

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1725**

In the Matter of )  
 )  
IDAHO POWER COMPANY, )  
 )  
Application to Lower Standard Contract )  
Eligibility Cap and to Reduce the Standard )  
Contract Term, for Approval of Solar )  
Integration Charge, and for Change in )  
Resource Sufficiency Determination. )  
\_\_\_\_\_ )

**CROSS RESPONSE TESTIMONY OF  
JOHN R. LOWE  
ON BEHALF OF THE  
RENEWABLE ENERGY COALITION**

**August 31, 2015**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 **A.** My name is John R. Lowe. I am the director of the Renewable Energy Coalition  
4 (the “Coalition”). My business address is 12040 SW Tremont Street, Portland,  
5 Oregon 97225.

6 **Q. Are you the same John Lowe who previously submitted testimony in this**  
7 **proceeding.**

8 **A.** Yes.

9 **Q. Please summarize your overall recommendations.**

10 **A.** I encourage the Commission to consider the evidence presented by non-utility  
11 parties that places into question the need to make policy changes in the order of  
12 magnitude and with such critical implications that the utility has requested. In the  
13 event the Oregon Public Utility Commission (the “Commission”) decides that  
14 some adjustments to its recently established policies on size threshold for  
15 published prices are warranted, it is the Coalition’s recommendation that such  
16 policy changes be applicable to only the type and size of projects which are  
17 presumably creating the immediate concern.

18 In addition, the Coalition strongly opposes the Idaho Power Company’s  
19 (“Idaho Power”) request to change the Resource Sufficiency Period at this time.  
20 It is critically important to maintain a high level of certainty in the Public Utility  
21 Regulatory Policies Act’s (“PURPA”) implementation. Allowing an important  
22 element of a yet to be acknowledged integrated resource plan (“IRP”) to be used  
23 as the basis for avoided cost prices is not consistent with reasonable efforts to

1 maintain certainty in the power purchase agreement and avoided cost rate setting  
2 processes.

3 **II. RESPONSE TO OBSIDIAN AND CYPRESS CREEK RENEWABLES**

4 **Q. Please summarize the testimony of David Brown on behalf of Obsidian**  
5 **Renewables and Cypress Creek Renewables.**

6 **A.** Mr. Brown provides testimony about the actual amount of renewable energy  
7 power in Idaho Power's Oregon service territory. Mr. Brown explains that there  
8 is very little renewable power generating now, and that very few projects that seek  
9 contracts or even sign contracts can be completed. In other words, it has been and  
10 continues to be extremely difficult to develop a qualifying facility ("QF") in Idaho  
11 Power's Oregon service territory.

12 **Q. How do you respond to Mr. Brown?**

13 **A.** I agree that the success rate for QFs is extremely low because of the numerous  
14 difficulties associated with developing a project, and that the Commission should  
15 not rely upon Idaho Power's claims of harm without more definitive evidence.  
16 My earlier testimony makes similar points based on my experience working at  
17 PacifiCorp.

18 **III. RESPONSE TO STAFF**

19

20 **Q. Please summarize the testimony of Brittany Andrus on behalf of the**  
21 **Commission Staff.**

22 **A.** Ms. Andrus supports Idaho Power's requests to change its resource sufficiency  
23 period, and to lower the size threshold for wind and solar QFs to 100 kilowatts  
24 ("kW"). Ms. Andrus opposes Idaho Power's requests to lower the contract term,  
25 and to adopt a solar integration charge in this proceeding.

26

1 **Q. How do you respond to Ms. Andrus?**

2 **A.** I do not agree with the recommendation to change the resource sufficiency period,  
3 or the extreme lowering of the size threshold for published price application for  
4 wind and solar QFs to 100 kW. However, if the Commission is going to lower  
5 the size threshold, then I agree with Ms. Andrus that it should not be lowered for  
6 any resources other than wind and solar. My original response testimony  
7 adequately responds to her recommendation to change the Resource Sufficiency  
8 Period.

9 I support her recommendation to maintain the twenty-year contract term  
10 for Idaho Power. I do not take a position on the solar integration charge.

11 **Q. Does Ms. Andrus or Idaho Power adequately support a 100 kW cap rather**  
12 **than a different size?**

13  
14 **A.** No. Assuming for the sake of argument that the size threshold should be lowered,  
15 there has been no adequate explanation regarding why 100 kW is the appropriate  
16 size. If the size threshold for published prices is going to be lowered, there should  
17 be a reasonable argument for why 100 kW versus 1 megawatts (“MW”) or 5 MW  
18 for example is the appropriate number.

19 Both in this proceeding and in UM 1610, Ms. Andrus supports requiring  
20 certain QFs to have to negotiate their contracts and rates because they are  
21 sophisticated developers. I do not believe it has ever been clearly identified,  
22 explained or proven that a project developer’s ability or sophistication of a project  
23 developer magically changes at 100 kW.

24

1 **Q. Ms. Andrus raises concerns with the size of contracted QFs to Idaho Power's**  
2 **Oregon load. Do you agree?**

3 **A.** No. I agree in principle that the issue of the amount of operating QFs as  
4 compared to load is relevant, but I do not believe that is a significant concern at  
5 this point in time. This is something the Commission should monitor.

6 Staff's and Idaho Power's analysis is based on contracted QFs, and does  
7 not analyze the realistic probability of how many of those facilities may become  
8 operational. At this point, no solar projects have been completed and only one 3  
9 MW wind facility is operational. I am not aware of any analysis regarding the  
10 likelihood that other projects will be completed.

11 In addition, the comparison is to Oregon load, which masks the fact that  
12 Oregon is only a small portion of Idaho Power's operations. The relevant analysis  
13 should be whether the Oregon QFs will cause a issue with Idaho Power's overall  
14 operations, which they will not. Also, the analysis is based on nameplate  
15 capacity, which is not the appropriate criterion for at least solar generation.

16 I would also like to point out that PURPA has been existence for about  
17 thirty five years, and there is only seven projects with 21 MWs of QF nameplate  
18 capacity selling electricity to Idaho Power in Oregon. Two of these QFs with  
19 about 4 MWs are actually operating in other utility service territories, so only five  
20 Oregon QFs with 17 MWs have been able to develop and currently operate in  
21 thirty-five years in Idaho Power's service territory. While PURPA has been  
22 extremely important for these few projects, PURPA has not removed all barriers  
23 to non-utility owned small renewable energy development in Oregon.

1           Finally, if the Commission’s concern is the amount of power compared to  
2 Idaho Power’s Oregon load, then there are other more narrowly tailored solutions.  
3 The Commission could achieve the goal of reducing or slowing the amount of  
4 wind and solar QF development without harming all small and community based  
5 projects. For example, the Commission could adopt an annual cap on the amount  
6 of wind and solar projects that are eligible for standard contract terms and  
7 conditions, or change the rule on how close different projects can be located to  
8 each other. Lowering the size threshold and contract term are not the  
9 Commission’s only options, however, these changes appear to be the easiest.

10 **Q. Ms. Andrus supports her position on the grounds that there will be**  
11 **administrative efficiencies between Idaho Power’s Idaho and Oregon**  
12 **operations. What is your response?**

13 **A.** I agree that there would be administrative efficiencies if there were the same  
14 policies in Oregon and Idaho for Idaho Power. This is an important consideration  
15 when deciding whether to adopt policies for Idaho Power. In the end, the  
16 Commission needs to ensure that its policies are best for Oregon and Idaho  
17 Power’s Oregon ratepayers. Generally the Coalition has supported allowing  
18 Idaho Power to maintain many of the policies established by the Idaho Public  
19 Utilities Commission (“IPUC”) for use in Oregon, but should do so in a fair and  
20 balanced manner. The Commission does not defer to the IPUC on all issues, and  
21 the Commission recently changed its policy and no longer allows Idaho Power to  
22 use the IPUC’s methodology for setting the avoided cost rates for QFs under the  
23 standard contract size threshold. In addition, Ms. Andrus and myself both agree

1 that consistency with the IPUC's policies do not warrant shortening the standard  
2 contract term.

3 At a minimum, however, Oregon should not adopt more harmful QF  
4 policies than the IPUC. Regardless of the Commission's action on size thresholds  
5 and contract terms, the Commission should ensure that it does not adopt only the  
6 aspects of the IPUC's PURPA policies that hurt QFs.

7 The IPUC has shortened the contract term and lower standard contract  
8 size threshold for wind and solar QFs, but has at least partially mitigated the  
9 harmful aspects of these policies by ensuring that QFs that renew their contracts  
10 are paid capacity during the resource sufficiency period.

11 The IPUC's avoided cost rate setting policy for QFs above the rate  
12 eligibility cap uses an IRP methodology. Order No. 33357 at 3. Idaho Power  
13 uses a computer model based on the assumptions and inputs in its IRP and the  
14 project's individual characteristics to develop the initial rates, which are then  
15 negotiated between the QF and the utility. Id. For a new QF, the initial years of  
16 the IRP methodology will always have a resource sufficiency period in which the  
17 rates do not include capacity payments. This is because the QF is only paid for  
18 capacity "at such time as the utility becomes capacity deficient", which almost  
19 never includes the early contract years. See Order No. 32697 at 21. This is not  
20 dissimilar to Oregon's policy of resource sufficiency rates based on market  
21 purchases (without capacity payments), and resource deficiency rates based on a  
22 thermal resource (with capacity payments).

1           The IPUC's and Oregon Commission's policies significantly diverge  
2           though in terms of existing projects being paid for capacity in their follow on  
3           contracts. The IPUC has adopted a policy that recognizes that existing QFs  
4           generally renew their contracts, which reduces the utility's need to purchase new  
5           capacity resources. The IPUC explained:

6                     By including a capacity payment only when the utility  
7                     becomes capacity deficient, the utilities are paying rates  
8                     that are a more accurate reflection of a true avoided cost for  
9                     the QF power. However, we find merit in the argument  
10                    made by the Canal Companies that contract extensions  
11                    and/or renewals present an exception to the capacity deficit  
12                    rule that we adopt today. It is logical that, if a QF project is  
13                    being paid for capacity at the end of the contract term and  
14                    the parties are seeking renewal/extension of the contract,  
15                    the renewal/extension would include immediate payment of  
16                    capacity. An existing QF's capacity would have already  
17                    been included in the utility's load resource balance and  
18                    could not be considered surplus power. Therefore, we find  
19                    it reasonable to allow QFs entering into contract extensions  
20                    or renewals to be paid capacity for the full term of the  
21                    extension or renewal.  
22

23           Order No. 32697 at 21-22. The IPUC generally reaffirmed that policy in its most  
24           recent order lowering the contract term. Order No. 33357 at 25-26.

25   **Q.    What does this mean for this proceeding?**

26   **A.**    The Commission should ensure that existing QFs are paid for capacity when they  
27           renew their contracts, similar to how the IPUC has addressed the issue of  
28           renewing QFs. If the Commission only lowers the size threshold, but does not  
29           also ensure that existing QFs are paid for capacity, then renewing QFs will be  
30           treated significantly worse in Oregon than they are treated in Idaho. If the  
31           Commission is going to rely upon the IPUC's size threshold for standard contract



1 eligibility, then it should also ensure that the logically related aspects of the  
2 policies are also treated similarly, including capacity payments for renewing QFs.  
3 For example, a renewing QF above the size threshold in Idaho and Oregon should  
4 be paid capacity in both states, or else Oregon QFs will be paid dramatically  
5 lower avoided cost rates than in Idaho.

6 **III. CONCLUSION**

7 **Q. Does this conclude your cross response testimony?**

8 **A.** Yes