

January 9, 2015

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Public Utility Commission of Oregon  
3930 Fairview Industrial Dr. S.E.  
Salem, OR 97302-1166

Attn: Filing Center

**RE: UM 1690 – Voluntary Renewable Energy Tariffs for Non-Residential Customers  
PacifiCorp’s Reply Comments in Response to the Voluntary Renewable Energy  
Tariff Issues List**

PacifiCorp, d/b/a Pacific Power (PacifiCorp or the Company) submits these reply comments in response to the December 12, 2014 comments submitted by parties to docket UM 1690. The Company continues to urge the Public Utility Commission of Oregon (Commission) to authorize utilities to file voluntary renewable energy tariff (VRET) proposals consistent with parameters established as part of this proceeding.

**I. The Commission should authorize utilities to offer VRETs.**

House Bill (HB) 4126 authorizes the Commission to allow utilities to offer VRETs, pending investigation and consideration of the impacts of a utility VRET on the development of renewable resources, the competitive retail market, non-participating customers, competitive procurement processes, and any other reasonable consideration. The core issue in this proceeding is whether the VRET models identified in Staff’s *VRET Models Table* have the potential to fulfill these statutory considerations. PacifiCorp argues strongly that the answer is “YES.” A utility VRET offering is likely to drive development of renewable resources because customers want greater access to renewable resources and they want their choices to include a utility VRET as well as electric service supplier (ESS) renewable offerings. It is almost axiomatic that a utility VRET offering expands the competitive retail market by increasing the number of options available to customers. Finally, although parties disagree on the best method to prevent impacts to non-participating customers, parties generally agree that non-participating customers must be held harmless as the result of a utility VRET offering.

It is too early in the consideration of utility VRET offerings to significantly limit the form of potential VRET offerings—as PacifiCorp has continually argued, maximum flexibility is needed in the early stages in order to allow innovation for utility VRET offerings to be responsive to customer needs. Large customers, in particular, have voiced interest in participating in a VRET for a variety of reasons, such as to demonstrate leadership in

sustainability practices, meet greenhouse gas and/or carbon reduction goals and provide greater certainty about long-term energy costs. These customers are interested in scalable products that will provide greater options on how to meet these goals in a cost-efficient manner.

Because VRETs are a customer choice program, the success of utility VRETs in achieving the statutory considerations in HB 4126 is tied directly to the attractiveness of the VRET offerings to customers and limiting the options available for utility VRETs undermines the success of a program. Similarly, completely denying customers the opportunity to choose a utility VRET could dampen the market for renewables and stymie development of innovative opportunities to expand all aspects of renewable development in Oregon, including distributed generation. A utility VRET should be viewed as complementary to the options that customers currently have with self-generation, Public Utility Regulatory Policy Act contracts, and Direct Access.<sup>1</sup> PacifiCorp strongly urges the Commission to not preclude the use of any of the utility VRET models currently under consideration and to authorize utilities to offer VRETs on a pilot basis.

Based on the thorough treatment of the statutory considerations from HB 4126 in this proceeding, PacifiCorp urges the Commission to authorize utilities to offer VRETs on a pilot basis. Any utility VRET filing should thoroughly address, at a minimum, (1) protection of non-participating customers; (2) eligibility criteria; (3) pricing details and process and provisions for individually negotiated contracts (if applicable); (4) terms of service under the VRET; and (5) eligible renewable resources.

## **II. Responses and clarifications to opening comments**

PacifiCorp offers the following responses and clarifications to comments raised by parties in their opening comments.

### **1. Direct Access details**

Several assertions regarding utility Direct Access were made that require correction or clarification. First, PacifiCorp does not have a demand threshold of 30 kW for Direct Access as implied by the comments of Iberdrola Renewables, Inc. (Iberdrola) and the Northwest and Intermountain Power Producers Coalition (NIPPC).<sup>2</sup> All nonresidential customers are eligible for the Company's one-year opt-out program. Second, there is no requirement that customers electing Direct Access must take service at all meters, as asserted by NIPPC and Noble Americas Energy Solutions, Inc. (Noble).<sup>3</sup> Customers can select which meters they elect to opt in to Direct Access service. Finally, Direct Access does not currently allow service for a portion of load at a

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<sup>1</sup> Indeed, PacifiCorp and NIPPC are in agreement on this point. As stated by NIPPC, "To the extent a VRET is created in conjunction with extant Direct Access policy . . . a competitive market will have an opportunity to develop and deliver renewable power at least cost." Comments of NIPPC at 6. (Emphasis added).

<sup>2</sup> See Comments of Iberdrola Renewable, Inc. at 1; Comments of NIPPC at 9.

<sup>3</sup> See Comments of NIPPC at 6; Comments of Noble at 3.

retail meter by an ESS. NIPCC's recommendation that a "Direct Access VRET"<sup>4</sup> allow for this type of service is inconsistent with NIPCC's argument for consistency between Direct Access and utility VRETs—an argument PacifiCorp opposes. More importantly, allowing an ESS and utility to both provide electricity service to an individual retail meter introduces an unnecessary level of complexity that could shift risk from the ESS to utility customers due to the time-based variability in the cost of serving customers. PacifiCorp again notes that Direct Access does not preclude renewable offerings.

## **2. Cost-effective energy efficiency.**

PacifiCorp is concerned with the proposal of the Citizens' Utility Board (CUB) to require that utility VRET participants are "assisting to acquire all cost-effective energy efficiency . . . ."<sup>5</sup> PacifiCorp is supportive of cost effective energy efficiency and can certainly assist utility VRET customers to assess their energy efficiency options. However, to the extent CUB's proposal is a requirement that utility VRET customers acquire all cost-effective energy efficiency as a prerequisite to utility VRET participation, PacifiCorp is concerned that such a requirement is overly prescriptive and would place an unnecessary limitation on customer participation in a voluntary utility VRET program. Furthermore, each individual customer has their own view of what constitutes cost-effective energy efficiency.

## **3. Cost competition.**

Several parties argue that allowing utility VRETs will harm the competitive retail market due to the advantageous position of utilities relative to an ESS, particularly if utility VRETs do not have program elements equivalent to Direct Access. Driving the need for a utility VRET is the principle of customer choice and customers want the option to pursue renewable resources with their utility provider. This customer desire is not due to a price advantage—as pointed out by Portland General Electric (PGE), VRET offerings are typically designed as a premium product to retail service. Instead, customers are driven by a desire to receive a VRET product from an established service provider with whom they already have a relationship and that meets their individual needs.

While the utility's role as the default service provider creates an on-going relationship between the utility and customers by necessity, this should not be used to limit the utility's ability to provide the best customer service and be responsive to customer needs. Moreover, all customer choice relationships cut both ways—if customers are not happy with their utility provider, they may have an incentive to go with an alternative provider. Limiting the ability of the utility to offer a VRET on this basis reduces customer choice, penalizes utilities for providing good customer service and may create an additional layer of complexity for those smaller customers seeking a renewable supply option. Furthermore, the Federal Energy Regulatory

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<sup>4</sup> Comments of NIPPC at 6. NIPPC refers to the VRET as a "Direct Access VRET;" however, HB 4126 specifically contemplates a *utility*, not ESS, VRET offering. Furthermore, ESS's can already provide renewable service options to customers, as noted in the comments of Noble (p. 5), Iberdrola (p. 2), and Shell (p. 8).

<sup>5</sup> Comments of CUB at 9.

Commission rules and the Commission's rules already contain provisions for a code of conduct that ensures players in the competitive retail market are not accruing undue advantage.<sup>6</sup>

Several parties also argue that the Commission adopt a competitive procurement process for utility VRET resources. For a voluntary option that holds non-participating customers harmless, there is no basis for the additional costs associated with the competitive bidding guidelines and in particular, the requirement to retain an independent evaluator, which would add costs to customers. The voluntary nature of the utility VRET program will provide a clear incentive to the utility to acquire VRET resources as competitively as possible for a model that could include third party and/or utility ownership and operation.

Noble in particular argues that the request for proposal requirements adopted by the Commission in docket UM 1182 should apply to utility-owned VRET resources, regardless of size.<sup>7</sup> The appropriate size threshold was a contested issue in docket UM 1182 and complete removal of the threshold for VRET resources should not be adopted without a more thorough discussion of this issue. Should the Commission require competitive VRET bidding, the same 100 MW size threshold for resources should apply. The Company also would urge the Commission to clarify who is responsible for the associated costs: bidders or VRET customers.

### **III. Changes to Direct Access should be addressed in a docket specific to Direct Access**

This docket is about investigating the possibility of a utility VRET, not reforming or modifying Direct Access. To the extent that parties wish to incorporate elements of proposals made in this docket into the Direct Access program, those proposals should be made and considered in Direct Access-specific dockets, not in UM 1690.<sup>8</sup> To the extent parties believe the structure of Direct Access, as currently established by Commission rules, inhibits the competitive retail market contemplated by Direct Access, parties have had ample opportunity to address the structure of Direct Access, including as recently as docket UE 267. Furthermore, it does not make sense to impose structural elements on a utility VRET that parties assert inhibit the competitive retail market in the Direct Access context.<sup>9</sup> The argument for imposing direct access structural elements on a utility VRET ignore the fact that the Commission carefully considered

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<sup>6</sup> Particularly egregious is Shell's assertion that PacifiCorp has preferential access to transmission and ancillary services; Shell's assertion is wrong. Comments of Shell Energy at 10 ("...the utilities will enjoy the multitude of competitive advantages that come with their monopoly utility status [including] preferential access to transmission and ancillary services."). PacifiCorp Energy, the commercial and trading arm of PacifiCorp, has access to transmission and ancillary services from PacifiCorp per the terms of PacifiCorp's Open Access Transmission Tariff, which are the same terms available to all PacifiCorp transmission customers.

<sup>7</sup> Comments of Noble at 12.

<sup>8</sup> NIPPC, for example, urges the Commission to "authorize utilities to file a new and separate tariff for renewable service under Direct Access." Comments of NIPPC at 4. As previously stated, PacifiCorp views a utility VRET offering as complementary to Direct Access but rejects the suggestion that a utility VRET under Direct Access is what was contemplated by HB 4126.

<sup>9</sup> For example, Noble argues that "[i]f direct access customers have to operate within a predefined arrangement that 'protects' the remaining bundled customers and/or shareholders of the utility, then allowing the utility to bypass these 'protections' in their VRET offering is unduly discriminatory and harms the competitive retail market." Comments of Noble at 7.

elements of Direct Access service, such as election windows, caps, and transition charges and credits in the context of and specific to Direct Access;<sup>10</sup> a utility VRET is separate and distinct from Direct Access and its ultimate structure should reflect that distinction.

#### **IV. Conclusion**

A utility VRET can meet the statutory considerations set forth in HB 4126 and the Commission's consideration of utility VRET offers a unique opportunity for Commission to innovate for the benefit of customers. While several details of utility VRETs will need to be developed, what is clear is that authorizing utilities to offer VRETs will provide another option for customers to elect renewable power to service their retail load, expanding the competitive retail market, and promoting development of renewable resources. The issues raised in this proceeding have set the parameters of what a utility must address in any utility VRET filing and provide a framework for analyzing utility VRET filings, which will have the analytical benefit of definitive program features. At this time, the Company urges the Commission to authorize utilities to file utility VRET offerings for consideration by the Commission and interested stakeholders on a pilot basis.

Please direct questions regarding this filing to Joelle Steward, Director, Pricing, Cost of Service and Regulatory Operations, at (503) 813-5542 or Erik Andersson, Economic Development Manager, at (503) 813-5117.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bryce Dalley" with a stylized flourish at the end.

R. Bryce Dalley  
Vice President, Regulation

cc: UM 1690 Service List

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<sup>10</sup> Election windows, for example, serve an important function in Direct Access. They provide a point in time when customers can comparably evaluate cost of service rates with market based offerings. This same comparison may not be necessary under a VRET if the VRET is not based on market, but instead a specific resource for which the customer pays a premium, or if the utility VRET is structured akin to a customer pursuing self-generation with cost-based partial requirements service from the utility.

## CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of PacifiCorp's Reply Comments on the parties listed below via electronic mail in compliance with OAR 860-001-0180.

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