifiCorp’s reasoning to not reasonably estimate QF renewals in the near-term is misguided. PacifiCorp is acquiring thousands of MWs of resources across its whole territory, yet PacifiCorp says that assuming some portion of “less than 100 MW” would be available would result in a reliability issue? PacifiCorp would have to be wildly inaccurate in its predictions for this to result in a reliability issue.

PacifiCorp also argues requiring a QF renewal assumption is problematic from a planning perspective because “PacifiCorp cannot require a QF to renew (or execute a new agreement)[.]”¹⁶ This is misguided because PacifiCorp cannot require performance in many other circumstances but still includes those circumstances for planning purposes. For example, PacifiCorp plans to acquire resource needs in an RFP and enters into contracts in the short-term market, but PacifiCorp cannot require or force parties to sell it power. Additionally, PacifiCorp cannot force customers to participate in energy efficiency programs or demand-side management programs, but PacifiCorp attempts to make reasonable assumptions about those type of programs in its planning process. The same reasoning applies to QF renewals.

2. PacifiCorp Will Not Have Actual Knowledge of QF Renewals Any Earlier than Three Years from Contract Expiration

The Coalition also has concerns with Staff’s recommendation regarding PacifiCorp’s “specific knowledge that a QF will renew.” First, PacifiCorp will likely not know if a QF will renew until at the earliest three years before contract expiration. In

¹⁶ PacifiCorp’s Reply Comments at 48.

Oregon, QFs have the ability to renew a contract up to three years in advance.¹⁷ Second, it is more likely most QFs will renew a contract closer to contract expiration, and likely within a year or two. Thus, a four-to-five-year period to assume zero QF renewals unless PacifiCorp has specific knowledge of a QF renewal is unrealistic.

E. The Commission Needs to Be Explicit in What it Directs PacifiCorp to Do

The Commission needs to be clear and explicit in any order directing PacifiCorp to do something for its next IRP. In Docket No. UM 1610, the Commission agreed “that a certain amount of capacity may not be valued if utilities assume in their IRPs that existing QFs nearing contract expiration will automatically renew.”¹⁸ This was in response to the QFs’ assertions that “[t]he utilities plan in their IRPs on existing QFs to renew their contracts, thereby allowing deferral of capacity investments, yet QFs are not compensated for the capacity value associated with the deferral and are effectively providing it for free.”¹⁹ The Commission then directed each utility to work with stakeholders to address this issue in its next IRP.²⁰ In PacifiCorp’s next IRP, it asserted that it complied with the Commission’s order “by *not* assuming QFs will renew.”²¹

¹⁷ *In re Obsidian Renewables LLC Petition to Amend OAR 860-029-0040*, Relating to Power Purchases by Public Utilities from Small QFs, Docket No. AR 593, Order No. 18-422 at 9-11 (Oct. 29, 2018) (The Joint Utilities requested the proposed rules for selecting a commercial operation date up to three years in advance only apply to new, not existing QFs. The Commission declined to adopt that recommendation.).

¹⁸ *In re Investigation into Qualifying Facility Contracting and Pricing*, Docket No. UM 1610, Order No. 16-174 at 19 (May 13, 2016).

¹⁹ Docket No. UM 1610, Order No. 16-174 at 19.

²⁰ Docket No. UM 1610, Order No. 16-174 at 19.

²¹ *In re PacifiCorp 2017 Integrated Resource Plan*, Docket No. LC 67, Order No. 18-138 at 12 (Apr. 27, 2018) (emphasis added).

Essentially, to avoid paying QFs for their capacity value, PacifiCorp discarded years of IRP planning in which PacifiCorp assumed that all small QFs renewed their contracts. Specifically, PacifiCorp, without any explanation or justification, then assumed that *no* QFs would renew their contracts.

The Commission acknowledged PacifiCorp's 2019 IRP, but stated:

Regarding the QF issues, we accept PacifiCorp's commitment to produce a sensitivity or other explanation of the impact of renewing QFs on its load resource balance and direct PacifiCorp to include this in its 2021 IRP. We appreciate Staff and REC showing us a process for linking the quantification of QF capacity with the valuation of that capacity in avoided cost rates. We expect that QF renewals provide some capacity value and will consider this issue further in other proceedings.²²

Thus, the Commission acknowledged that QF renewals provide some capacity value and directed PacifiCorp to complete a sensitivity analysis regarding QF renewals on its load resource balance or provide another explanation of the impact of renewing QFs.

PacifiCorp claims it complied with that order by “[opting] to provide an explanation.”²³ There was no explanation in the IRP.²⁴ The Coalition believes, and it appears Staff does too,²⁵ that PacifiCorp did not actually comply with the Commission directive from Order No. 20-186. A more detailed explanation was only provided in PacifiCorp's Reply Comments and data responses than in PacifiCorp's actual IRP. Thus, if the Commission does not want to litigate in the future on whether PacifiCorp has

²² *In re PacifiCorp 2019 Integrated Resource Plan*, Docket No. LC 70, Order No. 20-186 at 13 (June 8, 2020).

²³ PacifiCorp's Reply Comments at 45.

²⁴ See PacifiCorp's 2021 IRP, Chapter 6 and Appendix B at 36.

²⁵ Staff's Opening Comments at 43 (Dec. 3, 2021).

complied with a QF renewal directive, then the Commission needs to be more clear and explicit in any directive to PacifiCorp regarding QF renewal assumptions for future IRPs.

III. CONCLUSION

For the reasons articulated herein, the Commission should adopt Staff's recommendations to require PacifiCorp to assume a non-zero QF renewal rate in the long-term, and that in the short-term, even if QF renewal assumption is zero, if a QF does renew, it should be paid for the capacity it contributes. The Coalition still believes it is reasonable to estimate QF renewals with a non-zero renewal rate in the short-term, but the Coalition is not opposed to the Commission adopting Staff's short-term recommendation, if renewing QFs are paid for capacity in their contract renewals. Overall, the Commission should be clear and explicit in any directive to PacifiCorp to avoid a situation similar to this IRP related to QF renewals where there is disagreement as to whether PacifiCorp complied with the Commission's prior order.

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Respectfully submitted,

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