



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Barofsky, McRae and Schlossberg  
FROM: Megan Capper, Energy Resources Manager; Ben Ulrich, Interim Power Planning Supervisor  
DATE: December 6, 2022  
SUBJECT: EWEB Avoided Cost Prices Update  
OBJECTIVE: Board Action – Approval of Resolution No. 2231

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## Issue

The Federal Public Utility Regulatory Policy Act (PURPA) requires that utilities buy power from certain “qualified facilities” at prices based on their “avoided cost” (that is, prices that should hold utility customers harmless). Under federal and Oregon state regulations, EWEB is required to file with the Oregon Public Utilities Commission (PUC) power prices that reflect EWEB’s long-term avoided costs. The PUC filing updates prices for material changes in market, or EWEB’s underlying portfolio, which would change EWEB’s avoided cost profile. The filing must be made at least once every two years, and EWEB’s last filing was made on December 29<sup>th</sup> of 2020, for an effective date of January 1<sup>st</sup> of 2021. The attached Resolution No. 2231 updates EWEB’s avoided cost prices starting in 2023.

## Background

Under PURPA, electric utilities have an obligation to purchase power from electric generation projects that meet certain size, fuel type, and efficiency criteria. PURPA, passed in 1978, was one of the national responses to oil shortages which occurred during that decade. One of its primary purposes was to increase renewable generation and cogeneration<sup>1</sup>.

Projects that meet the criteria are known as *qualifying facilities*, or QFs. Under PURPA, electric utilities are required to pay QFs a price equivalent to what the utility would have paid *but for* the QF. This price is known as the avoided cost price, essentially the cost to the utility of its alternative source of power besides the QF.

It was left to the states to implement this act. By statute, EWEB is considered a nonregulated utility<sup>2</sup>, and under most circumstances EWEB is not subject to regulation by the PUC. However, one exception is that EWEB is required to file a document listing EWEB’s long-term avoided costs with the PUC. The PUC does not review or approve this document, but accepts EWEB’s filing of avoided cost prices, and makes them available to all interested parties. Not filing updated avoided cost prices with the PUC is not an option under OAR 860-029-0080(2) which states,

By January 1 of each odd-numbered year, each nonregulated utility must prepare and file with the Commission a schedule of avoided costs equaling the nonregulated utility’s forecasted incremental cost of resources over at least the next 20 years.

In recent years, EWEB has not been approached by any qualifying facilities because our avoided costs have been too low for developers to justify building a project.

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<sup>1</sup> Also sometimes referred to as combined heat and power projects, cogeneration is more efficient, and yields more useful energy output from a given amount of natural gas or coal.

<sup>2</sup> An entity providing retail electric utility service to Oregon customers that is a people’s utility district organized under ORS Chapter 261, a municipal utility operating under ORS Chapter 225, or an electric cooperative organized under ORS Chapter 62.

**Discussion**

Avoided cost prices are “standard offer” power purchase prices for all generation facilities that meet the criteria of the standard offer contract. In concept it is very much like EWEB’s Distributed Generation program, for which the Board approves prices and restricts which types of generation qualify. Under Oregon’s PURPA rules, the standard offer prices only apply to QFs under 10 MW of nameplate capacity (3 MW for Solar QFs), and projects above that size would need to pursue a non-standard contract and price offering.

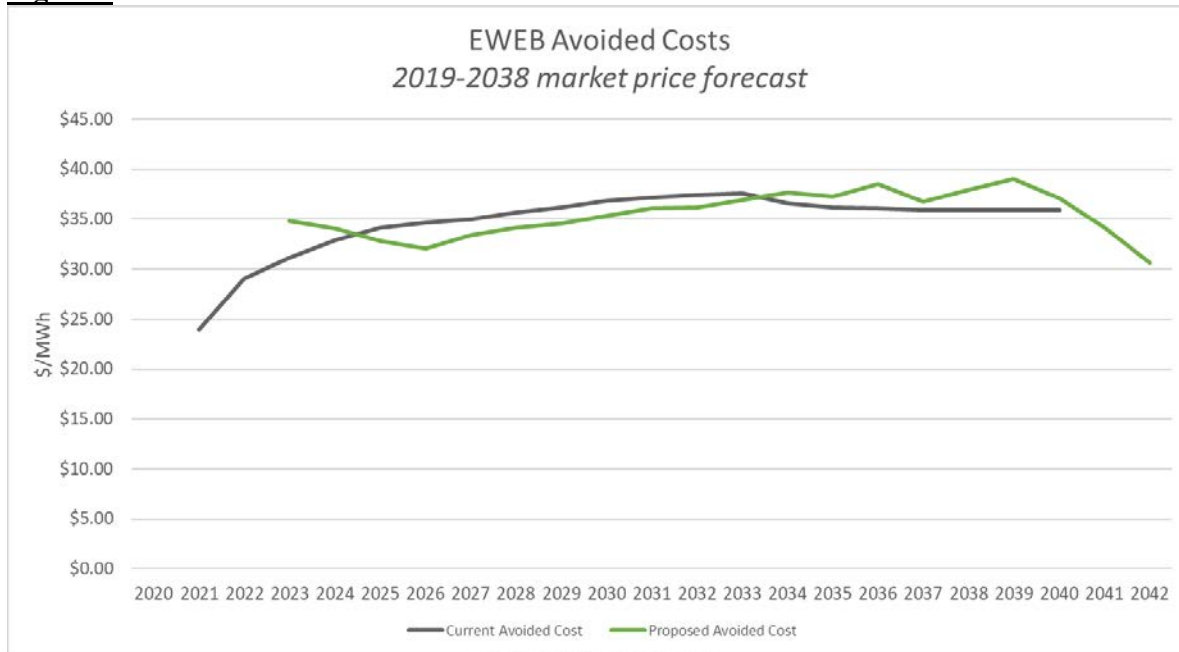
If a QF accepts EWEB’s published avoided cost prices, EWEB will be obligated to purchase from the QF generator at a fixed cost price for up to 15 years (20-year overall contract term). However, as EWEB is currently forecasted to be surplus energy, the incremental QF purchases would most likely result in additional energy sales to the wholesale market. As such, EWEB considers our avoided cost to be a purchase from the market, and EWEB’s avoided costs prices reflect forecasted power market prices.

EWEB is currently updating the integrated Resource Plan (IRP) and is expected to publish its findings in mid-2023. Depending on the IRP results, it may be appropriate to revisit and realign EWEB’s avoided cost prices, to match EWEB’s needs, before the 2025 filing with the PUC.

Attachment 1 shows a table of EWEB avoided costs that management proposes to file with the PUC for 2023. These values represent the 20-year forecast of wholesale market prices projected at the Mid-Columbia trading hub using our Aurora™ planning software, which is an industry leading power market simulation model that produces both short-term and long-term price forecasts for all major market zones and trading hubs. EWEB staff maintains and utilizes this model as a standard power planning tool.

A comparison of the current<sup>3</sup> and proposed avoided cost prices are reflected in Figure 1.

**Figure 1:**



<sup>3</sup> Current avoided cost prices are published in peak/offpeak block periods (not shown). Going forward, avoided cost will be represented in average annual prices. As such, current avoided cost prices are represented here as annual averages for comparison purposes.

**TBL Assessment**

The most current IRP established that EWEB does not need additional long-term power purchases or resources, beyond existing resources. However, EWEB is required by federal and state laws to publish and maintain avoided cost prices. EWEB would purchase power produced from projects that 1) meet PURPA QF criteria, 2) wish to sell to EWEB at the published prices. Until a new IRP resource strategy is adopted, EWEB plans to meet all needs for additional resources from conservation and energy efficiency, as stated in EWEB's current published IRP.

**Recommendation**

Management recommends that the Board approve the updated avoided cost prices to maintain compliance with OAR 860-029-0080(2).

**Requested Board Action**

Approve Resolution No. 2231 to enable staff to file the updated avoided cost prices with the PUC in accordance with OAR 860-029-0080(2) by December 31, 2022.

**RESOLUTION NO. 2231**

**EUGENE WATER & ELECTRIC BOARD  
2023 Avoided Cost Filing**

**WHEREAS**, the Federal Public Utility Regulatory Policy Act (PURPA) requires all electric utilities to purchase the generation from certain types of generation under long-term contracts at each utility's avoided cost; and

**WHEREAS**, the Oregon regulations ORS 758.525 require EWEB to file avoided costs with the Oregon Public Utilities Commission (PUC) at least every two years; and

**WHEREAS**, the Oregon PUC does not have jurisdiction over approving EWEB's avoided costs, but is required to accept EWEB's filing and make the filing publicly available; and

**WHEREAS**, the EWEB Board of Commissioners does have authority and responsibility to approve EWEB's avoided costs for purposes of PURPA; and

**WHEREAS**, EWEB staff have calculated updated avoided costs for 2023 through 2042 based on forecasts of wholesale power costs that management proposes to file with the Oregon PUC this month; and

**WHEREAS**, the Board has reviewed the background and need for updated avoided costs that will be paid to qualifying facilities under the PURPA regulations and approves these prices at its December 6<sup>th</sup>, 2022 Board Meeting.

**NOW, THEREFORE, BE IT RESOLVED** by the Eugene Water & Electric Board that the Board hereby approves the attached avoided costs prices as presented and proposed by management for years 2023 through 2042 until such time as the Board approves new values.

Dated this 6th day of December 2022.

THE CITY OF EUGENE, OREGON  
Acting by and through the  
EUGENE WATER & ELECTRIC BOARD

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President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its December 6, 2022 Regular Board Meeting.

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Assistant Secretary

**EWEB Avoided Costs\***  
Effective January 2023  
\$/MWH

Year	Energy Price
2023	\$34.86
2024	\$34.11
2025	\$32.10
2026	\$33.43
2027	\$34.43
2028	\$34.13
2029	\$34.56
2030	\$35.34
2031	\$36.09
2032	\$36.19
2033	\$36.89
2034	\$37.69
2035	\$37.22
2036	\$38.51
2037	\$36.72
2038	\$37.95
2039	\$38.98
2040	\$37.08
2041	\$34.15
2042	\$30.63

\*EWEB's avoided cost prices may be adjusted to account for costs related to the shaping, integration, dispatchability, transmission and distribution, and environmental attributes, of a given QF resource.