

Falls Creek Hydro Project, L.P.

Follow Up Letter of Support
HB 2857 HB 3274

April 2, 2019

Dear Representative Zika,

I wanted to follow-up on a few of your questions during our public hearing on HB 2857/HB 3274 last week – specifically to the point of why transmission costs are so high. Let me share with you my experience as it relates to the Falls Creek Hydroelectric Project, and why passing HB 2857 and HB 3274 would eliminate a huge portion of that kind of waste, and mismanagement of Oregon’s transmission system.

Wheeling Power in Oregon is Expensive and a Waste of Transmission Resources

In my case I have had no transmission line costs for 34 years because I have sold my power directly to PacifiCorp which is my local interconnecting utility. However, starting on January 1, 2020 I will start paying over \$300,000 in fees and line losses to “wheel” my power to PGE. Wheeling power means to send over the lines of one power company to another. In Falls Creek’s case we will have to wheel it over PacifiCorp’s lines, then over BPA’s lines to get to PGE. That \$300,000 represents 27% of the project’s costs and is projected to be \$400,000 within 14 years.

The solution here is to avoid these costs altogether which is what small renewables could do if they could simply sell to their local utilities which is in large part what HB 2857/HB 3274 is all about.

Why can’t I sell to PacifiCorp? This issue is addressed in Section 5. PacifiCorp and PGE and not offering capacity prices to existing renewable projects that are renewing their energy sales contracts. Instead they are giving those capacity payments primarily to projects they themselves own, many of which are in Wyoming, and the ratepayer is footing the bill not just for out of state capacity but for a \$700 million transmission line to get that capacity to Oregon. If PacifiCorp renewed my contract with capacity prices in it in 2020, I could then sell to PacifiCorp and have no transmission costs at all. Thereby making the transmission system more efficient and logical. This is true of my project and many others in Oregon.

Local Project Benefit Local Electric Infrastructure

I also wanted to correct one of the statements PacifiCorp made. They shared that local projects did not benefit local transmission line and distribution line infrastructure. That is not

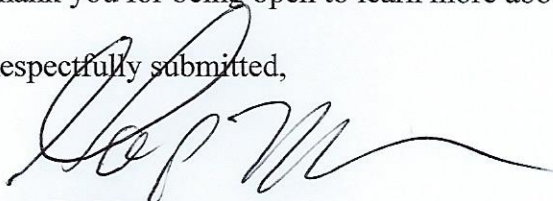
true. 34 years ago Falls Creek upgraded 20 miles of PacifiCorp distribution lines east of Sweet Home, along rural highway 20. Those lines were providing minimum service, known as single-phase electricity to PacifiCorp's customers. Falls Creek upgraded those lines to three-phase service and buried three miles of those lines in a heavily wooded area, preventing tree limbs from causing frequent outages. As a result, residences, commercial businesses, and even industry benefited. A lumber mill that had gone out of business was able to restart because it now had three-phase service. (The three-phase service had deteriorated to single phase when that mill had gone out of business years before). The Weyerhaeuser plant, now owned by Murphy Lumber, reported to my Project Manager that their electricity is more stable with less voltage fluctuations when Falls Creek is operating.

In short Falls Creek and probably most local renewable generators has made and continues to make a permanent improvement in local electricity distribution infrastructure.

Finally, PacifiCorp and PGE misrepresented the huge cost savings that PURPA projects bring to the system. Before PURPA and energy deregulation took place in the 1980s private utilities in Oregon had a constant increase in their prices. Once PURPA was introduced electric energy production went through a fierce 15 years of price competition. Without PURPA utilities would not face the competitive prices from innovative developers that have forced utilities to keep pace with lower priced projects of their own. PURPA has been the engine of lower prices for electricity in Oregon.

Thank you for being open to learn more about energy production and delivery in Oregon.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Gary P. Marcus', with a long horizontal flourish extending to the right.

Gary P. Marcus
Falls Creek Hydro