



# Public Utility Regulatory Policy Act of 1978

Senate Committee on Energy &  
Environment

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# PUC Overview

- Economic regulator of investor-owned utilities:
  - Electric – PGE, PacifiCorp, and Idaho Power
  - Natural Gas – NW Natural, Cascade, and Avista
  - Select telecom and small water companies
- Broader role in safety and emergency support
- Quasi-judicial and policy functions
- 3 full-time Commissioners - 142 FTE

Our **mission** is to ensure Oregonians have access to **safe, reliable and fairly priced** utility services that advance **state policy** and promote the **public interest**.

We use an **inclusive process** to evaluate differing viewpoints and visions of the public interest and arrive at **balanced, well-reasoned, independent decisions** supported by fact and law.

# Public Utility Regulatory Policies Act of 1978 (PURPA)

PURPA requires electric utilities to purchase power generated by **qualifying facilities** (QFs)

- Small Power Production Facilities – 80 MW or less whose primary energy source is renewable
- Co-Generation Facilities – produce both electricity and another form of useful thermal energy (like heat or steam)

Rates paid for QF power **may not** exceed a utility's "avoided cost" and must be just and reasonable. "**Avoided cost**" is the cost of the energy which, but for the purchase from the QF, the utility would generate or purchase.

# PUC Role in Oregon

- PUC sets contracting and pricing terms for QF power sold to Oregon's three investor-owned utilities (Portland General Electric, PacifiCorp, and Idaho Power)
- Adopt policies and rules that encourage the economically efficient development of QFs, while protecting ratepayers by ensuring that rates paid do not exceed avoided costs
- Oregon's consumer-owned utilities adopt their own rules and prices to administer their PURPA obligations

# Standard Contracts

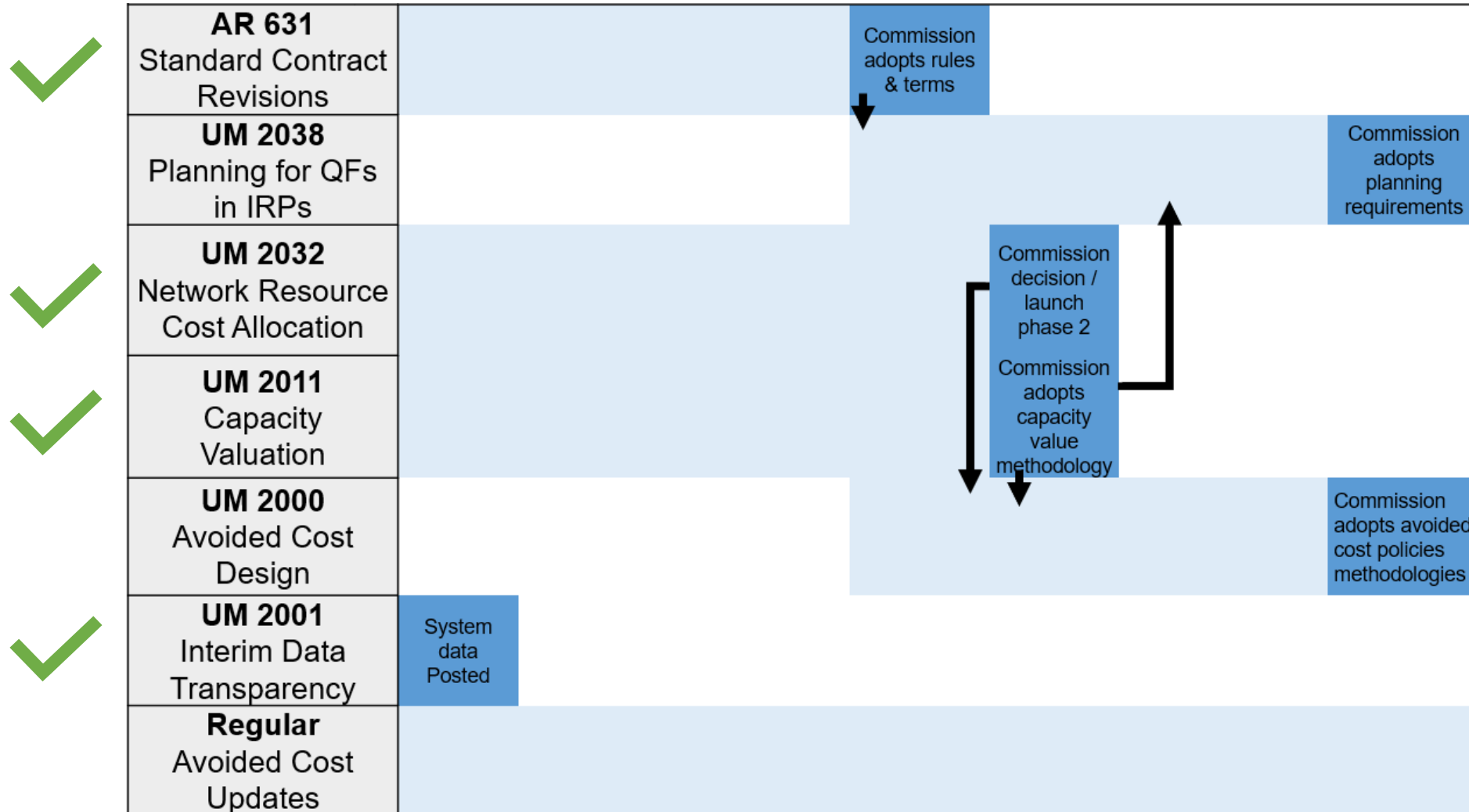
- PURPA requires small QF projects 100 kW or less be offered standard contracts and standard avoided cost prices – avoids need to negotiate
- States may require these standard offerings be provided to larger QFs. The PUC has established the following thresholds, which were last updated in 2017:

	Non-Solar QFs	Solar QFs
Standard avoided costs	Up to 10MW	Up to 3MW
Standard contract terms	Up to 10MW	Up to 10MW

# Avoided Cost Pricing

- PUC sets avoided costs based on the lowest cost resource available to the utility
  - Multiple price options that recognize the different value that different QF types provide (i.e., wind and solar QFs)
- Ability to capture specific characteristics of the QF is limited for *standard* prices
  - Greater flexibility to address unique characteristics, (i.e., QF's dispatchability or its proximity to the utility's load) is greater for negotiated contracts
- PURPA **does not** allow the PUC to adjust avoided cost prices to account for external benefits of a QF project not related to performance
  - Economic benefits that a QF project may bring to a local economy
  - General social benefits

# 2019 Broad PURPA Investigation



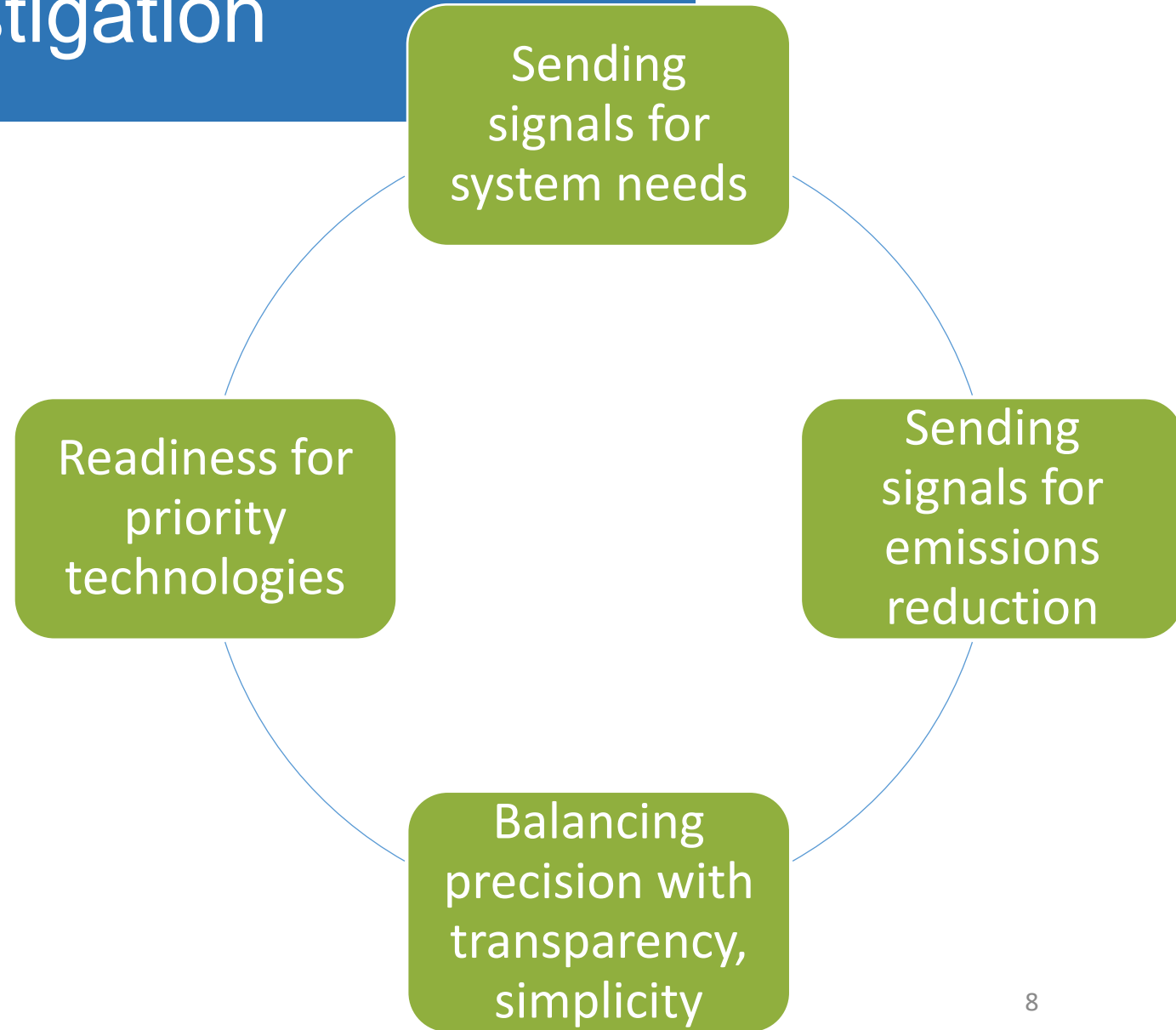
# UM 2000 Investigation

**November 2022:** Launched investigation of final two issues

**February 2023:** Finalized scope and process

## Focusing on:

- QF pricing (avoided cost)
- Planning for QFs





# UM 2000 Issues

Which standard avoided cost price options should be offered?

- Technologies
- HB 2021 implications
- Eligibility

How should avoided cost prices be structured?

- Years of pricing
- Years of fixed pricing
- Variable pricing
- Sufficiency/Deficiency approach

What inputs should be used to calculate avoided cost rates?

- Using utility RFP data
- QF characteristics
- Identifying the “avoided” resource

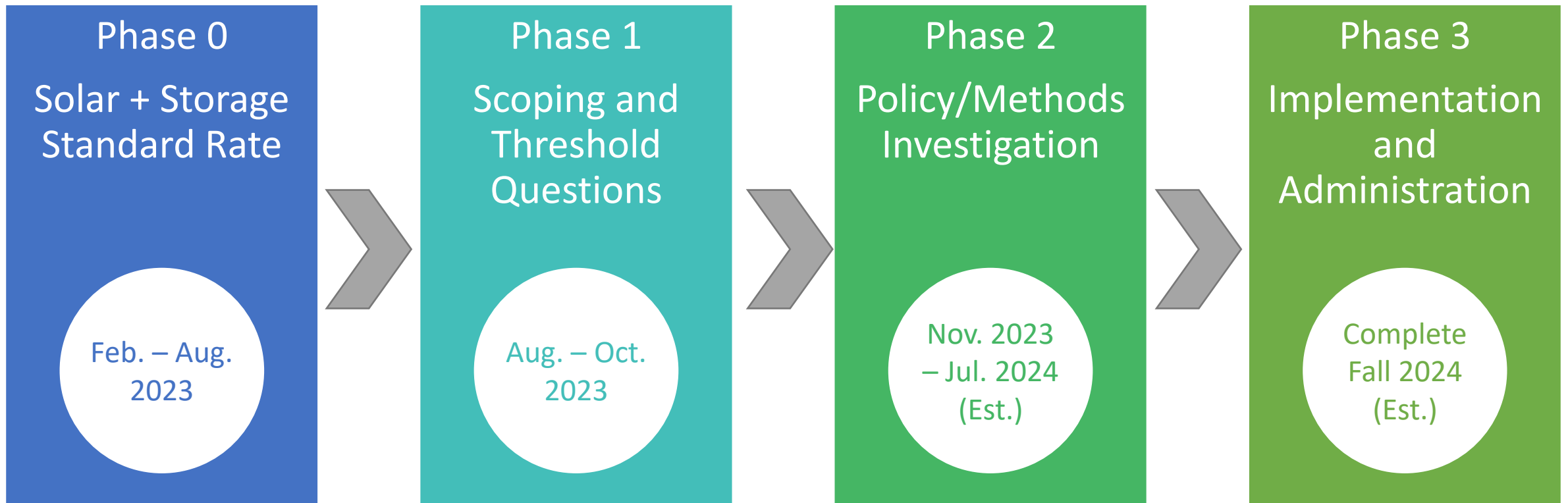
How should capacity be priced?

- Measuring capacity contribution
- Capacity payment structure

How should utilities plan for QFs?

- QF success rates
- QF renewable rates
- Impact on capacity valuation methods (in issue #4)

# UM 2000 Process



# Thank you!

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- **Questions?**
- **More questions?**
  - Contact Robin Freeman, Policy Director, [robin.freeman@puc.oregon.gov](mailto:robin.freeman@puc.oregon.gov)
- **Want more detail?**
  - See [UM 2000](#), [PURPA Information Page](#)