



CABLE HUSTON LLP

RICHARD LORENZ

rlorenz@cablehuston.com
www.cablehuston.com

December 10, 2015

VIA ELECTRONIC FILING

Oregon Public Utility Commission
Attn: Filing Center
3930 Fairview Industrial Drive SE
Salem, OR 97308

Re: UM-1690 Docket

Dear Filing Center:

I. Introduction

Facebook appreciates the opportunity to participate in this important matter and respectfully submits these comments on Staff's Phase 2 report concerning the adoption of a voluntary renewable energy tariff ("VRET").

Facebook (through its subsidiary Vitesse, LLC) owns and operates a data center in Prineville, Oregon, where it is a customer of Pacific Power. Facebook has adopted a goal of meeting all of the company's energy needs through renewable sources, with a near-term objective of using 50% renewable energy by 2018. The availability of a wide range of reliable and cost-effective renewable energy options will be crucial for it and others to reach renewable energy goals.

Facebook supports moving forward with the VRET, but is concerned that certain limitations proposed in Staff's Phase 2 report will restrict the potential success of the VRET and therefore limit the economic development, renewable energy investment, and environmental benefits otherwise possible.

II. VRETS are Reasonable and In the Public Interest

Facebook agrees with Staff's conclusion that a properly designed and implemented VRET would be in the public interest. VRETS would clearly be good for economic development in Oregon, as companies increasingly want to use energy from renewable sources and make business location decisions with this factor in mind. As Facebook has seen in Nevada and North Carolina, there are numerous ways to further incorporate renewable objectives in VRET-like structures, often including the utility as a valued partner.

29314.001\4850-2492-9580.v1

Allowing them to offer a VRET option would also be good for the long-term stability of Oregon's electric utilities. The power demands of today's businesses are evolving, and businesses care about the specific sources of their energy purchases. Simply offering unbundled renewable energy credits ("RECs") as a renewable energy product is no longer sufficient. Many customers prefer bundled renewable power from an identifiable renewable resource. The VRET will provide utilities a useful tool to meet this demand. If utilities are unable to address this need, then customers may consider other alternatives or locations that offer these options. The end result could be a significant loss of load for utilities, which the utilities say would be to the detriment of their remaining ratepayers and their shareholders.

Finally, a properly designed VRET can not only help promote significant economic development, it can also promote new renewable resource development consistent with Oregonian values and state law. Oregon law provides that "[c]ontinued growth in demand for nonrenewable energy forms poses a serious and immediate, as well as future, problem. It is essential that future generations not be left a legacy of vanished or depleted resources, resulting in massive environmental, social and financial impact." ORS 469.010(1). Oregon "has been a national leader in energy conservation and environmental stewardship, including the areas of energy efficiency requirements and investments [and] renewable energy investments" ORS 468A.200(8).

III. Transition Charges Should Follow the Principles of Cost Causation (and Therefore, by Definition, Not Apply to New Loads)

In its report, Staff emphasizes that the costs of any VRET should be borne solely by the participants and not by non-participating utility ratepayers. Facebook agrees that the rate-setting principle of cost-causation must be a feature of any well-designed VRET.

Facebook is concerned, however, that simply importing transition costs from the utilities' direct access tariffs—particularly for new loads—would limit a VRET's ability to meet intended policy goals by discouraging participation. Staff writes:

Not listed above is the possible perceived customer benefit that a VRET could provide a lower cost option to specific renewable resource products than direct access because the customer load is not leaving the utility system and therefore, transition charges would not apply. It is important to clarify that this perception is not a viable option for a VRET design because any design would need to follow the statute and not allow any cost-shifting to nonparticipants. Cost-shifting is the only way a VRET could be a better deal than direct access.

Facebook disagrees with much of this statement, especially as related to new or additional load.

First, there are myriad of ways in which a VRET may be a better deal than direct access without cost-shifting. It may, for example, afford customers access to new renewable resources

that are not available through direct access. By leveraging utility resources, the VRET may make renewable power available on terms and conditions that are not otherwise available under direct access. The VRET could also allow participating customers, the utility and the developer to coordinate new development in locations that are more compatible with the utility's overall operations, and thus actually provide capacity, reliability and other tangible benefits to the utility's non-participating customers. These win-win opportunities are often not available through direct access.

Further, HB 4126 does not require a "cut and paste" of direct access transition costs into a VRET as Staff's Phase 2 report seems to suggest. HB 4126 simply states that one of the factors to be considered is whether there would be any cost-shifting to non-participating customers. Facebook is not convinced that the VRET would result in any cost-shifting in the first place—particularly with respect to participating customers that present new loads. New loads are, by definition, incremental to the loads that the utility has planned to served, whether they come from new customers or expansion by existing customers. Thus, fixed generation costs are unlikely to be caused by such new loads and therefore unlikely to be shifted to other ratepayers. Further, prudent utility planning recognizes inevitable variations in load over time. By limiting the program to a finite megawatt size within the planning range, as Staff has suggested, any potential cost-shifting can be carefully measured and managed. Customers in a well-designed VRET also continue to participate in many of the utility charges for transmission costs and distribution.

Facebook suggests that the best way to approach the VRET is to improve the structure based on lessons learned, which would warrant revisiting applicability of direct access transition costs. Transition costs are a significant impediment to participation in the utilities' direct access programs. Over the last five to seven years, the market rate for wholesale power in the Pacific Northwest has been historically low. Most analysts predict that this trend will continue for the foreseeable future. One would expect that the rate of participation in the utilities' direct access programs would be soaring. But this has not been the case. As Staff acknowledges in its report, participation in direct access has been extremely weak—only recently exceeding one percent (1%) of total retail sales by volume in Pacific Power's Oregon service territory. One key explanation is that the current approach to transition charges has eliminated the economic benefit of even historically low power costs, which is an outcome that can be avoided with the VRET.

IV. Utilities Should be able to Own VRET Resources

Utilities should be permitted to own VRET resources. VRET programs adopted in other states allow the utility to own the underlying renewable resource, recognizing a critical partner that can work with developers to ensure project success. States including Nevada, Utah, North Carolina, Washington and Virginia have all found ways to manage the incremental regulatory management of a renewable energy tariff that allows utility ownership. Oregon can incorporate checks and balances to allow utilities to participate when it makes sense. Prohibiting a utility from owning the resources would restrict a key stakeholder from engaging in collaborative

Oregon Public Utility Commission
December 10, 2015
Page 4

approaches emerging around the country, resulting in a less successful VRET than the Legislature contemplated. Facebook strongly believes that a flexible and open VRET approach, which encourages utility participation, will present greater opportunities to find fair approaches for all stakeholders that allow the VRET to provide the environmental, social and financial impacts envisioned by the Oregon Legislature.

V. Conclusion

Facebook agrees with Staff's conclusion that it is reasonable and in the public interest for the Commission to proceed to Phase 3 of this investigation and, ultimately, to implement a VRET. Adopting a VRET should not, however, require transition charges that are identical to the utilities' direct access transition charges, particularly with respect to transition charges for new customers or new additional load for existing customers who have not caused such costs. Nor should a VRET program prohibit the utilities from owning VRET resources. Allowing such flexibility will enhance the benefits available to customers and the State as a whole, as has been demonstrated in several other states. Thank you for the opportunity to submit these comments.

Very truly yours,



Richard Lorenz

RGL:tjb