

December 11, 2015

***VIA ELECTRONIC FILING***

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

Attn: Filing Center

**RE: Docket UM 1690—PacifiCorp’s Comments on Staff’s Report in Phase II**

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) appreciates the opportunity to provide comments regarding the Staff Report issued by Staff of the Public Utility Commission of Oregon (Commission) on November 20, 2015.

The Staff Report provides a robust and considered response to the threshold question of whether and under what circumstances utilities can offer voluntary renewable energy tariffs (VRETs). PacifiCorp appreciates the efforts of Staff, especially in light of the duration and scope of this docket and the changes in staffing of this matter. PacifiCorp is supportive of many of Staff’s recommendations, however, disagrees on certain characterizations and recommendations contained in the Staff report, as discussed below, and encourages the Commission close Phase II, and allow utilities to bring forth specific VRET proposals in Phase III.

**I. The Commission Should Not Preclude Utility Ownership of the VRET Resource**

The principle area of contention is with regard to utility ownership of the VRET resource. The Staff Report recommends that the regulated utility not be permitted to own a VRET resource (Staff Recommendation 6). PacifiCorp strongly supports the Commission not precluding utility ownership of the VRET resource. Similar to community solar, development of a robust and successful program is likely to hinge on the flexibility afforded the parties developing the programs. PacifiCorp consistently advocated in this docket for a flexible approach to VRET development as a way to facilitate a customer-driven program. This flexibility is particularly important in light of on-going changes in the industry and technology that will require the utility and regulation to evolve. PacifiCorp supports conditions that address concerns raised by Staff regarding cost-shifts and impacts on the competitive retail market and suggests that utility ownership of the VRET resource, with conditions, will preserve flexibility and optionality for customers while also protecting non-participating customers and the competitive retail market in Oregon.

In the event the Commission allows regulated utility ownership of the VRET resource, Staff recommends the following conditions:

1. VRET terms, specifically the timing and frequency of VRET offerings, must be the same as direct access;

2. No utility rate-basing of the VRET resource; and
3. Commission oversight and approval of all VRET contract terms.

PacifiCorp supports these conditions subject to the following modifications. First, the Company recommends that the determination of whether and how to make a VRET offering the same or consistent with direct access terms be considered as part of a specific utility proposal in Phase III. This will allow Staff and other stakeholders to determine whether the justifications for specific direct access terms are equally applicable to the proposed VRET model. Second, with regard to utility rate basing, PacifiCorp agrees that VRET resources will not be included in the utility's general rate base, but the utility may earn a return of and return on the investment from the VRET customer. Finally, with regard to Commission oversight and approval of all VRET contract terms, PacifiCorp is concerned that Commission approval of all VRET contract terms will be administratively burdensome and likely to interfere significantly with the contract negotiation process. As an alternative, PacifiCorp suggests the utility file the final negotiated contract with the Commission for review for consistency with any conditions or requirements in the tariff.

## **II. Support and Clarification on Staff's Remaining Recommendations**

The remainder of PacifiCorp's comments focuses on clarification and recommendations in support of Staff's recommendations for each statutory factor contained in HB 4126.

- a. **Statutory Factor 1: Whether allowing electric companies to provide VRETs to nonresidential customers promotes the further development of significant renewable energy resources.**
  - Renewable Portfolio Standard (RPS) definitions which must apply to VRET products are for resource type, location, and bundled Renewable Energy Certificates (RECs).
  - VRET options should only include bundled REC products. Any RECs associated with serving participants must be retired on behalf of participants.
  - The year in which a VRET eligible renewable resource became operational should be no earlier than 2015.

PacifiCorp supports these recommendations but notes that the requirement for resources to be "post-2015" should be flexible enough to allow resources new to the utility's portfolio to be eligible. This maintains flexibility for the VRET provider to respond to customer interest in developing a VRET proposal.

- b. **Statutory Factor 2: The effect of allowing electric companies to offer VRETs on the development of competitive retail market.**
  - The VRET program size is limited to 300 aMW for Portland General Electric and 175 aMW for PacifiCorp.
  - VRET product design should be unique to any existing programs (e.g. only long term contracts, less than 100 percent load eligible).
  - The regulated utility should not be permitted to own a VRET resource.

As previously stated, PacifiCorp does not support restricting utility ownership of the VRET resource. Instead, PacifiCorp recommends the Commission allow utility ownership of the VRET. PacifiCorp supports differentiating VRET products from direct access offerings but Staff's recommendation to limit VRET program design to only long-term contracts and less than 100 percent of load is overly prescriptive at this time. As an alternative, PacifiCorp recommends the Commission direct utilities to differentiate their VRET programs from direct access and identify the differentiating elements as part of the Phase III filings. PacifiCorp does not oppose Staff's recommendation regarding the program cap.

- c. **Statutory Factor 3: Any direct or indirect impacts, including any potential cost shifting, on other customers of any electric company offering a VRET.**
- The regulated utility must demonstrate that there is no risk or cost shifting on nonparticipating customers due to any direct or indirect VRET service and resource obligations, including stranded costs of the existing cost of service rate based system.

PacifiCorp supports the concept of no cost-shifting from VRET customers to non-VRET customers. In Staff's discussion of this statutory factor, Staff presents two concepts that warrant additional discussion. First, Staff suggests utilities compare system cost allocations over the life of the VRET contract term with and without the VRET program. A clear demonstration of no cost shifting is an important element of a successful VRET program design and PacifiCorp fully supports making this showing as part of its filing in Phase III. Creating modeling runs of system allocations with and without the VRET resource may not, however, be the most effective way to make this showing. PacifiCorp recommends the Commission not adopt at this time any specific methodology for evaluating whether a utility has sufficiently demonstrated no cost shifting to non-participating customers.

Second, Staff suggests that VRET load be included in retail load for purposes of calculating the RSP compliance obligation of the utility. PacifiCorp recommends excluding VRET load from the total retail load for purposes of calculating the RPS compliance obligation to avoid a double compliance obligation for the VRET customer, which could potentially result in increased RPS compliance costs for customers. The principle of avoided cost-shifts is critical to the success of the VRET but the recommendation of Staff may not achieve that result. This issue should be resolved as part the review of the utility's VRET proposal in Phase III.

- d. **Statutory Factor 4: Whether the VRETs provided by electric companies to nonresidential customers rely on electricity supplied through a competitive procurement process.**
- Competitive bidding should only be required by the Commission if there is a proposed VRET design to serve aggregated VRET demand.

PacifiCorp takes no position on this recommendation at this time but notes that to the extent that utility ownership of a VRET model is not authorized, this recommendation could result in the utility being required to issue and administer a request for proposals on behalf of a third party. PacifiCorp is also uncertain what process Staff contemplates for competitive bidding. The current RFP process for utility procurement of major resource acquisitions can be costly and time-consuming and the Commission may want to consider a streamlined procurement process for VRET purposes if it intends to require oversight.

- e. **Statutory Factor 5: Any other reasonable consideration related to allowing electric companies to offer VRETs to their nonresidential customers.**
- The utility should be required to provide a clear power mix disclosure to VRET customers that explains the amount of power that the VRET customer is receiving from a VRET resource and utility-system resources

PacifiCorp supports accurate messaging to customers regarding their power supply, especially in the context of voluntary programs customers participate in for the express purpose of the renewable energy benefits. There may, however, be multiple ways to achieve accurate messaging to VRET customers that does not involve creating a new power source disclosure template specific to each VRET customer. VRET customers are limited to non-residential customers and, based on PacifiCorp's experience, highly sophisticated regarding their power use and fuel mix. In addition, these customers are likely seeking very specific power supply mixes from participation in a VRET. Given these considerations, PacifiCorp recommends that the appropriate form and method of communicating a VRET customers' power mix be determined in the context of a specific VRET proposal in Phase III.

### III. Conclusion

PacifiCorp appreciates the work of Staff in crafting reasonable conditions to guide development of VRET offerings by the utilities. PacifiCorp recommends the Commission authorize utility ownership of the VRET resource, subject to conditions as described in these comments, close Phase II, and authorize utilities to bring forth specific VRET proposals in Phase III that are consistent with the recommendations set forth in the Staff Report, as modified and clarified in these comments.

If you have questions about these comments, please contact me at (503) 813-6389.

Sincerely,



R. Bryce Dalley  
Vice President, Regulation