

Issues related to Voluntary Renewable Energy Tariff (VRET)

The Commission Staff is to be commended for its collaborative approach to developing issues and concerns related to VRET. While conceptually the idea behind VRET makes sense, the viability of the program will be determined by the details. Here are some thoughts to help the Commission in considering whether the VRET can be developed in a way both reasonable and in the public interest.

Staff compiled a substantial list of principles to help guide the discussion. While the principle list is of value, it may be appropriate to consider the following questions in context of the articulated principles and future decisions that the Commission will face.

1. “Avoiding subsidization.” What does that mean? Is it by customer or by customer class? Does it mean that each customer taking the tariff must pay the full cost resulting from that election (i.e. by customer)? Does it mean that other nonresidential customers will be required to cover any stranded costs, administrative fees, or other costs implicit in the operation of the tariff (i.e. by customer class)? Is it appropriate to make customers who choose not to take the tariff pay costs to give other nonresidential customers market benefits?
2. What is meant by costs? One example of a cost for renewable resource that other resources do not have is how to handle the need for electricity when the renewable resource is not producing (e.g., when the wind is not blowing or the sun not shining.) Will the costs of acquiring resources to supplement or firm the renewable resource be the obligation of the utility hosting the tariff and its customers or the VRET customer? To the extent that transmission costs are incorporated in rates, how will the additional costs for integration or the transmission of renewable resources be handled?
3. Should the ability of regulated utilities to offer a VRET be limited if it will result in the utility being put into a situation in which it has overbought or over built resources, leaving stranded investment? Are there approaches that will mitigate that situation? Would allowing some portion of the renewable resources that the utility has had to acquire (under RPS) to be used for this tariff help solve two problems – first, where the resources will come from and second, how to mitigate a utility obligation despite lack of load growth or need?
4. Should those taking the tariff be able to find and contract for those resources themselves? If customers under a VRET are allowed to contract directly with renewable resource providers, does the Commission relinquish any ability to consider whether the resources are cost effective (since presumably the value of the resources to the customer will be determined by the customer?)
5. How similar should this program be to Direct Access? Are there lessons to be gleaned from Direct Access that would be helpful here? Some might assert that Direct Access has been a failure. Are there aspects of that program that can avoid in developing this tariff?
6. What is the real objective of the tariff? How does the state policy of supporting renewable resources impact the decisions made? With load growth hovering at 1%, any decision that will allow any significant number of nonresidential customers to take renewable resources will impact the regulated utility. What limitations are appropriate to protect the customers of the regulated utility?

7. What happens when the utilities have to reduce carbon significantly (assuming that the EPA rule is finalized) which could dramatically change their resource mix? How best can changes on the horizon in the electric industry be addressed?
8. How often should the Commission reexamine the tariff? Should this start out as a pilot program or should it have built in points in which the assumptions behind the tariff will be reexamined? Should the total megawatts available to customers under the tariff be capped?
9. What is a realistic projection of customers who will take this tariff? If initially there are not many, should each one be considered similar to a special contract and go through a commission review on that basis?
10. Inherent in this tariff are two BIG questions: 1.) In any decision, does the desire to support renewable resources trump making reasonable regulatory decisions related to the provision of electricity to the customers of this state? 2.) Where does the potential “market” fit within reasonable regulatory decisions? Will actual cost of the tariff exceed any value to commercial/industrial customers to site here because they can say they are green?

What seemed to be an easy idea – some customers want to be able to say they are “green” and are powered by green resources -- has many aspects that don’t immediately jump out and must be considered. This may not be about a competitive market place since often the costs associated with renewable resources make the resource itself noncompetitive. As a matter of fact, renewable resources cost more to transmit, cost more to “firm,” and often cost more to acquire. The Northwest is still finding its way in how to manage the resources, their intermittency, and their acquisition. New solutions are being considered from FERC’s 5 minute dispatch/15 minute scheduling and energy or capacity markets to storage arrangements that can address some of the intermittency. However, there have been no solutions found and adopted. At this juncture in considering the VRET, it is important to identify the value to the commercial and industrial customers as well as all of the potential costs.

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UM 1690 – CERTIFICATE OF SERVICE

I hereby certify that, on this 16th day of June, 2014, I served the foregoing **Issues related to Voluntary Renewable Energy Tariff (VRET)** in docket UM 1690 upon each party listed in the UM 1690 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one original and one copy by U.S. mail, postage prepaid, to the Commission's Salem offices.

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