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Via Electronic Mail

February 6, 2014

Chairman David Danner
Commissioner Philip Jones
Commissioner Ann Rendahl
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
PO Box 47250
Olympia, WA 98504-7250

Re: Advice 14-08—Schedule 37—Avoided Cost Purchases from Cogeneration and Small Power Production
Docket No. UE-144160

Dear Commissioners:

The Renewable Energy Coalition (the "Coalition") requests that the Washington Utilities and Transportation Commission (the "Commission") suspend and investigate PacifiCorp's Schedule 37 advice filing that proposes to change its avoided cost rates applicable to cogeneration and small power production facilities. The Commission should not allow the filing to go into effect because it is inconsistent with the Commission's policies, violates the Public Utility Regulatory Policies Act ("PURPA"), and will result in unjust and unreasonable rates for QFs and the company's consumers. PacifiCorp is proposing major and unsupported revisions in its methodology for calculating its Washington avoided costs. Specifically, PacifiCorp's new avoided costs will no longer pay eligible qualifying renewable and cogeneration facilities ("QFs") for the capacity value they provide to the company. The new methodology will result in lower avoided prices and will fail to accurately reflect the energy and capacity value that QFs provide when displacing power that the company would otherwise generate or purchase.

1. The Renewable Energy Coalition

The Coalition was established in 2009, and is comprised of over thirty members who own and operate nearly forty non-intermittent QFs in Oregon, Idaho, Washington, Utah, and Wyoming. The Coalition's membership includes several types of entities, including irrigation districts, water districts, corporations, and individuals. While the Coalition represents the interests of hydroelectric, biomass and other waste fueled facilities, all except two of the members' projects are small hydroelectric facilities that are less than seven megawatts ("MW"). All of the existing projects are currently selling their power to PacifiCorp or the Idaho Power Company.

Yakima-Tieton Irrigation District ("Yakima-Tieton") has been a Coalition member since 2011, and sells its power to PacifiCorp from two 1.4 MW hydroelectric projects (the Orchard and Cowiche projects). While Yakima-Tieton operates and sells the output of its hydroelectric facilities, its primary purpose is to provide irrigation services to the Yakima area landowners and farmers. The irrigation district provides services to almost 28,000 acres of agricultural land, which is predominantly developed orchards, but also includes residential use, hay, and pastureland. Yakima-Tieton has been an integral part of the local community since it was initially organized in 1906, and currently serves 1,500 farms and over 18,000 people. The irrigation district operates without a profit so that all proceeds are re-invested to benefit the local community.

2. PacifiCorp's Schedule 37 Filing

PacifiCorp has proposed a radical departure from its historic methodology for calculating avoided cost rates in Washington. PacifiCorp currently pays QFs 2 MWs and under rates that include a capacity and energy payment. Under the existing Schedule 37, there is a capacity payment based on a dollar per kilowatt month rate, and the fixed rates for the next five years start at $2.49 and rise to $2.66. Under the existing Schedule 37, the energy payment for the next five years is a dollar per megawatt hour rate, starting at $31.92 and gradually rising to $40.22.

PacifiCorp's new proposed Schedule 37 rates include two major revisions, including: 1) completely eliminating the dollars per kilowatt month capacity rate; and 2) reducing the avoided cost rates for wind and solar by estimated integration costs. PacifiCorp justifies the elimination of any capacity payment on the grounds that it has "sufficient" resources and will not be building a new large gas plant until 2027. PacifiCorp Advice Filing, Attachment A at 1. According to PacifiCorp, QFs should not be paid for any capacity value, and instead should only be paid the company's marginal power costs until 2027. The practical result of this long term sufficiency approach is that capacity payments are eliminated given that QFs cannot enter into long-term fixed contracts under Schedule 37. PacifiCorp Advice Filing, Schedule 37 at 2. It is unreasonable to assume that QFs entering contracts with PacifiCorp should essentially never be compensated for the capacity value they provide to the company. This is especially inappropriate for projects that have historically been paid capacity and the company will continue rely upon to provide capacity.

3. PacifiCorp's Filing Is Illegal

The Commission should suspend and investigate PacifiCorp's revised Schedule 37 because it violates the Commission's policies and rules as well as the federal PURPA statute. PURPA allows the federal government to set the broad policy goals and directs the states to implement the law. In Washington, avoided cost rates available to QFs must be just, reasonable, non-discriminatory, in the public interest, and consistent with federal law regarding PURPA. WAC 480-107-105(1)(a)(b); WAC 480-107-101(3).

The Federal Energy Regulatory Commission ("FERC") has adopted federal PURPA rules and policies, and has concluded that utilities must purchase any capacity made available by a QF. 18 CFR 292.303(a). Unless a utility has absolutely no need for capacity, FERC has concluded that all electric utilities must "purchase any capacity which is made available from a QF . . . ." Hydrodynamics Inc., 146 FERC ¶ 61,193 at P. 35 (2014). While PacifiCorp is not planning to build new thermal resources for over a decade, the company still has a need for capacity and should compensate QFs for the true capacity value they provide.

Regardless of the merits of PacifiCorp's filing, the revised avoided cost methodology warrants additional review. In addition to eliminating capacity payments, the Company bases its new avoided cost rates upon selective and modified runs of its power cost model, and reduces payments to small wind and solar generators based on integration costs for large utility scale facilities. Discovery and additional investigation may identify new issues with the filing. In total, these changes will have major and long-term impacts on the avoided cost prices available to QFs, and should not be made without the opportunity for the Commission and impacted parties to investigate their reasonableness, and propose modifications or alternatives.

The Coalition appreciates this opportunity to submit comments, and looks forward to helping insure that PacifiCorp's avoided cost rates are fair and reasonable for both renewable electricity generators and utility customers.

Sincerely,

Irion Sanger

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cc: John Lowe
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