



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

August 21, 2015

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street, S.E.
P.O. Box 1088
Salem, OR 97308-1088

RE: **UM 1690 – PGE’s Comments for Phase 1 of the Voluntary Renewable Energy Tariff**

Portland General Electric (PGE) appreciates the opportunity to provide comments regarding Phase 1 of the Voluntary Renewable Energy Tariff (VRET).

Please direct any questions regarding this filing to Jay Tinker at (503) 464-7002.

Please direct all formal correspondence and requests to the following email address pge.opuc.filings@pgn.com

Sincerely,

A handwritten signature in blue ink that reads "Jay Tinker". The signature is written in a cursive, flowing style.

Jay Tinker
Director, Regulatory Policy & Affairs

cc: UM 1690 Service List

Background

In the 2014 legislative session, House Bill 4126 (HB 4126)¹ was passed, directing the Public Utility Commission (PUC or Commission) to open a docket (UM 1690) to study in three phases:

- **Phase 1:** The impact of allowing electric companies to offer Voluntary Renewable Energy Tariffs (VRETs) to nonresidential customers
- **Phase 2:** Leveraging Phase 1 results, assess whether, and under what circumstances, it is reasonable and in the public interest to allow electric companies to provide a VRET; making sure to consider the following:
 1. Whether it will promote further development of significant renewable energy resources;
 2. Whether it will affect the competitive retail market;
 3. What direct or indirect impacts will be felt by nonparticipating customers;
 4. Whether the VRET will rely on electricity supplied through a competitive procurement process; and
 5. Any other reasonable considerations.
- **Phase 3:** If the PUC determines in Phase 2 that VRETs can be offered, electric companies may be authorized to file a schedule that establishes rates, terms, etc. of the VRET.

UM 1690 Phase 1

Fundamental to Phase 1 of UM 1690 was the question of what the impact would be of allowing electric companies to offer VRETs. The parties considered the various options available today from the competitive market, how other states had approached this topic, the market structures under which a VRET might be offered, and customer interest in this type of product.

At the June 23, 2014 workshop a number of customers joined the workshop to share their perspectives. Attending and commenting that day were representatives from

¹ <https://olis.leg.state.or.us/liz/2014R1/Downloads/MeasureDocument/HB4126/Enrolled>

Facebook, City of Portland, Walmart, Solar World, Legacy Hospitals, Staples, Oregon Military Department, and City of Hillsboro with CH2M Hill.² Additionally, the World Resources Institute (WRI), who represents companies committed to being sustainability leaders, shared the perspective of its members with the Commission.

The common theme amongst the companies speaking was that current Renewable Energy Credit (REC) based products do not match their leadership position with respect to their sustainability goals, and that they want their utility's support in responding to the requests their customers or suppliers are making of them. For the municipal representatives, they shared their perspective that this is an option they want available both for their own purposes and for the businesses siting in their jurisdiction. From the developers represented we heard that this type of product is a distinguishing feature customers are looking for now as they choose where to locate their facility.

Customer support for a utility provided option was not limited to the June 23 workshop. While some continued a presence at future workshops, others demonstrated their support by sharing written comments in the HB 4126 process or the UM 1690 docket. For example, City of Portland's June 14, 2014 email to Staff states, "Portland is a potential participant and purchaser of renewables through a Voluntary Renewable Energy Tariff. Renewable generation resources are a key part of Portland's 2009 Climate Action Plan to reduce the community-wide carbon emissions by 80 percent by 2050."³ Additionally in the June 23, 2014 workshop, the City of Portland advocated for this option to be available to the businesses in their jurisdiction.

Facebook in its July 28, 2014 filing conveyed its support by sharing WRI's *Corporate Renewable Energy Buyers' Principles: Increasing Access to Renewable Energy*. This document signed by Intel, REI, Hewlett Packard, Walmart, Sprint and Facebook (among others) states that "Sixty percent of the largest US businesses have set public climate and energy goals to increase their use of renewable energy."⁴ Companies are setting these goals because reducing energy use and using renewable

² <http://edocs.puc.state.or.us/efdocs/HAH/um1690hah83525.pdf>

³ <http://edocs.puc.state.or.us/efdocs/HAC/um1690hac105611.pdf>

⁴ WWF, Ceres and Calvert Investments (2012) Power Forward: Why the World's Largest Companies are investing in Renewable Energy.

energy have become core elements of business and sustainability strategies.”⁵ They ask for “...the opportunity to work with local utilities to design and develop innovative programs and products that meet our needs...” They also state that “Where possible, we would like to procure renewable energy from projects near our operations and/or on the regional energy grids that supply our facilities so our efforts benefit local economies and communities as well as enhance the resilience and security of the local grid.” We heard similar comments from Facebook at the June 23, 2014 and the August 12, 2014 workshops.

Additionally, Facebook in its advocacy for HB 4126 stated:⁶

While our work to improve data center efficiency is significant we seek to further the sustainability of our operations by having access to more sources of cost competitive clean and renewable energy. HB 4126 provides an opportunity for all businesses to make some important steps toward increasing their use of clean renewable energy and for this reason we encourage your support.

Facebook has also committed to a goal of 25 percent renewable energy for all of its global data centers by the end of 2015.⁷

WRI in their December 12, 2014 filing states that “Enabling utilities to offer VRETs can reasonably be expected to produce substantial public benefits, notably by encouraging the development of renewable energy and attracting large, sophisticated business customers in the technology and other sectors, who are actively seeking out renewable energy supplies and who often have the ability to shift operations, employment, and energy consumption among locations readily. By adding, or retaining, a significant customer base in the Oregon electricity system, VRETs can also strengthen the offering utilities and potentially independent generators financially, to the benefit of non-VRET customers as well.”⁸

Phase 1 additionally yielded insights into what other utility offerings exist to address this customer demand. In its report, *Emerging Green Tariffs in U.S. Regulated Electricity Markets*, WRI highlighted five commercial and industrial green tariff proposals

⁵ <http://edocs.puc.state.or.us/efdocs/HAC/um1690hac144627.pdf>

⁶ <https://olis.leg.state.or.us/liz/2014R1/Downloads/CommitteeMeetingDocument/32907>

⁷ <http://www.forbes.com/sites/emc/2014/07/10/why-big-tech-companies-are-investing-in-renewable-energy/>

⁸ <http://edocs.puc.state.or.us/efdocs/HAC/um1690hac144016.pdf>

and offerings across the country: Puget Sound Energy (Washington), Rocky Mountain Power (Utah), NV Energy (Nevada), Duke Energy (North Carolina), and Dominion Power (Virginia).

It is clear that there is a market interest in the availability of VRET options that is currently not being addressed in the competitive market. To help consider whether and under what circumstances it is reasonable and in the public interest to allow electric companies to provide a VRET, Staff's report outlines three additional considerations summarized below that should be addressed in Phase 2:

1. Do nonresidential customers have sufficient options for renewable energy products through existing policies?
2. Do customers find value in their regulated utility providing this type of offering?
3. Is it in Oregon's best interests to allow regulated utilities to offer this product?

Sufficient Options Do Not Exist Today

Staff posed the question, do nonresidential customers have sufficient options for renewable energy products through existing policies? PGE believes based on our interactions with current and prospective customers that the answer is no. While at one-time REC-based products were sufficient to satisfy the market, it is clear that over the past few years the market has been evolving in a new direction. Increasingly customers are seeking a solution that provides additionally, i.e. new renewable energy projects are developed because of the customer's investment; is bundled – not RECs only; and is within reasonable proximity to their facility.

A 2012 study of PGE business customers identified that about half of PGE's nonresidential customers believe that PGE should use more renewable resources, even if they cost more than alternative resources. Among these customers, 74% are willing to pay an additional 5-10%.⁹ Customers and prospective customers are driving the market for a VRET for three primary reasons:

- 1. Reach internal sustainability and carbon reduction goals.** Many of PGE's nonresidential customers have sustainability or carbon action plans. These

⁹ PGE IRP Research: Relevant Insights from Residential, General Business, & Key Business Customers. Nov. 2012.

customers are increasingly looking for a product that goes beyond RECs such that they are able to see new projects being developed locally. One example of how customers are advancing their sustainability efforts can be seen in Starbucks' *2014 Global Responsibility Report* which highlights an evolution in thinking about renewable energy beyond a REC-based offering:

...Starbucks is focused on advancing renewable energy sources through purchasing practices... In 2014, Starbucks purchased renewable energy equivalent to more than 59% of the electricity used in our global company-operated stores. Although we have applied renewable energy purchases to our global energy footprint, the renewable energy credits purchased were primarily designed to spur development of the U.S. renewable energy market.¹⁰

2. **Satisfy the needs of their customers:** Desire to participate in a VRET is not just driven by the nonresidential customers' business goals. Increasingly, their customers are choosing to purchase products produced with clean energy or selecting to do business with companies that match their sustainability ethic. The nearly 120,000 residential customers enrolled in PGE's renewable portfolio options demonstrate a sustained public interest renewable power.

3. **Fulfill supply-chain flow-down requirements:** Many high-tech, manufacturing, and data center customers have strict sustainability guidelines that are passed through to them via supply chain contracts. For example, Apple announced a goal earlier this year that its supply chain be supplied by 100 percent renewable energy.¹¹ PGE has heard from some customers falling into this category that a VRET product is needed to help fulfill their contractual obligations.

VRETs Play a Role in Economic Development

¹⁰ Starbucks 2014 Global Responsibility Report:
<http://globalassets.starbucks.com/assets/ea2441eb7cf647bb8ce8bb40f75e267e.pdf>

¹¹ Daisuke Wakabayashi, "Apple expands renewable energy goal," May 10, 2015, Wall Street Journal:
<http://blogs.wsj.com/digits/2015/05/10/apple-expands-renewable-energy-goal-to-cover-supply-chain/>

In addition to existing customers driving demand for a VRET product offering, PGE has developed a unique perspective on the evolving market for clean energy products through our economic development efforts. As the first point of contact for new and prospective nonresidential customers on electric infrastructure (capacity, reliability, power quality, prices, green power, etc.), PGE and other electric companies have insight into the evolving needs customers' have for renewable energy products. Since 2012, we have heard from these companies – which cover a diverse range of industries and sectors including high tech/clean tech, advanced manufacturers, engineering, food processors, apparel, software, retail, school districts, municipalities, and hospitals – that they wish to procure renewable energy directly from PGE. As CH2M Hill indicated in their 2014 letter to Members of the State House Energy & Environmental Committee, availability of utility-provided clean energy tariffs is important to many companies when considering their siting and location:

Businesses consider a variety of factors when deciding on where to locate – tax structure, land availability, access to markets, reliability and adequacy of energy to serve their facility. Given your consideration of HB 4126 -3, we wanted to take the opportunity to relay a new factor we have seen as companies are considering their options – the availability of green energy. Having the opportunity for a utility to provide green energy options for industrial customers makes Oregon more competitive on that issue. Some of the world's largest companies have implemented sustainability and renewable energy goals that require that their future factories have access to green power options. In addition, companies that care about powering their facilities with renewable energy would seem to fit with Oregon's goals and values.

The green power options discussed by CH2M Hill are not met by today's existing programs. While promoting economic development is not in the Commission's purview, business growth in the Company's service territory spreads fixed costs over a larger base and has the potential to reduce costs for all customers.

PGE is a National Leader in Renewable Energy Development and Program Administration

Staff posed the question, do customers find value in their regulated utility providing this type of offering and is it in Oregon's best interest to allow the regulated utility to offer this product? The answer to both questions is yes. Utilities are in the business of efficiently owning, operating and managing the integration of generation resources. It is natural for customers to seek the support of a qualified vendor to provide this service to them, and to have options in who they choose to be their supplier. For some customers an ESS is satisfactory for meeting this need. For others however, they prefer it to be the regulated utility.

From a customer's perspective, they see PGE as a reputable supplier who can deliver to them the high quality product they are looking for, as proven by our experience managing the operation of 717MW of utility-scale renewable energy facilities.¹² Additionally, PGE has aided in the development of specialized renewable energy facilities with a number of key customers (i.e. Portland Public Schools, ODOT, Prologis) demonstrating our ability to partner with customers on their sustainability goals while looking out for the interests of all customers. Finally, our industry-leading customer-facing renewable energy programs, and compliance with applicable rules and regulations related thereto, makes it is easy to understand why some customers want PGE to be an option when looking to meet their renewable energy needs under a VRET.¹³ PGE believes that given the shifting landscape of customer expectations, it is fair to expect that Clean Wind customers will not only increasingly ask for a VRET-type solution, some will in fact migrate to a VRET if offered.

¹² PGE's Generating Plans. www.portlandgeneral.com/our_company/energy_strategy/power_generation/

¹³ In 2014, over 170 nonresidential customers voluntarily contributed over \$1 million to participate in PGE's Clean Wind program.

Recommendation

PGE reaffirms its position that not only is there evidence of market support for a VRET product, it is in the public interest to offer an additional tool to customers who are willing to take on the financial burden for their sustainability leadership and want their utility's support. PGE is grateful for the opportunity to provide comments at the conclusion of Phase 1 and asks the Commission to support Staff's recommendation to move to Phase 2.