Highlight Summary – PURPA and IRP Changes Recommendations in Washington

PURPA implementation rules should be further amended to remove important road blocks

PURPA contracts offered by utilities to potential CHP generators need to be at least 20 years in duration, or for the useful life of the generating asset. Reasonable, long-term contract options are required by the financial community. Existing CHP plants should be offered renewal options consistent with this policy.

The current process gives utilities an opportunity to refuse to enter into QF contracts. This is contrary to the intent of PURPA. It enhances their superior bargaining positions and gives them incentive to refuse to purchase from QFs, The Commission should remedy this problem, in part, by allowing all QFs below 100 MW's to enter into standard contracts at published avoided cost rates. The Commission's amended rules continue to provide electric utilities with this option to refuse to enter into contracts with cost effective QFs. For example, a QF that participates in the competitive bidding process may be rejected, even if it is the lowest bid. This contradicts Congressional intent – when it enacted PURPA in 1978. The Commission's rules, as currently proposed, are likely to continue to allow utilities to impose onerous barriers to the development of QFs and harm ratepayers.

Standard avoided cost schedules need to be provided on at least an annual basis for QF's up to at least 10 MW's and preferably up to 50 MWs (rather than the current 1 MW limitation) with up-to-date avoided costs.Increase the standard size eligible QFs for avoided cost schedules. Replace the emphasis on small CHP with a more balanced approach for larger plants of up to 100 MWs, which tend to be more efficient.

Standardize back-up power costs levied that utilities charge by creating streamlined and creative ways of meeting demand.

Recognize – in the avoided cost calculations – the triple benefits of CHP to ratepayers: 1/3 more fuel efficient, produces significantly less GHG and reduces transmission constraints and line losses.

Consider creating new rate-based incentives favorable for CHP projects and lower gas pipeline tariffs for CHP generators. NW Natural has submitted initial rates to OPUC for Oregon customers.

Utility contracts under PURPA for existing plants are soon expiring. Our existing CHP facilities are in danger of shutdown way before the normal life of their operating equipment. Impacts will be felt in the form of increased natural gas demands for the same amount of power generated, increased GHG emissions and additional burden on our already stressed transmission system. **We recommend that existing contracts be extended for the remaining operating life of generating equipment at reasonable avoided cost rates.**

The IRP process should be amended to prioritize CHP development and enhancement

One option to consider is to: 1) set target CHP levels in IRPs, 2) add rate incentives and recovery rules with adjustments, and 3) conduct market bidding until targets are reached.

Washington seeks a greater emphasis on renewables, CHP should play a significant role in the resource mix included in utility IRPs. **Utility IRPs should place CHP in the category with Renewables and Distributed Generation.** One specific recommendation is to **include pulp & paper plant spent pulping liquor as a renewable fuel option in a priority IRP renewable CHP category** to obtain the full value from this biomass byproduct of the pulping process.