**BEFORE THE PUBLIC UTILITY COMMISSION**
**OF OREGON**

UM 1790

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| In the Matter of<br><br>PACIFICORP, dba PACIFIC POWER,<br><br>2017-2021 Renewable Portfolio Standard 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 comment on PacifiCorp's ("PacifiCorp" or the "Company") Revised Renewable Portfolio Standard Implementation Plan of 2017-2021 (the "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 utility ratepayers, our climate, and our surrounding environment. As discussed in these comments, the Joint Parties do not take a position on whether to acknowledge PacifiCorp's RPIP. Instead, the Joint Parties recommend improvements to the RPIP process generally and also note the risks associated with PacifiCorp's REC-based strategy described in this RPIP as opposed to a "physical compliance strategy" for complying with Oregon's Renewable Portfolio Standard ("RPS").

With respect to PacifiCorp's RPS compliance strategy described in the RPIP, in our view, a predominantly REC-based strategy could pose more risks than a "physical compliance" strategy, and fails to take advantage of early action incentives that could offer ratepayers significant potential savings and other benefits. Our understanding is that PacifiCorp's pursuit of a largely REC-based strategy is a short-term one, but we nonetheless flag this concern in light of the time-limited early action incentives.

With respect to the process, we are generally satisfied with the form of PacifiCorp's RPIP analysis; however, the RPIP analysis is of little relevance because it uses outdated inputs and does not account for the Company's most recent procurement plans. 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 on the Company's RPS compliance strategy, ultimately, the exercise was made less relevant due to overlapping timeframes with the ongoing IRP analysis and PacifiCorp's procurement efforts. Because of the disconnect between the content of the RPIP and the

Company's procurement efforts, we find it difficult to make a determination on the value of acknowledging or not acknowledging this particular RPIP.

Regardless of whether the Commission acknowledges this RPIP, the Joint Parties recommend that the Commission consider ways in which the RPIP process and calculations can be made more relevant and reflective of the Company's actual RPS compliance 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 should 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 outdated assumptions and plans.

## II. COMMENTS

### 1. Recent Policy Changes Incentivize Accelerated Procurement of Physical Resources for RPS Compliance.

In light of SB 1547's increased RPS requirements and the extension of the federal production tax credit ("PTC") and investment tax credit ("ITC"), early action on procurement of physical renewable resources holds significant potential benefits for PacifiCorp 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, PacifiCorp has the opportunity to acquire "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.[1]

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 PacifiCorp ratepayers.

### 2. PacifiCorp Should Pursue a Physical Resource Strategy for RPS Compliance.

A predominantly REC-based strategy could pose more risks than a "physical compliance" strategy. According to the Company's RPIP, bundled RECs represent PacifiCorp's primary compliance strategy through 2021.[2] PacifiCorp's RFP, which concluded after the

[1] ORS § 469A.140(3).
[2] PacifiCorp RPIP at 2-3. Regarding PacifiCorp's projected RPS requirements through 2021, we note a possible error in Table 1, which indicates a 2020 target of 1,936,852 megawatt-hours ("MWh") versus the 2,576,755 MWh figure for the same year in Attachment A.

submission of the RPIP, ultimately resulted in the Company purchasing RECs from seven renewable energy facilities located in Colorado, Oregon, and Utah.[3] It should be noted that ORS § 469A.145(3) states that unbundled RECs purchased from PURPA qualifying facilities in Oregon are not subject to the 20 percent unbundled REC limitation in ORS § 469A.145(1). As a result, the RECs purchased from QFs located in Oregon could lead to the 20 percent limitation on unbundled RECs being exceeded, thereby displacing bundled RECs.

The Joint Parties consider a primarily REC-based RPS compliance strategy to be a risky one. 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. PacifiCorp's RFP results suggest that this pressure is already being applied, as one of the winning bidders from its REC RFP subsequently withdrew its bid to supply RECs from six projects.[4]

The Joint Parties support a "physical compliance strategy" as opposed to one that is largely REC-based. PacifiCorp's own analysis affirms the potential benefits of accelerated renewables procurement. Indeed, the Company states at the beginning of its RPIP that "long-term RPS compliance costs may be reduced with incremental near-term procurement, consistent with Action Item 1a in PacifiCorp's 2015 IRP Update."[5] We are pleased that SB 1547 prompted PacifiCorp's consideration of early procurement for purposes of its RPS compliance. We also welcome PacifiCorp's conclusion that "[g]iven the potential for continued declines in solar resources costs…PacifiCorp can continue to assess solar and other renewable resource procurement opportunities in future RFPs."[6]

### 3. PacifiCorp's Incremental Cost Calculations Are Encouraging.

The Joint Parties are encouraged that the projected incremental costs for PacifiCorp's RPS compliance in the RPIP are not likely to approach 4% of the Company's annual retail revenue requirement.[7] In terms of the Company's overall cost/benefit analysis taking into account SB 1547, we appreciate the detailed and largely transparent appendix providing a cross-comparison of "just-in-time" scenarios with near-term procurement options at different cost levels.[8] We find that this open approach, along with the RPIP's publicly available incremental cost assumptions and results, allows interested stakeholders to evaluate the methodology the Company is using while still protecting sensitive information.[9] However, the calculations in the

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[3] PacifiCorp, 2017 Integrated Resource Plan, Public Input Meeting 3, Aug. 24-26, 2016, Slide 110, www.pacificorp.com/content/dam/pacificorp/doc/Energy_Sources/Integrated_Resource_Plan/2017_IRP/PacifiCorp_2017_IRP_PIM03_8-25-2016_to_8-26-2016.pdf.
[4] *See id.*
[5] PacifiCorp RPIP at 1.
[6] PacifiCorp, 2016 Resource & REC RFP, Public Utility Commission of Oregon, Special Public Meeting, July 26, 2016, Slide 32.
[7] PacifiCorp RPIP, at 2, 13.
[8] *Id.* at Appendix A.
[9] *Id.* at 13-14.

RPIP do not reflect the actions resulting from PacifiCorp's RFP, the results of which were presented in the Company's August 25-26, 2016 Public Meeting regarding its 2017 IRP.[10]

### 4. To Be Relevant, the RPIP Process Should Be Timely and Reflect Utility Actions.

The timing of the revised RPIP filing for the 2017-2021 period meant that neither the results of PacifiCorp's April 2016 RFPs nor the IRP analysis integrating new policy elements could be factored into its RPIP. Industrial Customers of Northwest Utilities ("ICNU") requested that PacifiCorp provide any updates to the RPIP based on the results of the RFPs, but the Company responded:

> PacifiCorp has not performed an update to the July 2017 through 2021 Renewable Portfolio Standards (RPS) Implementation Plan (RPIP). Per the unopposed motion filed by Public Utility Commission of Oregon (OPUC) staff in docket UM 1754 (the Company's 2017 through 2021 RPIP filed December 29, 2015) the parties to docket UM 1754 "recognized and acknowledge that the July 26 filing date will not allow PacifiCorp an opportunity to include the results of its recently-issued Request for Renewable Resources when its new RPIP is filed in July 2016." PacifiCorp's next implementation plan will be filed by January 1, 2018.
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> Note: the requested analysis relating to the Company's 2016 renewable energy credit (REC) request for proposals (RFP) is not provided in the RPIP, but rather in the Integrated Resource Plan (IRP).[11]

The utility of the July 15, 2016 RPIP is thus somewhat limited. Furthermore, under the current process, the next RPIP will not reflect the results of the RFP until sometime before the end of 2017. As a result, there is a disconnect between the RPIP—which shows no short- or long-term need for renewable resources—and the RFPs, in which PacifiCorp sought to obtain new renewable generation. While the Joint Parties acknowledge that the Company followed the rules and orders associated with this RPIP process, given the disconnect between the RPIP and the RFPs, we found it difficult to make a determination on the relevance of Commission acknowledgment of this particular RPIP. Thus, we do not take a position on whether the Commission should acknowledge this RPIP in its current form.

Regardless of whether the Commission acknowledges this RPIP, the Joint Parties recommend that the Commission consider ways in which the RPIP process and calculations can be made more relevant and reflective of the Company's actual RPS compliance strategy. 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.

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[10] PacifiCorp, 2017 Integrated Resource Plan, Public Input Meeting 3, August 24–26, 2016, Slide 110 www.pacificorp.com/content/dam/pacificorp/doc/Energy_Sources/Integrated_Resource_Plan/2017_IRP/PacifiCorp_2017_IRP_PIM03_8-25-2016_to_8-26-2016.pdf.
[11] PacifiCorp Response to ICNU Data Request 002.

## III. CONCLUSION

PacifiCorp's analysis of the value of near-term procurement, along with references in its RPIP to its RFPs and IRP Update Action Item 1a, signal positive momentum for renewable energy deployment in our region. The Joint Parties are pleased that SB 1547 has provided long-term policy certainty that allows utilities to plan for a clean energy future for Oregon. We look forward to the Company's pursuit of renewable energy procurement opportunities that can provide early action incentives and other benefits to PacifiCorp ratepayers. We also look forward to following the Company's plans as its analyses evolve in connection with the IRP process. Finally, we recommend that the Commission explore ways to make the RPIP process more relevant, such as by tying it to utility actions related to RPS compliance.

Respectfully submitted this 9th day of September, 2016.

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