

From: SADHIR Ruchi

Sent: Thursday, July 03, 2014 7:31 PM

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Cc: puc.hearings@state.or.us

Subject: UM 1690 - Instructions for Public Comment on VRET Models Table

UM 1690 Participants:

As promised, Staff is following up on an email dated June 26th by sending this email with a partially populated, draft Voluntary Renewable Energy Tariff (VRET) Models Table and instructions for comments, which are **due by close of business on Friday, July 25, 2014 via email to PUC.hearings@state.or.us** (please put UM 1690 in the subject line).

Attached you will find two documents:

1. a PDF of a draft VRET Models Table that has been partially populated by Staff.
2. an Excel sheet with the framework for the VRET Models Table and empty cells for you to fill out and provide comment.

Intent/Purpose of Comments: Because the term “Voluntary Renewable Energy Tariff” was not defined in HB 4126, staff has found it challenging to conduct a study to consider the impacts of allowing electric companies to offer voluntary renewable energy tariffs to non-residential customers. Based on feedback from workshops, staff believes that a common understanding of the basic structure of a VRET among participants does not yet exist. It is important to build that common understanding before moving on to studying impacts and the public policy-oriented statutory considerations because that analysis changes depending on the basic structure of a VRET. Your comments will help to populate the first few blue “basic structure” columns in the attached VRET Models Table, which will, in turn, help staff and participants understand the range of basic structures of VRETs that may be possible in Oregon.

Instructions for Comments:

- To help build common understanding (and avoid participants talking past each other), please be as specific as possible and take care to explain terms.
- Fill out the cells in the blue columns under the label “Basic Structure.”
 - Utility Role Column – The cells here should describe the role the utility would play in the energy service provided through a VRET.

- Relationships Column – The cells here should describe interactions between all entities involved (including the utility) in the energy service provided through a VRET.
- Notes/Comments Column – The cells here should describe issues or ask questions for future discussion. Also, answer questions included in that column. Staff added questions and comments in the notes/comments column that were raised in our minds while populating the basic structure portion of the table. We are asking participants to answer staff's questions and agree/disagree with staff's comments (e.g. "This is essentially same as...") and explain why you may agree/disagree. In addition, we expect participants to have a similar experience when populating this part of the table, and created this column to capture your questions and comments for further discussion.
- Add rows if you think there are other permutations of a Basic Structure that should be studied.
 - You could add an entirely new row based on a resource owner that is not listed in the framework for the VRET Models Table, or
 - You could add sub-rows for another permutation based off a resource owner that is already listed in the framework for the VRET Models Table (*see, e.g., Staff's Partially Populated VRET Models Table (1.a.) – (1.b.)*).
- Explain if a row should not be studied further.
 - Utilities – please be sure to identify and explain why there may be models that involve obstacles too difficult to overcome.
- If space in the Notes/Comments cell is too restrictive for your comments or questions, please provide brief written explanations in a separate document that references your populated VRET Models Table.

Please let me know if you have any questions. Hope you have a great holiday weekend! Thanks—Ruchi

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From: SADHIR Ruchi

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Cc: PF-PUC Hearings

Subject: Follow up from Monday's Workshop on UM 1690 (Voluntary Renewable Energy Tariffs/HB 4126)

All:

Thank you for your participation in Workshop 2 of Phase 1 of the UM 1690 Docket (Implementation of HB 4126 – Voluntary Renewable Energy Tariffs (VRETs)). Staff appreciated the informative discussion about potentially interested VRET customers, discussion related to your preliminary comments on VRET Principles, and your initial feedback on the framework for a *VRET Models Table* that staff presented. I am writing to recap our next steps from the workshop.

- **Background:** As we discussed, we are currently working through phase 1 of the implementation of HB 4126.
 - Phase 1: This phase of the workshop is intended to be educational by conducting a study to consider the impact of allowing electric companies to offer voluntary renewable energy tariffs (VRETs). The scope of VRET Study is envisioned to be neutral, primarily conceptual and qualitative in nature, with some quantitative sections as needed, as a tool to understand a range of design options and potential impacts of a VRET in Oregon.
 - Later phases contemplated in HB 4126:
 - Phase 2: Administrative Law Judge (ALJ) assigned and may hold Pre-Hearing Conference (if needed). This phase provides an opportunity for parties to advocate for specific VRET designs and conditions. The result of this phase will likely be a Commission Order that either (1) does not allow this type of tariff or (2) Allows this type of tariff with specific conditions (or may direct a rulemaking, if the Commission finds it appropriate).
 - Phase 3: If allowed in Phase 2, companies may file schedules with the Commission. Staff anticipates use of PUC's regular processes to consider any schedules.
- **Staff Workshop 2 PowerPoint Presentation:** The power point used during the workshop has been posted to the UM 1690 eDocket for your reference:
<http://apps.puc.state.or.us/edockets/docket.asp?DocketID=18956>
- **Revised Process and Target Dates** – Based on feedback from the first two workshops, Staff has revised the proposed process for Phase 1 and associated target dates as follows:
 - July 3, 2014 – Staff will email a partially populated draft *VRET Models Table* and instructions for Comments.
 - July 25, 2014 – Comments due by close of business.
 - August 12, 2014, in the afternoon – Workshop 3 to discuss comments on draft *VRET Models Table*. Detailed agenda with specific timing of workshop to be circulated in advance.
 - (target) Late August/Early September – Comment on *VRET Models Table* and revised draft *Issues List*.
 - (target) Late September – Workshop 4, potentially with Commissioners, for feedback on draft *VRET Models Table* and *Issues List*.
 - (target) Early October –

- Staff refines *Issues List* and *VRET Models Table* and sends for Public Comment to answer the questions contained within the *Issues List*.
- Public Comment – Answering questions in issues list
- Public Comment – Reply comments on answers to questions in issues list
- (target) Early November – Staff memo on Study
- (target) Late November/Early December – written public comment and HB 4126/VRET agenda item for Regular Public meeting. Close Phase 1.
- **Immediate Next Steps**
 - **Staff will send an email with a partially populated, draft *VRET Models Table* and instructions for Comments by Thursday, July 3rd and Comments will be due back to the PUC by Friday, July 25, 2014.**

Please let me know if you have any questions. Thanks—Ruchi

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Staff's Partially Populated VRET Models Table, July 3, 2014

Study of Potential Model VRETS

***NOTE: Staff assumes that all the VRET models below, with the possible exception of (4.) customer-owned, require distribution services from the regulated utility. In addition, back-up / supplemental services ("firming and shaping") may be provided by the regulated utility or by the 3rd party/utility affiliate; the specific roles and relationships for the provision of these services will be defined as the VRET models are further refined.

Basic Structure				Statutory Considerations					Potential Conditions
Resource Owner	Utility Role	Relationships	Notes/Comments	Further Dev of Significant RE	Effect on Dev of Competitive Retail Markets	Impacts on Non-Participating Customers	Competitive Procurement Process	Other Considerations	to mitigate issues or cons in the statutory considerations (e.g. VRET cap, transition adjustment charges)
(1.) Third Party (IPP, ESS)	(1.a.) Regulated utility "passes-through" the renewable energy without taking ownership.	3rd party and customer negotiate contract for renewable energy service. Regulated utility and customer have relationship that may be similar to direct access structure.	-Is this the same as Model 6 (3rd Party Transmission VRET)? -Can this already occur through Direct Access regulations? -In this model, could the regulated utility act like a broker (by matching up the 3rd party generator with customers)?						
	(1.b.) Regulated utility is the middleman between a 3rd party and customer(s) that are contracting for renewable energy. Regulated utility takes ownership of power through one contract and sells it to customer(s) through second contract(s).	Customer and 3rd party negotiate for renewable energy service. First contract between 3rd party and the regulated utility to purchase electricity for resale. Second contract(s) between customer(s) and regulated utility for the same price and duration as first contract. The first contract terminates if customer(s) defaults on second contract(s).	-This is the model generally described in the Rocky Mountain Power filing in Utah (Docket 14-035-102). -Is this the regulated utility acting like a marketer (because they take ownership of the power)?						
	(1.c.) Regulated utility aggregates customers into a "VRET load" and puts that aggregated load out for bid. Regulated utility contracts with third parties to serve the "VRET load."	Once regulated utility puts out the RFP, then IPPs, ESSes, marketers can respond through a competitive process to serve the "VRET load."	-Are there wholesale/FERC implications here?						
	(1.d.) Regulated utility aggregates 3rd party RE generators and purchases the output through fixed price, long term contracts. The regulated utility offers that output to the customers through a "subscription" process.	Regulated utility holds contracts with 3rd party RE generators. Customers "subscribe" on a long term basis to the aggregated pool of RE resources at fixed price.	-As described in WRI Green Tariff white paper. -What does subscribe mean here (is it a contract? Is it a separate regulated utility schedule that the customer can sign up for)? -Are there wholesale/FERC implications here?						
(2.) Regulated Utility	Regulated utility owns and operates renewable resource(s) and delivers power to customer.	Regulated utility and customer(s) negotiate long-term contract(s) for non-system renewable energy.	-Is there a potential for incumbent utility advantage? -How would the regulated utility ensure that costs are not shifted to non-participating customers (use of ring fencing or something similar)?						
(3.) Utility Affiliate	(3.a.) Regulated utility "passes-through" the renewable energy without taking ownership.	Utility affiliate and customer negotiate contract for renewable energy service. Regulated utility and customer have relationship that may be similar to direct access structure.	-Essentially the same as third party row (1.a.), except with utility affiliate being the 3rd party and potentially needing additional protections to ensure no incumbent utility advantage. -Can this already occur through Direct Access regulations?						
	(3.b.) Regulated utility is the middleman between a utility affiliate and customer(s) that are contracting for renewable energy. Regulated utility takes ownership of power through one contract and sells it to the customer(s) through a second contract(s).	Customer and utility affiliate negotiate for renewable energy service. First contract between utility affiliate and the regulated utility to purchase electricity for resale. Second contract(s) between customer(s) and regulated utility for the same price and duration as first contract. The first contract terminates if customer(s) defaults on second contract(s).	-Essentially the same as third party row (1.b.), except with utility affiliate being the 3rd party and potentially needing additional protections to ensure no incumbent utility advantage.						
(4.) Customer Owned	Regulated utility role depends on the customer's specific load and resource. Could involve distribution and back-up/supplemental services; "firming and shaping."	Assuming customer self-generates renewable energy on-site, but will likely require other regulated utility services (e.g. back-up/supplemental services; "firming and shaping").	-Can this already occur through existing schedules (such as PGE Schedule 75, Partial Requirements)? -How would this structure interact with current net metering policy and rules? -Does this model change if the customer owned resource is not on-site?						
(5.) Market-Based (REC Product)	(5.a.) Regulated utility continues to provide energy and services as it does with a cost-of-service customer today.	Customer buys renewable attributes only (unbundled RECs) from the market (marketer website, regulated utility program, etc.). The entity from which the customer buys unbundled RECs retires them on behalf of the customer.	-Likely cons in the "further development of significant renewable energy" statutory consideration. Could this be lessened by putting strict requirements on the renewable attributes of the RECs?						
	(5.b.) Regulated utility buys bundled RECs from the market and re-sells them to the customer(s).	Customer buys energy together with renewable attributes (bundled RECs) from regulated utility. Regulated utility retires bundled RECs on behalf of the customer.	-Likely cons in the "further development of significant renewable energy" statutory consideration. Could this be lessened by putting strict requirements on the renewable attributes on the RECs? -Are there wholesale/FERC implications here? -Is a similar model currently being used by ESSes? -How would the regulated utility ensure that costs are not shifted to non-participating customers (use of ring fencing or something similar)?						
(6.) 3rd Party (transmission VRET)	Open access, transmission only service by regulated utility	3rd Party and customer contract for energy with a specific threshold of renewable content.	-Is this the same as Model 1.a? -Do the energy balancing and ancillary services come from the regulated utility or the third party?						

Framework for VRET Models Table, July 3, 2014

<u>Basic Structure</u>		
Resource Owner	Utility Role	Relationships
(1.) Third Party (IPP, ESS)		
(2.) Regulated Utility		
(3.) Utility Affiliate		
(4.) Customer Owned		
(5.) Market-Based (REC Product)		
(6.) 3rd Party (transmission VRET)		

	<u>Potential Conditions</u>
Other Considerations	to mitigate issues or cons in the statutory considerations (e.g. VRET cap, transition adjustment charges)