

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1690**

In the Matter of)	
)	
PUBLIC UTILITY COMMISSION OF)	REPLY COMMENTS OF THE
OREGON)	INDUSTRIAL CUSTOMERS
)	OF NORTHWEST UTILITIES
)	
Voluntary Renewable Energy Tariffs for)	
<u>Non-Residential Customers / HB 4126</u>)	

ICNU appreciates the opportunity to participate in Staff’s process regarding the offering of a voluntary renewable energy tariff (“VRET”) pursuant to HB 4126, and specifically to comment on parties’ answers to the questions in Staff’s Issues List. A VRET should be a narrow, voluntary offering tailored to the needs of non-residential customers, and should not result in cost shifting to other customers not taking service under a VRET. In addition, ICNU believes the design and implementation of a VRET should not impact the Public Purpose Charge, nor should it negatively impact the current direct access program. Below, ICNU replies to parties’ answers to the following questions posed in Staff’s Issues List.

I. How should a Voluntary Renewable Energy Tariff (VRET) be defined and designed? (*context/general issues*)

ICNU is supportive of a VRET design that allows retail customers to gain greater access to, and participation in, markets for renewable energy. Under a VRET structure, the retail customer is the entity that is driving renewable resources demand. It follows that the retail customer should also be the entity that is actively participating in the market for renewable resources, driving an efficient outcome in the market.

ICNU is generally supportive of the comments made by the Citizen’s Utility Board (“CUB”), Noble Solutions, Shell Energy, and Northwest & Intermountain Power

Producers Coalition (“NIPPC”). These parties each note that further investigation into direct access and how it can be implemented more effectively to support Green Tariff offerings should be a foundational inquiry, and note that the current direct access program should serve as either a prototype or vehicle for any new VRET program. ICNU understands that some parties, including the utilities, prefer not to consider a direct access VRET during the proceeding; however, as pointed out by NIPPC, the legislative history of HB 4126 anticipated that direct access and its rules may be an essential component of a VRET. NIPPC cites to the comments of Representative Smith, who stated during the legislative hearing that a renewable energy tariff could be subject to the application of “the consumer protections under those [Direct Access] rules.”^{1/} As a result, to implement the intent of the legislature, it is important that the Commission carefully consider how direct access tools can be used as a basis or platform for a successful VRET.

ICNU appreciates PGE’s awareness and acknowledgement of the statutory prohibition on cost shifting between participating and non-participating customers; nonetheless, the Subscription Method proposed by PGE may not be a viable solution. As CUB notes, “the issue of a utility owned resource is generally one fraught with problems.”^{2/} Such a model would require the utility to increase its rate base to a degree that would likely render the economics of a VRET program to be unattractive to retail customers. It also appears that by increasing rate base, PGE’s model could result in a cost shift to non-participating customers, and would likely result in stranded costs that non-participating customers may be asked to pick up. While ICNU understands that PGE presents a high-level overview, the mechanics of the proposal do not provide a reliable method to “carve out” the costs and benefits of a subscribed renewable

^{1/} Comments of NIPPC at 6, n. 8.

^{2/} Comments of the Citizens’ Utility Board at 5:16-17.

resources, which will have broader implications on the Company's overall system than just avoided costs. In addition, such a model will create substantial risks to non-participating customers if the renewable resources become undersubscribed, requiring non-participating customers to pay the costs of the voluntary renewable resources. On the other hand, if PGE were to put off adding a VRET resource until it is fully subscribed and the risks have been fully allocated away from PGE and customers, then it may mean that such a VRET would never actually be offered.

On the other hand, PGE and Shell Energy propose virtual wheeling options (in the mold of model 1.b/x), which could be an improvement over the utility-owned resource options. Nonetheless, ICNU agrees with Shell Energy that such an approach is inferior to a properly designed direct access model.

II. Whether Further Development of Significant Renewable Energy Resources is Promoted? (*issues related to HB 4126 Section 3(3)(a)*)

The best way to promote renewable resources is to allow the market—which, in this case, is being driven by retail customer demand—to operate efficiently. The premise of this proceeding is that there is retail demand for renewable energy that is not being satisfied by the regulated utilities or ESSs. If retail customers should be given greater control over the procurement of power supply through greater access into, and participation in, markets for renewable energy, the development of significant new renewable resources may be promoted. ICNU is supportive of parties, including Noble Solutions, NIPPC, and Shell Energy, which have suggested that the current direct access model should be used as a framework to provide retail customers with greater access into wholesale markets for renewable resources.

ICNU does not agree with assertions made by some parties that a VRET mechanism operating in a regulated, utility-owned model would encourage significant renewable resource development. Not only would such a model likely be uneconomic to retail customers, it may only provide a limited number of renewable resource options to retail customers, limiting the development of new resources.

**III. What may be the Effect on Development of a Competitive Retail Market?
(HB 4126 Section 3(3)(b))**

The comments of numerous parties demonstrate that it would be harmful to competitive retail markets if a utility were granted an exclusive right to procure renewable energy on behalf of its retail customers. A number of commenters incorrectly assert that if a utility went shopping for a renewable resource that it would use to offer a utility-owned or utility-run VRET, this procurement would bolster the market. These comments are incorrect because they do not distinguish between the wholesale market and the retail market. While a utility-run VRET might create a new wholesale purchase, HB 4126 requires consideration of the impact on *retail* markets. As demonstrated by numerous commenters, a utility-run VRET would harm the retail market.

Limiting the renewable resource options to only those resources deemed suitable by the utility, under a utility-owned model, will result in a retail market that is, by definition, less competitive. ICNU does not agree with Pacific Power that retail markets would be indifferent regardless of whether the utility or an IPP owns the renewable generation because both are likely to incur the same resource costs. The point is not whether the utility or the IPP will incur lower resource costs, but whether a competitive market will be allowed to operate effectively to drive least costs.

ICNU also supports the comments of several parties that note that if a VRET is similar to, but different than current direct access programs, features such as enrollment windows must be consistent between the programs to prevent harm to the competitive market.

IV. What may be the Direct or Indirect Impacts on Non-Participating Customers (issues related to HB 4126 Section 3(3)(c))

ICNU's review of the initial comments suggests that there is broad support for the concept that there should be no direct or indirect impact on non-participating customers if a customer decides to participate in a VRET. ICNU notes that multiple commenters discuss minimizing or reducing the impacts to non-participating customers. The Commission should keep in mind that any proposal that would "minimize" or "reduce" impacts to non-participating customers would not comport to the flat prohibition on *any* cost shifts contained within HB 4126, whether such cost shift were a cost or a benefit.

V. Whether VRETs should rely on a Competitive Procurement Process? (issues related to HB 4126 Section 3(3)(d))

While ICNU does not believe that a VRET based on utility-acquired resources is viable or advisable; nonetheless, there should be no relaxation of the current regulations regarding the use of a competitive procurement process to acquire such a resource. The obligations for the utility to acquire resources in a least-cost manner still apply even in a situation when the utility is acquiring a resource for a specific subset of customers.

VI. Other considerations (issues related to HB 4126 Section 3(3)(e))

While ICNU agrees with most of the initial comments of CUB, including its call to focus the conversation in this docket on direct access or other models that feature the utility as facilitator, ICNU believes that CUB's final recommendation that customers be required to

acquire “every bit” of low-cost conservation before being eligible for a VRET should not be adopted by the Commission. ICNU is strongly supportive of conservation, and ICNU’s members, and large customers in Oregon generally, have invested more in conservation than any other electric consumers in the state. Oregon industrial customers continue to aggressively pursue conservation, paying millions of dollars in public purpose charges to support system-wide conservation, while investing far more of their *own* funds into industrial conservation than does the Energy Trust of Oregon. Nonetheless, while pursuing all cost-effective conservation an appropriate resource acquisition strategy, it should not be placed as a barrier to customers who wish to support the development of renewable energy through an appropriate VRET, this is not the intent of the law.

ICNU appreciates this opportunity to comment on the foregoing issues raised by Staff’s VRET study and to address parties’ comments.

Dated this 9th day of January, 2015.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

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January 9, 2015

Via Electronic Mail & Federal Express

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Re: PUBLIC UTILITY COMMISSION OF OREGON
Voluntary Renewable Energy Tariffs for Non-Residential Customers / HB 4126
Docket No. UM 1690

Dear Filing Center:

Enclosed please find the Industrial Customers of Northwest Utilities' Reply Comments on Staff's Final Issues List. Please note that ICNU has previously filed a filled-in VRET Models Table.

Thank you for your assistance. If you have any questions, please do not hesitate to contact our office.

Sincerely,

/s/ Hannah A. Adams
Hannah A. Adams

Enclosures
cc: UM 1690 Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the attached **Reply Comments** of the **Industrial Customers of Northwest Utilities** upon all parties in this proceeding by causing a copy to be sent via electronic mail to the following parties at the following addresses.

Dated at Portland, Oregon, this 9th day of January, 2015.

Sincerely,

/s/ Hannah A. Adams

Hannah A. Adams

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