



**Portland General Electric Company**  
121 SW Salmon Street • Portland, Oregon 97204  
[PortlandGeneral.com](http://PortlandGeneral.com)

December 11, 2015

Public Utility Commission of Oregon  
**Attn: OPUC Filing Center**  
201 High St. SE, Suite 100  
P. O. Box 1088  
Salem, OR 97308-1088

**RE: UM 1690 – PGE’s Comments for Phase 2 of the Voluntary Renewable Energy Tariff**

Enclosed for filing in Docket No. UM 1690 are Portland General Electric’s General Comments regarding Phase 2 of the Voluntary Renewable Energy Tariff. This document is being filed by electronic mail with the Filing Center.

If you have any questions or require further information, please call Jay Tinker at (503) 464-7002. Please direct all formal correspondence and requests to the following email address: [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com).

Sincerely,

A handwritten signature in black ink that reads "Karla Wenzel". The signature is written in a cursive, flowing style.

Karla Wenzel  
Manager, Pricing & Tariffs

KW:sp

PGE appreciates the thoroughness and hard work of Staff and stakeholders to complete the Phase 1 study and Staff's Phase 2 recommendations with regard to utilities offering voluntary renewable energy tariffs (VRETs) in Oregon. We agree with Staff's high-level recommendation that it is reasonable and in the public interest to allow electric utilities to offer VRETs and to move to Phase 3 of this proceeding. Of the nine conditions staff proposes to attach to VRETs, we disagree with three:

- PGE believes the regulated utility should have the ability to own a VRET resource, which may ultimately prove to be in the customer's interest;
- PGE believes that VRET product designs should not have to demonstrate differentiation from existing programs – doing so creates an unreasonable burden on both the utility and Commission staff; and
- PGE believes that the Commission should not require power mix disclosures, because VRET customers will be sophisticated consumers with their own needs for disclosure, and these customers – rather than the Commission – should drive disclosure requirements.

Our disagreement with Staff's recommendation on these three points is driven from a desire to maintain flexibility in the design of a VRET, a point we have stressed throughout this docket. We agree with and understand that we have the burden to demonstrate no risk or cost-sharing on non-participating customers when, and if we propose a VRET. We believe our points of disagreement with Staff can best be addressed in Phase 3 should they arise in the context of a particular VRET design that we propose.

While PGE does not have a VRET developed and prepared for filing, we are optimistic that we can match customer desires with a renewable product, while also addressing concerns about cost shifting. Our optimism stems from preliminary discussions with customers and a recent discussion with Duke Power about its Green Source Rider (GS)<sup>1</sup> approved by the North

---

<sup>1</sup> <http://www.duke-energy.com/pdfs/2013111501-addendum.pdf>

Carolina Utilities Commission two years ago. Google just announced that it will be a Duke GS customer.<sup>2</sup> We see the Duke offering as a model that met both customer and regulatory interests.

PGE has consistently supported utilities offering a VRET as a way to be responsive to evolving customer desires. At the outset of this docket in workshops and comments, customers have advocated for more renewable energy options.

### **UM 1690 Phase 1 and Customer Interest**

In Phase 1 of the Docket the Commissioners heard from customers and other stakeholders. Representatives from Facebook, City of Portland, Walmart, Solar World, Legacy Hospitals, Staples, Oregon Military Department, City of Hillsboro, and World Resources Institute (WRI) (who represents a large base of nationally prominent businesses) shared themes that current Renewable Energy Credit (REC)-based products do not match their leadership position with respect to their sustainability goals, and that they want more options including their utility's support in meeting their sustainability objectives.

Municipality representatives explained that they want a VRET as an option to power their own operations and to drive economic development—that the existence of a VRET could be used to recruit businesses to site their operations in that area. Specifically, the City of Portland has stated that “Portland is a potential participant and purchaser of renewables through a VRET. Renewable generation resources are a key part of Portland’s 2009 Climate Action Plan to reduce the community-wide carbon emissions by 80% by 2050.”

According to WRI, “60% of the largest US businesses have set public climate and energy goals to increase their use of renewable energy.” They have asked to be able to work with local utilities to develop programs and products that meet their energy and sustainability needs. Customers and prospective customers want to be able to enroll in a VRET product that:

- Contributes to the development of new renewables in the service territory; and
- Provides them long-term price certainty for energy fuel costs

---

<sup>2</sup> <http://news.duke-energy.com/releases/duke-energy-google-team-up-on-solar-power-project-in-n-c>

### **UM 1690 Phase 2 Recommendations**

Staff's threshold recommendation is that allowing electric utilities to offer VRETs is reasonable and in the public interest. After analyzing the four statutory considerations, Staff recommends nine conditions that attach to any such offering. PGE is generally supportive of Staff's recommended conditions but is concerned that several may excessively limit customer options. PGE prefers that the Commission not weigh down the potential of a VRET offering with conditions that make it difficult to explain to customers; may not respond to customer desires and needs; and thus may limit or eliminate customer interest. In our discussions with Duke Energy Carolinas, Duke reminds us that customers have varied interests including resource type, location, duration of agreement and more. It is important that these project features not be overly prescribed at this time but get addressed in Phase 3 when a specific tariff is filed.

PGE has no objections to six of the nine conditions that Staff recommends be attached to a VRET. We agree with the first three conditions, i.e. that Renewable Portfolio Standard (RPS) definitions apply to VRET products; VRET options only include bundled Renewable Energy Certificate (REC) products; and that a VRET resource becomes operational no earlier than 2015. These conditions align with customer interests. We likewise agree with the condition to cap the VRET at 300 aMW for PGE. PGE does not object to the Commission considering competitive bidding in instances of aggregated VRET demand. Finally, PGE agrees that 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.

PGE does, however, object to three of Staff's proposed conditions:

- 1) VRET product design should not be required to be unique to any existing programs (e.g. only long term contracts, less than 100 percent load eligible).***

Staff reasons that it is in the public interest that a VRET be differentiated from existing options to avoid negatively impacting the competitive market. Though PGE is open to product differentiation, the Company is concerned that this requirement is unduly burdensome to administer and achieve and could limit or restrict future program design. Energy Service

Suppliers view their offerings as competitive and confidential, and generally do not provide details on them. This lack of information would make enforcing the guideline very difficult while also creating difficulties in program design, as we may not know whether a particular design is different from anything offered in the market. Ultimately, customers should drive what is offered. Customers have particular requirements regarding timing, contract terms, type of resource, duration, location, and more. Adopting this particular staff recommendation unduly limits what may be developed.

*2) The regulated utility should be permitted to own a VRET resource.*

PGE would like the option to own the VRET resource, realizing that the “no cost shift” language in the statute means that recovery of and any recovery on the owned VRET resource would be borne by participating customers only. Risks of undersubscription and stranded costs would not be borne by nonparticipating customers. Even given this, PGE would like to preserve the option of ownership to preserve optionality for customers. Staff believes it would be more complex to demonstrate no cost-shifting. The Company disagrees. Commission Staff already reviews Company costs and pricing. This would be no different.

If utility ownership is allowed, Staff recommends three additional conditions. PGE agrees with two of them: no rate-basing a project that is the basis for a VRET, and Staff review of customer contracts prior to program approval.

PGE disagrees with Staff's recommendation on VRET Terms. Staff suggests that a VRET offering should be no more flexible than the direct access program to maintain a competitive marketplace, and recommends that VRET terms (e.g. timing and frequency) are the same as direct access terms. The implication is that unless VRET terms (in deals involving utility ownership) mimic direct access terms, the development of a competitive retail market will be negatively impacted. PGE disagrees with this assumption, because direct access is not a fair proxy for competition in renewable energy offerings at this time.

PGE proposes that the Commission review impacts on competition when the Company files a VRET. The best time to review impact on competition is when the Company files the rates, terms and conditions of the VRET. The utility's filing of a VRET, with the required demonstration of no cost shifting and terms of service, would give ample notice and opportunity to market providers to compete with the proposed PGE offering.

***3) The Commission should not require the utility to provide a clear power mix disclosure to VRET customers.***

PGE understands and supports the disclosure interest advocated by Staff. We caution, however, against being overly prescriptive as customers may have their own requirements for power mix descriptions and disclosures. Ultimately, VRET customers – which need disclosure to meet their corporate sustainability goals -- will drive the need for this requirement. A Commission imperative may become unnecessarily burdensome while providing no clear benefit beyond what the market will already demand.

**Moving to Phase 3**

We recognize that structuring a product that meets the evolving needs of our customers is a complicated process and may take time. In a recent discussion with Duke Energy Carolinas, we learned that it was two years from Commission approval of the Green Source Rider before Duke could successfully work out the details on GS Rider participation with Google. Thus far, our conversations with customers have been general-- not about specific terms and conditions. Thus, we do not have a solid gauge on those terms which will satisfy customer needs. This includes what customers may be willing to pay for this premium product. If the Commission finds that electric utilities' offering VRETs is reasonable and in the public interest and closes Phase 2, we will begin those discussions with customers aimed at filing a specific tariff. Getting the details right is important to PGE, our customers, OPUC Staff, stakeholders, and the Commission. A VRET will help set Oregon further along the path to a lower carbon future. For these reasons, we urge the Commission to find it reasonable and in the public interest for electric utilities to offer VRETs, close Phase 2 and move to Phase 3.