

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

Docket No. UM 1790

In the Matter of

PACIFICORP, dba PACIFIC POWER,  
2017-2021 Revised Renewable Portfolio  
Standard Implementation Plan.

Staff's Opening Comments

Staff of the Public Utility Commission of Oregon (Staff) presents its Opening Comments in response to PacifiCorp's (PacifiCorp or Company) 2017-2021 Revised Renewable Portfolio Standard (RPS) Implementation Plan (Revised RPIP). Staff's Opening Comments address the substance of the Company's Revised RPIP. Staff's memo for an upcoming Commission public meeting (Final Comments) will include a comprehensive review of the Company's responsiveness to the reporting requirements found in OAR 869-083-0400 and ORS 469A.075. In addition, Staff's Final Comments will provide its final assessment of the Company's analysis of SB 1547 and the Company's responses to the required discussion and analysis set forth in Attachment A of Order No. 16-158 (Conditions).

Order No. 16-158 was issued on April 22, 2016. The Order acknowledged PacifiCorp's 2016 Renewable Portfolio Implementation Plan (Original RPIP) with conditions (see Docket No. UM 1754). The conditions, generally stated, required PacifiCorp to file a Revised RPIP by July 15, 2016, with an analysis and narrative describing its plan to meet the RPS compliance requirements of SB 1547 from 2017 through 2040. The Conditions listed in Attachment A of Order No. 16-158 were designed to guide this analysis.

**2017-2021 Revised Implementation Plan**

*Order No. 14-267 Requirements*

Staff's comments submitted in UM 1754 in response to PacifiCorp's Original RPIP reviewed the Company's responsiveness to two recommendations presented in the parties' stipulation for acknowledgement of the Company's 2015-2019 RPIP. The recommendations, in summary form, requested that PacifiCorp include in future RPIPs:

- 1) A non-confidential summary of RPS total incremental costs for each scenario analyzed; and
- 2) A scenario with base case price curve assumptions (medium gas and medium CO2 prices) with assumed maximum use of unbundled RECs (20%) and assumed REC price equal to the weighted average price paid for unbundled RECs in its most recent compliance filing.

Staff's review confirmed that the Company satisfied both of these recommendations within Attachments E and F of its Revised RPIP.

#### Resources under development

The Company notes that its Revised RPIP is similar to the 2015-2019 RPIP except for a few small differences, which include resources under development. The difference between the two RPIPs is an area Staff will further explore with data requests to PacifiCorp. As such, Staff may provide additional comments in this area in its Final Comments.

#### Impacts of revised REC banking rules

With the removal of the so-called "first in, first out" banked REC restriction by Section 7 of SB 1547, the Company assumes that RECs with the shortest life will be used first before RECs from the existing (pre-2016) bank. Staff requests PacifiCorp provide in its Response Comments further explanation regarding how this decision has affected annual compliance costs. Although the Revised RPIP shows the incremental costs for each year of the plan being well below the four percent cost cap, Staff would like to better understand how this strategy was vetted and selected because it may inform future REC strategies.

### **SB 1547 and 2017-2040 Compliance**

Staff has one general question about the Company's submitted long term compliance analysis. Staff requests PacifiCorp provide further details in its Response Comments about how recent REC contract acquisitions, which resulted from the Company's 2016 Request for Proposals (RFP) for Renewable Resources and RECs that were acquired after the Company submitted its Revised RPIP in July, are anticipated to affect the following:

1. The year by which the Company anticipates a compliance shortfall; and
2. The short term compliance strategy, if applicable, or the extent to which the newly-acquired RECs would be banked and applied post-2021.

### **Responses to Order 16-158 Conditions**

Order No. 16-158 requires PacifiCorp to provide a quantitative analysis to meet the 2016 RPIP requirements in its Revised RPIP. As part of its responses, PacifiCorp was

required to provide a complete and thorough narrative describing its plan to satisfy the RPS compliance requirements of SB1547 from 2017 through 2040.

Staff has reviewed PacifiCorp's responses and summarizes them below. Staff provides its initial opinion whether the Company's responses satisfy the Commission's Conditions. As a general observation, Staff still has questions regarding specific data sources for assumptions used in the Company's supporting analysis. Accordingly, Staff intends to submit data requests to the Company the responses to which Staff will discuss in its Final Comments. The review below consists of Staff's initial impressions.

**Condition (1)** requires the Revised RPIP include:

*"A discussion of the differences between SB 838 (i.e. ORS 469A.005 to ORS 469A.210) and SB1547, with supporting analysis demonstrating the impacts of those differences on utility planning and operations decisions 2017-2040."*

PacifiCorp satisfied this Condition through its responses provided in its Revised RPIP. The Company included a list of key differences between REC accounting provisions and provided a summary of the Company's compliance position under both SB 838 and SB1547 without additional procurement to meet compliance. This analysis shows that with SB1547, there is an additional shortfall of approximately 1,100 MW of renewable resource capacity by 2040.

**Condition (2)** requires the Revised RPIP include:

*"An analysis of these aspects of SB1547: its elimination of the "first in, first out" requirement, its creation of unlimited Renewable Energy Credit (REC) life status for the first five years of new resources acquired between 2016-2022, its shortening of the standard REC life, and the steep compliance rate increase between 2025 and 2030. In particular, the analysis should address how these aspects of SB1547 affect how the utility plans to optimize the mix of compliance RECs for least cost and lowest risk."*

PacifiCorp satisfied the second Condition through its Revised RPIP analysis and narrative illustrating how elimination of "first in, first out" and creation of so-called "golden RECs" (see Section 7(3) of SB 1547) affects its compliance strategy. Without taking into account compliance costs, PacifiCorp provided a comparison of 1) an early build scenario, and 2) a scenario where capacity is added outside of the golden REC timeframe. In this comparison, both scenarios resulted in the same level of capacity additions for the same compliance position with oldest RECs surrendered being four years. Staff requests PacifiCorp provide in its Response Comments a comparison of compliance costs for these two scenarios.

**Condition (3)** requires the Revised RPIP include:

*“A discussion of how the timing of new renewable resource acquisitions impact long term cost of compliance with the RPS to ratepayers with supporting analysis demonstrating these differences in timing. Under what conditions does the least cost/lowest risk strategy to satisfy the RPS compliance requirements of SB1547 from 2017 through 2040 lead to new resource acquisition prior to a physical need and how will the utility evaluate this decision? PacifiCorp should provide a “tipping-point” analysis that depicts when physical resource acquisition is more cost effective than buying unbundled RECs.”*

Staff found some duplication and errors with of the titles of the Figures on page 21 of the Confidential Appendix in the Revised RPIP and would like the Company to relabel those Figures and respective titles in its Response Comments in order to minimize confusion about the content of the charts.

PacifiCorp offered a complete and satisfactory response to this Condition. The Company provided summaries of resource cost assumptions for three different just-in-time compliance scenarios with each scenario progressively lowering future costs for wind and solar resources. Staff plans to continue to review the assumptions and analysis behind the response but initially finds that the Company presented a clear and well-constructed analysis.

**Condition (4)** mandates that the Revised RPIP include:

*“A discussion of how key market assumptions impact the relative range of risk and uncertainty related to cost over the compliance horizon. Load growth, hydroelectric generation, project cost, natural gas and electricity market prices are some examples of key assumptions to be assessed in this discussion.”*

In its Revised RPIP, PacifiCorp mislabeled both Figure A-17 and A-18 on page 23 of the Confidential Appendix A with the same title “PacifiCorp Sb1547 Compliance Position without Procurement and with a 0.5% Increase in the Annual Retail Sale Growth Rate.” This causes confusion and should be clarified before this Condition is considered as having been met.

Although PacifiCorp’s analysis did address load and market price uncertainty as well as resource cost uncertainty, it did not address hydroelectric generation. Staff requests that the Company address in its Response Comments the impacts to the system with high levels of renewable penetration in conjunction with hydro resource variability (which was identified as a key market assumption in the Attachment). To the extent that the Company does not find that hydro variability will impact compliance (e.g. future year dispatch of renewables may be curtailed due to high hydro generation) as has been

experienced in the Northwest, it should include a discussion of any other additional pertinent regional factors.

**Condition (5)** requires that:

*“Throughout the analysis, PacifiCorp should provide methodologies and assumptions used to support the July RPIP along with a narrative describing the reasoning behind the selection of those methodologies and assumptions.”*

Staff concludes from its initial review that PacifiCorp’s analysis in its Revised RPIP satisfies this Condition.

This concludes Staff’s Opening Comments.

Dated at Salem, Oregon, this 9<sup>th</sup> day of September, 2016.



/s/ Cindy Dolezel  
Senior Utility Analyst  
Energy Resources and Planning Division  
(503) 378-6638  
E-mail: [cindy.dolezel@state.or.us](mailto:cindy.dolezel@state.or.us)