



## Bureau of Planning and Sustainability

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December 14, 2015

VIA ELECTRONIC FILING

Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, Oregon 97301

Attn: Filing Center

**Re: UM 1690 - Voluntary Renewable Energy Tariff**

The City of Portland submits these comments in support of the creation of a Voluntary Renewable Energy Tariff (VRET) in Oregon. We believe that the rule would benefit the City of Portland as a municipal organization and utility customer, as well as the organizations that do business in the Rose City.

Given that the VRET is an alternative to existing Direct Access options for commercial utility customers, the following comments provide some insight as to Portland's experience with Direct Access and illustrate how a VRET can better serve us as a utility customer.

Historically, the City of Portland has had little success using Direct Access as a compelling alternative to existing utility service. Portland has a highly decentralized organizational structure, which has deterred our participation in Direct Access. There is no single City Manager who oversees utility agreements; each City bureau independently manages their utility accounts, and the main infrastructure bureaus are typically managed by a different commissioner-in-charge. Each bureau has varying priorities and degrees of interest. What City decision-makers do have in common is that most are highly sensitive to both price and risk.

There has been little incentive for the decision-makers at the City to participate in Direct Access, even at times when a business case to enter into a long term Direct Access agreement exists. Risk-averse managers choose to not leave the stability of a regulated electric utility to operate on the open market, where there is potential for a price spike that would result in a net cost increase. A potential "pat on the back" for saving the City some utility costs has not proven to be a justifiable reason to take the perceived risk of a hedge in the open market.

Transition charges imposed by utilities as part of Direct Access agreements also have had a chilling effect on the decision-making process, particularly with smaller accounts not eligible to enter into a 5-year Direct Access agreement. Portland only has a handful of large utility accounts that can participate in long-term Direct Access agreements that avoid transition charges. Most City accounts fall into the category of having to re-up their Direct Access contract each year, and pay the associated transition charges. Even with historically low regional power costs, transition charges have proven to be a significant impediment to participation in utility Direct Access programs.



City of Portland, Oregon | Bureau of Planning and Sustainability | [www.portlandoregon.gov/bps](http://www.portlandoregon.gov/bps)  
1900 SW 4th Avenue, Suite 7100, Portland, OR 97201 | phone: 503-823-7700 | fax: 503-823-7800 | tty: 503-823-6868

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A VRET model that allows for the purchase of “bundled” renewable energy without having to leave the utility creates a viable option for City decision-makers; there is relative price stability and low risk with entering into a long-term contract with a regulated energy utility compared to “going out on our own” in the unregulated energy market.

Portland would find great value in a well-designed VRET program, as we believe that a VRET can address the shortcomings of the existing Direct Access model as it applies to the unique needs and culture of our organization while also helping the City to achieve its renewable energy goals. The City currently works to meet its goal in one of three ways: purchase of Renewable Energy Credits (RECs), net-metered onsite generation, and power purchases from renewable generation facilities. RECs remain the largest share of our renewable energy portfolio and we are interested in seeing this percentage decrease over time. Purchasing standard utility power and separately buying a REC has so far been a lower risk, cost-neutral (or better) option than Direct Access for meeting this goal. A VRET would provide a preferred renewable energy purchasing mechanism relative to that which exists today.

Portland believes that a utility-sponsored VRET offering is reasonable and in the public interest. It would provide an option to utility customers that does not currently exist, and in so doing would improve the overall quality of service that utilities provide the City as a customer as well as the large businesses that support the economic competitiveness of Portland and the region, like Adidas and many others that are here today.

We agree with Facebook’s submitted written comments regarding cost causation and transition charges. Specifically, “the rate setting principle of cost causation must be a feature of a well-designed VRET.” It has been the City’s experience that transition costs are a significant impediment to participation in utilities’ Direct Access programs, so every effort should be made to mitigate or eliminate transition costs from a VRET.

Portland also agrees with Iberdrola’s written comments regarding the retirement of RECs associated with a VRET program. An integral component of a well-designed REC is the ability of the participating organization to retire the RECs in order to make the renewable claim to their power. Portland supports the power mix disclosure feature advocated by OPUC staff. It is essential for the City to have a clear understanding of the power being purchased through a VRET, and it is sensible for the utility to provide such disclosure given their role in delivering the power.

Finally, Portland finds value in purchasing power from renewable projects in Oregon. This is consistent with the City’s overarching policy objectives contained in the 2015 Climate Action Plan to:

- use energy from renewable sources for City operations,
- to expand the market in Oregon for renewable energy, and
- to reduce the carbon content of electricity delivered to the City and its businesses.

The VRET can be an important tool in helping the City of Portland accomplish its climate and energy objectives.

Thank you for the opportunity to submit these comments.

Respectfully,  
Danny Grady, Senior Energy Specialist

