

Middle Fork Irrigation District

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Chair Helm and members of the house energy and environment committee

RE: Middle Fork Irrigation District Support of HB3274 and HB 2857

The Middle Fork Irrigation District strongly supports the reasonable measures offered in HB 3274 & 2857 to support community based renewable energy projects in the state of Oregon.

The Middle Fork Irrigation District (MFID) has been providing water service to its users in the upper Hood River valley of Oregon Since 1921. We provide gravity flow pressurized water for Irrigation, general agricultural use and fire protection to 6,358 acres of predominantly high value tree fruit crops. In the mid-1980s, MFID constructed its 3.3 MW hydro project, which consists of three generation units located sequentially in MFID's irrigation system. This project was conceived, designed and built to utilize and enhance MFID's existing pressurized water system, and indeed the hydro system operates as an integral part of the irrigation water delivery system while at the same time drastically reducing and, in many cases, completely eliminating the negative aquatic impacts of the 1960s-era water distribution operation. The greatest success of this hydro project has been its positive effects on the local environment made possible by the revenue to MFID that has funded many distribution and irrigation efficiency projects. Since the hydro project came online, MFID has installed over 37 miles of new pipe, pressurized approximately 5 miles of open canal, and eliminated the use of natural stream channels for irrigation water conveyance. We have eliminated operational overflows from the irrigation operation, saving over a thousand acre feet of water annually. The project has eliminated 7 fish passage barriers and returned approximately 15 miles of local streams to their natural hydrographs -- all while continuing to provide an efficient and sustainable water supply to our patrons. MFID maintains 7 full time employees with family wage jobs and contributes significantly to the local economy.

Energy produced by the hydro system is currently sold to PacifiCorp under a QF contract in the state of Oregon. However, the owners and operators of community-based renewable energy projects are under constant attack from the investor owned utilities (IOU) who are hostile to our presence and are continuously attacking the rules and laws that encourage and support our generation at both the federal and state level.

HB 3274 & 2857 seek to level the playing field by removing language relied upon by the IOUs that only meets their needs. The current 8% standard based on aggregate capacity rather than energy will not allow the development of additional small community projects and will harm the economic viability of existing projects. Overall, the current law leaves independently owned community based projects in a weak position and burdened with an extremely difficult process when they seek a new or renewed power sales contract with the IOUs. The benefits of small, community based, distributed hydro projects in Oregon's existing water systems, some of which have been providing dependable base load power for decades are well documented and understood, and yet we still have significant hurdles to overcome in the power sales contracting arena. I am going to focus on two aspects that significantly inhibit the ability of a small hydro operation to get on line and stay online. Capacity payments and transmission/interconnection.

Capacity Payments

As previously stated, our project has been online since 1986. We are part of the northwest energy supply portfolio. The following BPA website identifies "Middle Fork" as one of the regional hydro resources in the

BPA control area. <https://transmission.bpa.gov/business/operations/wind/baltwg.aspx>

We are online and providing energy and capacity to the state, and yet at each contract renewal with the IOUs, the Public Utility Commission allows the utilities to pay only for the short-term energy value of the facility instead of the full value of the energy and capacity supplied by our project to the purchasing utility. In effect, every time our power purchase agreement expires, we are reset in price and not compensated for the full value we bring to the state and local economies. This situation is a direct result of utility hostility toward non-utility owned resources in which the Public Utility Commission has allowed the utilities to claim long capacity sufficiency periods – thus justifying the lack of payments to small hydro projects for capacity value – while in fact the utilities are actively acquiring larger scale capacity resources. PacifiCorp for instance is currently proposing to bring into Oregon over 1,000 MW of Wyoming wind projects and at the same time telling regulators that they do not need our local energy production. Additionally, current rules allow PacifiCorp's avoided cost rates paid to small hydro projects to exclude the full cost of those very same Wyoming wind projects, which necessarily includes large transmission infrastructure to deliver that remotely located resource to PacifiCorp loads. These are two issues that HB 3274 & 2857 intend to rectify – compensate existing projects for the full value that they bring to the system and their communities and accurately include all the factors (including the cost of transmission) to bring utility owned energy into the state. Providing accurately calculated avoided cost prices that include capacity and all utility costs to bring energy to the grid will significantly improve the ability of small resources to develop and remain sustainable.

Transmission and Interconnection

In 2001, the 3.3 MW Middle Fork Irrigation District hydro projects incurred annual interconnection and transmission expenses in the range of \$40,000 to \$50,000. This was before aggressive utility hostility towards non-utility owned generation resources. Our project was designated as a network resource and allowed to use PacifiCorp's rights on the BPA system and we reimbursed PacifiCorp on a monthly basis (\$1500 per month) for our use of PacifiCorp's network transmission rights on the BPA system. On top of that, we paid the local utility \$2,000 to \$2,500 per month for the use of their system to deliver our output to the BPA system, which is necessary because our hydro projects are interconnected to the local cooperative's system. As aggression towards non-utility generation grew, administrative changes took place that have increased the expense to our small project by over 500% to deliver our output because PacifiCorp now requires us to acquire our own rights on the BPA system to deliver to another point on PacifiCorp's system. What cost us \$40,000 to \$50,000 annually will soon be in the range of \$200,000 to \$240,000 annually. These increases are simply a result of management level administrative and policy changes aimed at inhibiting the ability of these resources to develop and remain online.

The ability of the utilities to control and dictate the terms and conditions of how the power is delivered to them prior to the sale of such power, as well as their ability to dictate unnecessary upgrades as a condition to receiving such power, place a significant impediment to future development of these beneficial resources. As a reluctant purchaser of small hydro power, the utilities can easily abuse their monopoly position as the transmission system operator to avoid or frustrate the right in federal and state law to require the utility to purchase such output. The Federal Energy Regulatory Commission has recognized the inherent conflict of interest in having a self-interested utility operate the transmission grid and has encouraged development of independent system operators and regional transmission organizations to independently operate the transmission system as a fundamental element of encouraging competitive markets for the generation of electric power. The Pacific Northwest is one the few remaining regions in the country without such independently operated transmission systems. Instead, the current situation provides an opportunity to the utilities to subvert the State of Oregon's goals of a robust and sustainable non-utility owned generation market. The provisions in HB 3274 & 2857 that requires a utility to join a regional transmission organization before they can charge a generator for transmission service is intended to remove this impediment to non-utility owned generation projects access to the grid.

Small hydro projects are in need of legislative assistance. Utility aggression towards all forms of non-utility owned resources is increasing. Even after these bills are signed (and likely before the ink is dry), the utilities will be looking for ways to subvert the intention of such legislation. Please make the policy of the state of Oregon clear. These small hydro projects should be supported and sustainable with clear rules and policy. HB 3274 & 2857 do just that.

The Middle Fork Irrigation District strongly encourages the passage of HB 3274 & 2857. The language is balanced, fair and supports the state of Oregon's RPS law and goals.



Craig DeHart

General Manager

Middle Fork Irrigation District