

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 74

In the Matter of
IDAHO POWER COMPANY,
2019 Integrated Resource Plan.

RENEWABLE ENERGY
COALITION'S OPENING
COMMENTS

I. INTRODUCTION

The Renewable Energy Coalition (the “Coalition”) respectfully submits these Opening Comments for consideration by the Oregon Public Utility Commission (the “Commission” or “OPUC”) in the matter of Idaho Power Company’s (“Idaho Power’s”) 2019 Integrated Resource Plan (“IRP”). Consistent with the Coalition’s comments previously submitted in Portland General Electric’s IRP and PacifiCorp’s IRP, the Coalition recommends that Idaho Power also recognize the value that qualifying facilities (“QFs”) provide to its system and compensate QFs accordingly. This issue has been before the Commission since at least 2014. The Commission should not delay this issue any further and require that the utilities act now.

II. COMMENTS

A. The IRP Docket Is the Appropriate Forum that *the Commission* Chose to Address QF Avoided Cost Issues Because Oregon Utilities Use the IRP to Set the Inputs and Assumptions Upon Which Avoided Cost Prices are Based

The Commission should act now in the IRP to correct Idaho Power’s assumptions and inputs around QF renewals because the Commission has historically provided little to no option to do so when Idaho Power files its avoided cost update. The “[c]alculation of

each utility’s standard avoided costs begins with the utility filing an IRP.”¹ When it files its IRP, the utility must file draft avoided cost information and, within 30 days of Commission acknowledgement of the IRP, file final avoided costs.² The Commission’s goal with the avoided costs prices is to “capture the avoided costs actually realized,” while using a methodology that is “simple and clear, *with inputs and assumptions taken from IRPs* that are subject to stakeholder review.”³

In UM 1610, the Coalition argued that the IRP process should *not* be used as a basis for setting avoided cost rates. Instead, the Coalition recommended that the Commission “create a separate proceeding to run concurrent with a utility’s IRP to review the inputs and assumptions used in the calculation of avoided costs.”⁴ The Coalition was concerned that using the IRP would allow the utilities to essentially choose what PURPA and QF assumptions that they wanted, to the detriment of QFs. The Coalition feared that, when it raised concerns about the utilities’ choices, then the Commission would essentially ignore PURPA and avoided cost rate issues in the IRP. Instead, the Commission would focus on, from its perspective, the more important issues related to major transmission and generation acquisitions, demand side management, etc.

The Commission rejected the Coalition’s approach and decided to keep using a two step approach for setting avoided cost rates. The first step to setting avoided cost

¹ *In re Pub. Util. Comm’n of Or. Investigation into QF Contracting and Pricing*, Docket No. UM 1610, Order No. 14-058 at 12 (Feb. 24, 2014).

² OAR 860-029-0080(3).

³ Docket No. UM 1610, Order No. 14-058 at 12 (emphasis added).

⁴ *In re Pub. Util. Comm’n of Or. Investigation into QF Contracting and Pricing*, Docket No. UM 1610, Order No. 16-174 at 14 (May 13, 2016).

prices is to use the inputs, assumptions, and conclusions in the utility's IRP.⁵ The second step in this "sequential nature of reviewing" and setting avoided cost rates is for the utility to make an avoided cost rate filing with the Commission within 30 days of IRP acknowledgement.⁶ These rates are subject to review, potential suspension, and the utility bears the burden of supporting and justifying its avoided cost rates.⁷

The utility calculates its standardized avoided cost prices with reference to the utility's resource sufficiency/deficiency date in its most recently acknowledged IRP. For any period during which the utility is sufficient, the avoided cost price is based on the market price developed and used in the IRP.⁸ For any period during which the utility is deficient, the avoided capacity price is based on the avoided cost of a proxy natural gas combined cycle combustion turbine (for non-renewable prices) or the utility's next deferrable renewable resource (for renewable prices).⁹ The Commission also allows

⁵ *In re Pub. Util. Comm'n of Or. Staff's Investigation Relating to Elec. Util. Purchases from Qualifying Facilities*, Docket No. UM 1129, Order No. 05-584 at 21 (May 13, 2005) ("Calculation of each electric utility's standard avoided costs begins with the utility filing an integrated resource plan (IRP) for a 20-year planning horizon, as required every two years. Within thirty days of the Commission's acknowledgement of an IRP, the utility makes an avoided cost filing based on its IRP but updated as appropriate").

⁶ Docket No. UM 1610, Order No. 16-174 at 14 ("We agree with Staff that there is value in the sequential nature of reviewing avoided costs after acknowledgement of a utility's IRP"); OAR 860-029-0085(1).

⁷ OAR 860-029-0085(3).

⁸ Docket No. UM 1610, Order No. 14-058 at 8.

⁹ *Id.* Note that Idaho Power is not subject to the Oregon RPS and therefore does not have a renewable avoided cost price. *In re Pub. Util. Comm'n of Or. Investigation into Res. Sufficiency Pursuant to Order No. 06-538*, Docket No. UM 1396, Order No. 11-505 at 1 (Dec. 13, 2011).

annual updates to avoided costs to incorporate updates to limited elements as well as out-of-cycle updates when warranted.¹⁰

As such, even though the avoided cost prices are calculated and filed in a separate docket following IRP acknowledgement, the IRP docket is the appropriate forum to first address issues with assumptions and inputs into QF avoided costs. It is the most appropriate forum because *all* of the relevant inputs (the sufficiency/deficiency date, the market prices, and the proxy or renewable resource prices) derive from the IRP. From a practical point of view, the Commission almost never rejects a specific avoided cost input or assumption that was part of an acknowledged IRP in the post-IRP avoided cost rate filing. Thus, it is important for the Commission to thoroughly review and vet the utilities' assumptions in the IRP, keeping in mind the practical impact that its decision will have on the avoided cost rate filing that will immediately follow IRP acknowledgement.

B. Utilities are Already Required to Use Reasonable Assumptions About QF Renewals and to Compensate QFs for the Value QFs Provide

The Public Utility Regulatory Policies Act (“PURPA”) and Oregon law require that avoided costs be equal to the incremental cost to an electric utility of electric energy or capacity or both that the utility would generate itself or purchase from another source but for the purchase from the QF.¹¹ Along with a variety of other factors, avoided costs

¹⁰ Docket No. UM 1610, Order No. 14-058 at 25-26.

¹¹ 18 CFR 292.101(6); ORS 758.505(1).

must, to the extent practicable, incorporate “[t]he individual and aggregate value of energy and capacity from [QFs] on the electric utility’s system.”¹²

In 2014, the Coalition initially asked whether “QFs seeking renewal of a standard contract during a utility’s sufficiency period” should be paid for capacity based on something other than the market price.¹³ Specifically, the concern was that PacifiCorp’s IRP assumed that 122 MW of QFs renewed at the end of their contract terms, thereby pushing out the sufficiency period and resulting in lower avoided cost prices.¹⁴ PacifiCorp was essentially benefiting from the capacity value that QFs provided to its system, but it did not compensate the QFs accordingly. The QFs were “effectively providing it for free.”¹⁵ While the Commission did not make any specific changes to its methodology at that time, it 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.”¹⁶ The Commission then directed each utility to work with stakeholders to address this issue in its next IRP.¹⁷ *The entire point of this order was to use the IRP to create a study that would then be used to make a higher capacity payment to QFs to reflect the value that they provide to the utility when they renew their contracts.*

¹² 18 CFR 292.304(e)(vi).

¹³ See Docket No. UM 1610, Order No. 14-058 at Appendix A at 1.

¹⁴ *In re Investigation into Qualifying Facility Contracting and Pricing*, Docket No. UM 1610, Order No. 16-174 at 17 (May 13, 2016).

¹⁵ *Id.* at 19.

¹⁶ *Id.*

¹⁷ *Id.*

In PacifiCorp’s next IRP, it asserted that it complied with the Commission’s order “by *not* assuming QFs will renew.”¹⁸ PacifiCorp had not changed its assumptions based on new information. It had changed its assumptions to avoid conducting any analysis or paying QFs for the value associated with those that renewed their contracts. In response, the Commission acknowledged that “non-renewal may not be the best planning assumption when many (or most) QFs do, in fact, renew.”¹⁹ The Commission then directed “PacifiCorp, Staff and parties [to] discuss a potential study of the capacity value of renewing QFs, and Staff shall bring this issue to a public meeting before the 2017 IRP Update.”²⁰

The parties began working together, but no progress was made on the issue prior to the filing of PacifiCorp’s 2019 IRP. In response to a data request in that docket, PacifiCorp provided an analysis that showed that assuming that all QF PPAs continued through the end of the study period, a simple cycle combustion turbine (“SCCT”) that would have been constructed in 2026 is pushed out to 2029, and an additional SCCT replaces some battery storage in 2029.²¹ Therefore, the capacity value that existing QFs provide appears significant and can have a measurable impact on a utility’s sufficiency period.

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

¹⁹ *Id.*

²⁰ *Id.* at Appendix A at 22.

²¹ *See* Attachment B (PacifiCorp’s 1st Supplemental Response to Coalition Data Request 4 dated Dec. 18, 2019).

In response to the Commission’s direction in Docket No. UM 1610 for each utility to work with stakeholders to address this issue in its next IRP, Idaho Power made no changes to its planning assumptions. In its 2015 IRP, Idaho Power only accounted for signed contracts in its resource planning process.²² In this 2019 IRP, Idaho Power similarly only accounts for signed contracts.²³ Therefore, this issue has been before the Commission since at least 2014, and the IRP is the appropriate forum to require Idaho Power to do what the Commission ordered all three utilities to do in 2016.

C. QFs Provide Capacity Value to Idaho Power’s System and Should be Compensated for this Capacity Value

QFs represent a significant share of Idaho Power’s overall power supply mix. As of April 1, 2019, Idaho Power had 133 PURPA QF executed contracts for a total of 1,148 MW of nameplate capacity, 127 of which were online with a cumulative nameplate capacity rating of 1,119 MW.²⁴ As a comparison, Idaho Power’s existing company-owned resources have a total combined nameplate capacity of 3,658.6 MW and represent 71.4% of the total energy mix.²⁵ The purchases from PURPA projects and other PPAs represent 19.3% of Idaho Power’s total energy mix,²⁶ with the non-PURPA PPAs representing a small portion of that percentage, only 256 MW.²⁷

Many QFs selling to Idaho Power are approaching the end of their contract terms and are likely to renew their contracts. Within the next five years, 34 QF contracts will

²² Idaho Power 2015 IRP at 35.

²³ Idaho Power 2019 IRP at 39 (as amended January 2020).

²⁴ *Id.* at 38.

²⁵ *Id.* at 29-30 (Table 3.2).

²⁶ *Id.* at 29.

²⁷ *Id.* at Appendix C at 31.

reach their end date representing 85.43 MW of nameplate capacity, all of which are hydro, thermal, or biomass²⁸ resources that provide good baseload power and predictable generation. In 2019 alone, Idaho Power submitted applications to the Idaho Public Utilities Commission (“Idaho PUC”) for renewed power purchase agreements with several QFs, many of which have been in operation since the 1980s, including: J.R. Simplot Company²⁹; Koyle Hydro³⁰; Wood Hydro³¹; Ravenscroft Hydro³²; Cedar Draw Hydro³³; Birch Creek Hydro³⁴; Pigeon Cove Hydro³⁵; Snake River Hydro³⁶; Snedigar Hydro³⁷; and Pico Energy, LLC.³⁸ Therefore, when these QFs renew, they will continue to provide capacity value to Idaho Power.

²⁸ See *Id.* at Appendix C at 29-31 (reviewing all contracts with an end date on or prior to Dec.2025).

²⁹ *Application re Energy Sales Agreement with J.R. Simplot Co.*, Id. Pub. Util. Comm’n (“IPUC”) Docket No. IPC-E-19-01 (Jan. 2, 2019).

³⁰ *Application re Energy Sales Agreement with Koyle Hydro Inc.*, IPUC Case No. IPC-E-19-03 (Feb. 6, 2019).

³¹ *Application re Energy Sales Agreement with Wood Hydro Inc.*, IPUC Case No. IPC-E-19-04 (Feb. 6, 2019).

³² *Application re Energy Sales Agreement with Ravenscroft Hydro*, IPUC Case No. IPC-E-19-07 (Feb. 27, 2019).

³³ *Application re Energy Sales Agreement with Little Mac Power Co., Inc.*, IPUC Case No. IPC-E-19-12 (Mar. 24, 2019).

³⁴ *Application re Energy Sales Agreement with Birch Creek Trout, Inc.*, IPUC Case No. IPC-E-19-23 (July 18, 2019).

³⁵ *Application re Energy Sales Agreement with Pigeon Cover Power Co.*, IPUC Case No. IPC-E-19-24 (July 24, 2019).

³⁶ *Application re Energy Sales Agreement with Snake River Pottery Power Co., Inc.*, IPUC Case No. IPC-E-19-29 (Aug. 27, 2019).

³⁷ *Application re Energy Sales Agreement with David Snedigar*, IPUC Case No. IPC-E-19-30 (Oct. 4, 2019).

³⁸ *Application re Energy Sales Agreement with Pico Energy, LLC*, IPUC Case No. IPC-E-19-39 (Dec. 16, 2019) (note this new PPA was not solely the result of the PPA expiring, which was set to occur in 2020, but also due to modifications made to the facility and its fuel source).

The Idaho PUC requires that Idaho Power compensate existing QFs for this capacity value that they provide to Idaho Power. The Idaho PUC adopted a similar resource sufficiency/deficiency approach but adopted an exception for QFs with contract extensions or renewals. The Idaho PUC explained that:

It is logical that, if a QF project is being paid for capacity at the end of the contract term and the parties are seeking renewal/extension of the contract, the renewal/extension would include immediate payment of capacity. An existing QF's capacity would have already been included in the utility's load and resource balance and could not be considered surplus power. Therefore, we find it reasonable to allow QFs entering into contract extensions or renewals to be paid capacity for the full term of the extension or renewal.³⁹

This explanation shows that since 2012, the Idaho PUC has had more progressive and supportive policies for its existing and operating QFs than Oregon.

Even when the Idaho PUC reduced contract terms to two years, it maintained this approach of paying a renewing QF a full capacity payment. The Idaho PUC recognized that “a new two-year contract would be unlikely to reach a capacity deficiency date.”⁴⁰ This is because in the first few years after an IRP, the utility is usually resource sufficient, and that date is continuously being pushed further into the future as utilities file new IRPs and acquire resources. To remedy this issue, the Idaho PUC found that the deficiency date for a QF should be established only at the time its initial PPA is executed and “[a]s long as the QF renews its contract and continuously sells power to the utility, the QF is

³⁹ *In re the Comm'n's Review of PURPA QF Contract Provisions Including the Surrogate Avoided Res. (SAR) and Integrated Res. Planning (IRP) Methodologies for Calculating Avoided Cost Rates*, IPUC Case No. GNR-E-11-03, Order No. 32697 at 21-22 (Dec. 18, 2012).

⁴⁰ *In re Idaho Power Co.'s Petition to Modify Terms and Conditions of PURPA Purchase Agreements*, IPUC Case No. IPC-E-15-01, Order No. 33357 at 25 (Aug. 20, 2015).

entitled to capacity based on the capacity deficiency date established at the time of its initial contract.”⁴¹ The Idaho PUC found that “[t]his adjustment recognizes that in ensuing contract periods, the QF is considered part of the utility’s resource stack and will be contributing to reducing the utility’s need for capacity.”⁴²

Therefore, it is a reasonable assumption that all, or even most QFs, will renew their contracts and that the utility should fairly compensate QFs for the value they will provide to the utility. Consistent with this data and the Oregon Commission’s prior direction, the Commission should direct Idaho Power to make appropriate planning assumptions about QF renewals and to compensate QFs for this value.

III. CONCLUSION

The Commission should not acknowledge Idaho Power’s assumption that only executed QF contracts be considered in resource planning decisions, and should direct Idaho Power to develop an appropriate forecast of QF renewals and to fairly compensate renewing QFs for the value they provide.

⁴¹ *Id.* at 25-26.

⁴² *Id.* at 26.

Dated this 2nd day of April 2020.

Respectfully submitted,

Sanger Law, PC

A handwritten signature in black ink that reads "Marie Barlow". The signature is written in a cursive style and is positioned above a horizontal line.

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