

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1788

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

2016 Revised Renewable Portfolio  
Implementation Plan

COMMENTS OF  
RENEWABLE NORTHWEST AND  
OREGON SOLAR ENERGY  
INDUSTRIES ASSOCIATION

**I. INTRODUCTION**

Renewable Northwest and Oregon Solar Energy Industries Association (together, “Joint Parties”) appreciate the opportunity to submit these comments for the Commission’s consideration regarding Portland General Electric Company’s (“PGE”) 2016 Revised Renewable Portfolio Standard (“RPS”) Implementation Plan (“RPIP”). We strongly support responsible procurement of renewable energy resources, which can provide cost-effective, reliable, and affordable power to the Pacific Northwest while also generating numerous benefits for our climate, surrounding environment, and electric grid.

As discussed in these comments, the Joint Parties commend PGE for planning for early action toward physical compliance with Oregon’s updated RPS requirements, but recommend that the company consider all potential costs and benefits associated with both utility ownership and power purchase agreements (“PPAs”). In addition, where possible, we encourage more sharing of data and analysis underpinning PGE’s RPIP on a non-confidential basis.

Similar to our comments in UM 1790 on PacifiCorp’s RPIP,<sup>1</sup> due to the RPIP filing deadline, as an isolated document, the PGE RPIP does not represent the full picture of the utility’s compliance strategy. For instance, much of the complex analysis underpinning the RPIP is completed through the Integrated Resource Plan (“IRP”) process. While the intent of the revised RPIP was to analyze the effects of Senate Bill (“SB”) 1547, ultimately the exercise was made less relevant due to overlapping timeframes with the ongoing IRP analysis and PGE’s procurement efforts. Given this disconnect on the timing, we recommend improvements to the RPIP process more generally.

The Joint Parties recommend that the Commission consider ways in which the RPIP process and calculations can be made more relevant and reflective of utilities’ RPS compliance

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<sup>1</sup> *In the Matter of PacifiCorp, dba Pacific Power, 2017–2021 Renewable Portfolio Standard Implementation Plan*, Docket No.

plans that result from the IRP and procurement plans. For example, this could be accomplished by triggering a more robust process via utility actions—such as the outcome of a Request for Proposals (“RFP”), the acquisition of a major new resource, or the acknowledgment of an IRP—in addition to regular filings. This analysis would hopefully be a more robust one than has been possible in this RPIP and past RPIPs, and should allow parties a better opportunity to review and critique a utility’s assumptions and plans.

## II. COMMENTS

### 1. PGE’s RPIP Acknowledges the Potential Long-term Benefits of Early Procurement.

As we described in our comments on PacifiCorp’s RPIP,<sup>2</sup> in light of Senate Bill (“SB”) 1547’s increased RPS requirements, and the extension of the federal production tax credit (“PTC”) and investment tax credit (“ITC”), early action on renewable resource procurement holds significant potential benefits for PGE customers.

With the enactment of SB 1547, renewable energy certificates (“RECs”) issued for generation after March 8, 2016 will have a limited bankable life of five years, with one exception. Under that exception, PGE has the opportunity to acquire so-called “golden” RECs—which have an unlimited bankable life—through procurement of new, long-term renewable energy projects that come online prior to 2023. The first five years of generation from these projects will produce golden RECs.<sup>3</sup>

Early procurement driven by SB 1547’s long-term policy framework applicable to Oregon utilities is complemented by the extended availability of the federal PTC and ITC. Wind under construction, or turbine equipment safe harbored, by the end of 2016 is eligible for 100% of the PTC. For wind projects that do not begin construction or otherwise achieve “safe harbor” status by the end of 2016, the PTC decreases to 80% in 2017, and eventually comes to an end at 40% in 2019. The ITC, often used for investment in solar energy projects, stays at 30% until the end of 2019 and then begins to ramp down. The opportunity to capture the full benefits of the PTC and ITC offers significant potential savings for PGE ratepayers. According to PGE’s analysis, capturing the full benefits of these tax credits offers customers value that exceeds savings associated with deferring procurement (such as declining technology costs or time value of money considerations).<sup>4</sup>

We are pleased that SB 1547 has prompted PGE to plan for renewable resource acquisitions prior to 2021, rather than complying solely via banked RECs accumulated through existing resources, as was previously indicated in its 2016 RPIP that was filed December 31, 2015.<sup>5</sup> While PGE does not have an active RFP at this time, given the complexity involved in determining the least-cost, lowest-risk RPS compliance path, PGE is conducting a more comprehensive analysis in its 2016 IRP. We look forward to reading and discussing this IRP analysis, as well as to the potential renewable RFP(s) that result.

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<sup>2</sup> *Id.*

<sup>3</sup> ORS § 469A.140(3).

<sup>4</sup> PGE RPIP at 5.

<sup>5</sup> *Id.* at 1.

**2. PGE’s Emphasis on Physical Compliance Is Appreciated and Merits Further Exploration.**

The Joint Parties applaud PGE for not considering the use of unbundled RECs as its primary compliance strategy.<sup>6</sup> Several factors are expected to put upward pressure on the REC market in the next few years, including increasing RPS targets in the West, increasing customer participation in voluntary renewable energy programs, Clean Power Plan implementation, and other potential carbon policies. In addition to the uncertainty of long-term unbundled REC supply, near-term procurement to enable longer-term physical compliance with the law offers the hedging and tax benefits described above to PGE’s customers.

However, we find that the discussion on different types of physical compliance merits further consideration. PGE’s RPIP states that ownership options have certain benefits over PPAs because the former “provides the opportunity to generate RECs throughout a resource’s operating life, plus the potential for residual value.”<sup>7</sup> However, the value of the utility’s options as owner to extend the plant life or repower the project must be weighed against the benefits provided by PPAs, including the operating, system performance, financial, and market risks that the independent power producer is carrying. In addition, PGE’s concerns about security of supply at the end of the PPA can be addressed by incorporating options to purchase the asset or extend the PPA in the original contract. We look forward to further discussions on this issue in connection with AR 600/UM 1776.

**3. Insufficient RPIP Data Is Publicly Available.**

Much of the analysis and data backing up the RPIP’s conclusions are confidential and subject to protective order. In the interest of engaging all concerned stakeholders in the planning of Oregon’s clean energy future, we suggest that the confidentiality around some of the data may not be necessary in all cases. For comparison, PacifiCorp included a redacted version of a SB 1547 scenario analysis in its revised RPIP that contained valuable, but non-confidential, information and explanations for its examination of the trade-offs between near-term and “just-in-time” procurement strategies.<sup>8</sup>

**4. The RPIP Process Should Be Timely and Relevant.**

The Joint Parties observe and welcome PGE’s acknowledgement that the “procurement strategies investigated in this RPIP are consistent with PGE’s request to conduct an RFP for 175MWa of renewables with potential for 100 PTC qualification in 2016 and a target Commercial Operation Date in 2018.”<sup>9</sup> PGE goes on to state that:

While not included here, the economic impacts of accelerating RPS procurement to capture the PTC are being evaluated in the 2016 IRP in the context of identifying a least-cost least-risk scenario. This filing does not replicate that process, rather the RPIP

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<sup>6</sup> *Id.* at 10, 16.

<sup>7</sup> *Id.* at 11.

<sup>8</sup> PacifiCorp Revised RPIP 2017-2021, at Appendix A.

<sup>9</sup> PGE RPIP at 5.

determines the impact of renewable resource decisions on PGE's ability to acquire RPS compliant resources at or below the 4% incremental cost cap.<sup>[10]</sup>

The Joint Parties welcome PGE's incremental cost calculations based on its intended RFP procurement, but note that through no fault of PGE's, there is a disconnect between these plans, the results of the IRP, and ultimately the results of the planned RFP.

The Joint Parties recommend that the Commission consider ways in which the RPIP process and calculations can be more integrated into the utilities' IRPs and resource procurement activities. To accomplish this, it may be necessary to tie the timing of the RPIP more closely to utility actions rather than having it adhere to a schedule that stymies its usefulness. For example, the results of an RFP or acknowledged IRP could trigger recalculation of the incremental compliance cost as a percentage of the company's annual retail revenue requirement.

### III. CONCLUSION

The Joint Parties are pleased that PGE's RPIP signals positive momentum for renewable energy deployment in our region. Indeed, SB 1547 has provided long-term policy certainty that allows utilities to plan for a clean energy future for Oregon. We are happy to see PGE planning for near-term renewable resource acquisition and look forward to reading its full scenario analysis in its 2016 IRP. We also encourage the Commission to explore ways to make the RPIP process more relevant, such as by tying it to utility actions related to RPS compliance.

Respectfully submitted this 12<sup>th</sup> day of September, 2016.

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<sup>10</sup> *Id.*