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Via Electronic Filing

Commission Chair Susan Ackerman
Commissioner John Savage
Commissioner Stephen Bloom
Oregon Public Utility Commission
3930 Fairview Industrial Dr SE
Salem, Oregon 97302-1166

RE: Docket No. UM 1728: Comments of the Community Renewable Energy Association

Dear Commissioners:

The Community Renewable Energy Association ("CREA") submits these comments regarding Portland General Electric Company's ("PGE") annual May 1st avoided cost rate update filing. As explained below, the Public Utility Commission of Oregon ("OPUC" or "Commission") should require PGE to correct its avoided cost update to remove the proposed update to PGE's cost of capital and include only the specified items listed in Order No. 14-058 for May 1st annual avoided cost updates.

In docket UM 1610, Oregon's utilities complained that avoided cost rates were becoming stale between rate updates, which previously occurred typically every other year. In response, CREA and other parties supported annual updates to a discrete set of non-controversial inputs to the avoided cost calculations that could occur automatically without the need for a lengthy investigation. The Commission adopted "a new requirement for an annual update on a specific day each year, in addition to the current complete avoided cost update following each IRP acknowledgement order." Order No. 14-058 at 25. Unlike the "complete avoided cost update" occurring after IRP acknowledgement, the Commission specifically limited these annual updates to: "(1) Updated natural gas prices; (2) On- and off-peak forward-looking electricity market prices; (3) Changes to the status of the Production Tax Credit; and (4) Any other action or change in an *acknowledged* IRP update relevant to the calculation of avoided costs." *Id.* at 25-26 (emphasis in Commission's Order). Errata Order No. 14-114 clarified that due to the timing of Order No. 14-058, utilities should file the first May 1st annual update in 2015 – making this year

the first year of implementation of this new policy. Thus, the Commission's treatment of the new policy in this year will set precedent for how the automatic updates occur in future years.

For the May 1st annual updates to be automatic and not subject to lengthy investigations that can occur during a complete avoided cost update, the update must consistently be limited to the discrete items listed by Order No. 14-058. This annual update allows economically significant inputs such as the forecasted wholesale electricity market prices, forecasted gas prices, and the eligibility for the production tax credit to be updated on a predictable basis. The predetermined list of items provides assurance to all parties that the same inputs will be updated each year whether those inputs result in a rate decrease or a rate increase. Otherwise, the utility could pick and choose only components that are decreasing in each year so as to always cause May 1st annual avoided cost updates to decrease the avoided costs below what would exist with a "complete avoided cost update" – thwarting the mandate in ORS 758.525(2) that avoided cost rates offered to QFs "shall not be less than the utility's avoided costs."

In the first year of annual updates, Idaho Power Company and PacifiCorp correctly limited their annual updates to the correct inputs, but PGE's May 1st annual update includes at least one item that is beyond the scope of the list in Order No. 14-058 – a decrease in PGE's cost of capital. PGE indicates in its cover letter that "PGE's cost of capital (debt and equity) has decreased relative to the previous filing, reducing both the Standard and Renewable Avoided Costs during the deficiency period." PGE fails to explain why its cost of capital has changed, where the Commission approved this new cost of capital, and how that change meets the requirements of the specified list of inputs for the May 1st annual update in Order No. 14-058. PGE's proposal is even further perplexing because PGE's current avoided cost rates went into effect less than six months ago on December 17, 2014, and the work papers PGE provided to CREA for this May 1st annual update explain that the basis for the rate calculation is the 2013 IRP.

PGE's proposed update to its cost of capital is the perfect example of a component that the Commission should not allow to be updated during the May 1st annual update. If CREA or other QF parties were provided the opportunity to conduct a full review of PGE's work papers and rate calculations, we would be able to identify other inputs that, if updated in isolation, would increase the avoided costs. But that is not the purpose of the May 1st annual update. PGE cannot treat the May 1st update as if the list of items in Order No. 14-058 is a minimum list to which PGE can add any other component to the avoided cost rate calculation that it wishes.

For the reasons expressed herein, the Commission should require PGE to correct its avoided cost update to remove the proposed update to PGE's cost of capital and include only the specified items listed in Order No. 14-058 for May 1st annual avoided cost updates.

Sincerely,



Gregory M. Adams
Attorney for the Community Renewable Energy Association