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VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-1166

Attn: Filing Center

RE: UM 1716 – PacifiCorp’s Opening Brief

PacifiCorp d/b/a Pacific Power encloses for filing in the above-referenced docket its Opening Brief.

Please address any questions about this filing to Natasha Siores at (503) 813-6583.

Sincerely,

A handwritten signature in black ink that reads "R. Bryce Dalley". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

R. Bryce Dalley
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1716

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

Investigation to Determine the Resource
Value of Solar.

PACIFICORP'S OPENING
BRIEF

I. BACKGROUND

The Public Utility Commission of Oregon (Commission) opened this proceeding in February of 2015 with the goal, among other things, of determining a resource value of solar (RVOS). Quantifying the true costs and benefits of solar resources is a new endeavor for the Commission and PacifiCorp, d/b/a Pacific Power (PacifiCorp or the Company), is pleased that this initial foray has been diligently pursued by Staff of the Commission with broad stakeholder input that has led to a proposed calculation that all parties agree is a reasonable starting point for determining the RVOS.

The RVOS calculation proposed by Staff is a dynamic framework that can and should accommodate changes to discrete elements depending on the application and as circumstances change. As proposed by Staff, the RVOS calculation currently assumes standard solar installations by a typical utility customer. The RVOS calculation is designed, however, to be flexible enough to allow changes to the calculation if the application requires (e.g., in a non-standard installation) or as circumstances dictate.¹ This flexible approach to the RVOS calculation is appropriate considering that no specific applications for the RVOS have been determined by the Commission. Similarly, the RVOS calculation proposed by Staff is sufficiently dynamic to allow for the inclusion or exclusion of the identified elements as

¹ Staff/200, Olson/36.

appropriate. The Commission has taken the first step in limiting elements included in the RVOS calculation to those that “directly impact” utility customers; the Commission should continue on this path and only include in the calculation elements where the direct impacts to customers are quantifiable and immediately present.

II. DISCUSSION

PacifiCorp supports the general RVOS calculation methodology proposed by Staff and encourages the Commission to adopt it. To ensure that the RVOS remains as accurate as possible over time, PacifiCorp requests the Commission allow the flexibility for updates as frequently as necessary to accurately reflect the costs and benefits of solar resources. Finally, the levelization period for the RVOS should be limited to ensure customers receive accurate market signals regarding solar resources.

a. The Commission Should Adopt the RVOS Calculation Proposed by Staff.

No party objects to the RVOS calculation proposed by Staff; indeed there is general agreement amongst the parties that the RVOS calculation is a reasonable starting point.² As pointed out by several parties, the “devil is in the details”³ and application of the calculation to each utility will be the critical next step in determining an accurate RVOS for each utility. In adopting the calculation, the Commission should expressly allow the utilities to provide data at a reasonably achievable level of granularity; establish a resource deficiency period consistent with the utility’s avoided costs; exclude security, reliability and resiliency as a discrete element at this time; reject the proposal to split ancillary services and integration into two separate elements; and not assume an avoided renewable portfolio standard (RPS) benefit.

i. The Commission Should Not Require Hourly Data Level of Granularity.

The RVOS calculation proposed by Staff is designed to accept data inputs at an hourly level of granularity. Staff recognizes, however, that the utilities may not have all data inputs at

² CUB/100 Jenks-Hanhan/4; Idaho Power/100, Youngblood/2-3, 9.

³ PAC/200, Dickman/1; PGE/100, Brown-Murtaugh/4.

that level of granularity and that “[m]any utilities do not routinely develop hourly, location-specific values for transmission and distribution deferral value.”⁴ The lack of data availability on an hourly basis does not invalidate the RVOS calculation and PacifiCorp agrees that Staff’s proposal to use a proxy value in lieu of hourly data is appropriate.⁵

Where there is *no* data available or the data indicates a zero value, however, or in instances where the determination of a proxy value is speculative or assumed, the Company recommends that the data input be set to zero. The RVOS calculation should not be used to impute costs or benefits that are not supported by data. While it is appropriate to extrapolate a proxy based on the level of data granularity available to the utility, it is not appropriate to assign a proxy value where there is no data to support the proxy. For example, the Company does not oppose including fuel hedging as an input, but the value is currently zero as the Company does not incur fuel hedging costs. It would be inappropriate in this instance to assign a proxy value to the element based on assumed or imputed fuel hedging costs.

ii. The Resource Deficiency Period Should Be Established Consistent with Avoided Costs.

Consistent with the avoided cost calculation, the carrying cost of new generation capacity should be included only during periods of resource deficiency. During periods of resource sufficiency there should be no adder for capacity costs because a new solar resource will not allow the utility to avoid the fixed costs of existing resources (either capital costs or fixed operating and maintenance costs) as proposed by Staff. Also consistent with avoided costs, the deficiency period should be marked by the next major thermal resource acquisition in the utility’s latest Integrated Resource Plan (IRP) and should reflect all known resources on the utility’s system, including those that are valued using RVOS, at least over the term for which the RVOS has been locked in for each resource. This is consistent with the treatment of qualifying facilities (QFs) in the determination of avoided cost deficiency periods – QF contracts are

⁴ Staff/400, Olson/8.

⁵ Staff/400, Olson/9.

included in the IRP and accounted for in the load and resource balance for the duration of the contract.

iii. Security, Reliability and Resiliency Should Not Be Included in the Methodology At This Time.

PacifiCorp agrees with the recommendation of Staff to not include in the RVOS calculation an element associated with security, reliability and resiliency at this time. Currently, this element provides only “hypothetical” or “potential” value to customers. As technologies advance and the solar landscape changes, it may be appropriate to reconsider this as an element in the RVOS calculation in the future. The dynamic and flexible framework for the RVOS calculation proposed by Staff allows for future consideration of this element when and if quantifiable costs or benefits to utility customer can be shown.

iv. Ancillary Services and Integration Are Appropriately Considered a Single Element.

Staff clarified that the current RVOS model does not specifically account for the ability of solar resources to provide ancillary services benefitting the utility and its customers because it is currently very uncommon for solar installation owners to be capable and willing to provide such services.⁶ Similar to the issue of security, reliability and resiliency discussed above, ancillary services benefits should not be included in the RVOS until a time when the benefits to the utility are real and measurable.

v. A Flexible Approach Should Be Taken When Developing a Transmission and Distribution Deferral Value.

Staff indicated that the sample Transmission and Distribution (T&D) deferral value was based on existing Marginal Cost of Service studies and further clarified that more work may necessary to ensure that this truly represents avoidable costs.⁷ The Company agrees that more work is necessary to define the true value and, due to the different geographies of the utilities, a

⁶ Staff/400, Olson/6.

⁷ Staff/401, Olson/22.

dynamic flexible approach is recommended. It should also be recognized that the method of calculation could change over time as more data and methodologies become available. The Company appreciates the effective oversight of the Commission as this value is developed. In general, the Company supports Staff's statement that the value could be based on a broad geography but again cautions that the devil is in the details.

While the Company agrees that is important not to understate the value that private solar provides in the potential deferral of T&D investment, it is equally important that such value not be overstated, as it would have the same effect as "overbuilding" the distribution system or create an undue burden on customers. In this proceeding, the Company would like to further understand Staff's statement that utility scale solar does not provide T&D deferral value and loss reduction and private solar would always be greater than or equal to the value of utility scale solar.

vi. An Avoided Renewable Portfolio Standard Compliance Value Should Not Be Assumed.

The RVOS calculation proposed by Staff includes an input for avoided RPS compliance costs. PacifiCorp notes that whether solar generation provides an avoided RPS compliance value hinges on a variety of factors, not all of which have been decided, and an avoided RPS compliance value should not be assumed. For example, in a draft report to the Oregon legislature on solar incentive programs offered in Oregon, the Commission suggested that a potential replacement for the existing net metering program could involve the generating customer buying all of its electricity from the utility at the standard retail rate and selling all of its generation to the utility at the RVOS. In this scenario, the generating customer could still be included in the utility's calculation of retail load for purposes of RPS compliance. Furthermore, unless the Company receives the renewable energy certificates (REC) associated with the generating customer's energy, the Company would receive no value for avoided RPS compliance from this potential scenario.

This example clearly shows why it would be inappropriate to automatically assume there is an avoided RPS compliance benefit associated with solar resources. An avoided RPS compliance benefit is only present to the extent an RPS compliance obligation is actually avoided through, for example, reduction in retail load used to calculate the RPS compliance obligation or receipt of the REC by the utility. Like every other element of the RVOS, whether there is a positive, negative, or zero value should be a data- and fact-specific inquiry relevant to rate setting.

b. The RVOS Calculation Should Be Updated Frequently.

Staff recommends the RVOS calculation be updated every two years, consistent with the utility's IRP.⁸ PacifiCorp supports a regular cycle for updates to the RVOS calculation, but urges the Commission to allow flexibility for more frequent updates to the utility inputs that feed into the calculation to ensure that the RVOS calculation is not relying on stale information.

c. The Levelization Period Should Be Limited.

The longer the period of levelization for the RVOS, the more customers bear the risk of locking in a RVOS that, over time, becomes stale as market conditions change or the utility's resource position changes. Locking in RVOS prices over a 25-year term undermines the objective of keeping the RVOS closely aligned with market conditions and changes in utility resource need. Avoided cost prices in Oregon Schedule 37 and Schedule 38 are available to QFs for up to a 20-year term, but prices can only be locked in for the first 15 years, and QFs cannot receive a levelized price over the term of the contract. While longer term contracts are available to QFs, the QF contract includes credit terms, security deposits, performance guarantees, liquidated damages, default provisions, and termination rights that are not found in arrangements between the utility and customers with net-metered private generation. Those contractual terms protect the utility and its customers from non-performance and are essential to mitigating the

⁸ Staff/100, Dolezel/9.

risks associated with long-term contracts. Since these protective contract terms are not available to the Company for customers with private generation, shorter term valuations are appropriate.

III. CONCLUSION

PacifiCorp supports the general RVOS calculation methodology proposed by Staff and encourages the Commission to adopt it. PacifiCorp requests the Commission allow the flexibility for updates as frequently as necessary to accurately reflect the costs and benefits of solar resources to ensure that the RVOS remains as accurate as possible over time. The Company also recommends the levelization period for the RVOS should be limited to better ensure that the RVOS more closely aligns with market conditions and changes in utility resource needs.

Respectfully submitted this 26th day of August, 2016.

By: 
Etta Lockey
Senior Counsel
PacifiCorp d/b/a Pacific Power

Attorney for PacifiCorp