

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 25, 2016

REGULAR CONSENT EFFECTIVE DATE October 28, 2016

DATE: October 19, 2016

TO: Public Utility Commission

FROM: JP Batmale 

THROUGH: Jason Eisdorfer and John Crider

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 379/Advice No. 16-13)
Update to Schedule 62, Green Energy Purchase Program Rider.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Idaho Power Company's (Idaho Power or Company) filed update and modifications to Schedule 62, Green Energy Purchase Program Rider (Green Power Program or Program) on the condition that the Company begins regularly reporting on the status of the Green Power Program.

DISCUSSION:

Issue

Whether the Company's proposed modifications to the Green Power Program should be approved.

Applicable Law

The Company's proposed revisions to Tariff P.U.C. OR No. E-27, Sheet Nos. 62-1 and 62-2 of Schedule 62, Green Energy Purchase Program Rider (Optional), were submitted in compliance with ORS 757.205 through 757.220, OAR 860-022-0025 and OAR 860-022-0030. These applicable statutes and rules set forth the requirements for when a utility seeks to change or increase its existing rates.

Background

The Green Power Program is an optional program designed to provide Idaho Power customers and non-customers an opportunity to participate in the purchasing of green power. It was established in 2003. In 2015 the Program served approximately 1,700

Oregon and Idaho program participants and resulted in the purchase of 17,650 megawatt hours (MWh) of green power.

Under the current Program, enrollees select a fixed monthly payment amount based on their desired level of green power in kilowatt hours. This fixed monthly payment is in addition to all other charges. The Program then works with a third party to purchase Green-e certified renewable energy credits (RECs) commensurate with the enrollees' designated demand for green power. Funds collected in excess of the necessary RECs are applied to the renewable energy education program, "Solar 4R Schools" at K-12 schools in Idaho Power's service territory.

Analysis

The Company is proposing the following three modifications to the Program:

- Customer pricing structure
- REC sourcing and certification
- Increased marketing expenses

Customer Pricing Structure

The proposed pricing structure would replace the single existing pricing structure with two options: (1) a block option that allows customers to scale their participation in 100 kilowatt-hour (kWh) increments for a premium of \$1.00/month per 100 kWh, and (2) a 100 percent usage option for the purchase of RECs roughly equal to the customer's total monthly kWh usage.

Both Portland General Electric (PGE) and Pacific Power (PAC) utilize a similar pricing structure. Further, the Company's current pricing structure jeopardizes its ability to sell REC's that are Green-e certified to customers. By changing the Program's pricing structure, the Program would be in compliance with Green-e's standards for selling Green-e certified REC products to customers.

The Company has detailed a reasonable approach to informing existing customers of the pricing change and their new options.

Under the new pricing structure the Company's charge per kWh would increase from \$0.0085/kWh to \$0.001/kWh. This charge is roughly in line with the \$/kWh cost of PGE and PAC's green power programs.

Utility	Green Power Program kWh Participation Charge (\$/kWh)
PGE	\$0.008
Idaho Power	\$0.01
PAC	\$0.0195

Under the new pricing structure, customers contracting for 500 kWh of green power monthly would see an estimated annual bill increase of ~\$9.

Based on 2015 data, the increased charge would generate approximately \$25,000 in additional funds for the Program.

	Current Pricing Structure	Proposed Pricing Structure
Participating kWh (2015)	17,650,000	17,650,000
\$/kWh Charge	\$0.0085	\$0.01
Est. Program Revenue	\$150,025	\$176,500

The additional funds raised will go toward the other modifications that should enhance and grow the Program.

REC Sourcing & Certification

As part of the proposed changes to the Program, the Company will pay to source Green-e certified RECs from within the Company's service territory when possible. In addition, the Company will pay to re-certify RECs upon retirement. This ensures the REC's are not used for multiple purposes. Per a communication with the Company this will raise the cost of the RECs purchased and Staff supports this.

Increased Marketing Expenses

Currently, contributions to the Program are only used to purchase green energy (i.e., Green-e certified RECs) and to support Solar 4R Schools awards. Without marketing support Program participation has been declining. The Company proposes to spend 15 percent of the program budget on marketing and related expenses. The Company's goal is to increase Program participation by 10 percent in the first year after the proposed changes. The added cost of marketing is estimated to be covered by the proposed increase in participant contributions.

	Current Participation	5% Growth	10% Growth	15% Growth
kWh (2015)	17,650,000	18,532,500	19,415,000	20,297,500
Additional Revenues: \$0.01/kWh	\$26,500	\$ 35,300	\$ 44,125	\$ 52,950
Additional Costs: 15% Marketing	(\$26,475)	(\$27,799)	(\$29,123)	(\$30,446)

While marketing and administrative costs vary by utility, the Company’s proposed 15 percent marketing cost is lower than the marketing costs for the green power programs at PGE and PAC.

Conclusion

After review of the Company’s filing and responses to Staff’s IRs, as well as communications with the Company, Staff concludes that the proposed modifications to the Program are reasonable. By increasing the contributions from those who choose to participate voluntarily in the Program the Company can seek to expand participation, better impact local renewable projects, and maintain a high level of product quality. However, as marketing will be done “in-house” and one of the purposes of the increased participant contributions is for Program growth, Staff believes that more reporting by the Company and oversight of the Program is necessary. Staff agrees with the recommendation by Idaho Public Utility Commission staff that a regular audit of the Company’s Green Power Program is necessary.

Therefore, Staff recommends approval of the Program and modified tariff subject to the following condition:

1. Idaho Power begins regularly reporting to the Commission in a manner consistent with the report format and frequency of reporting detailed in docket IPC-E-16-13, Staff Comments, which should allow for proper oversight by both commissions.

PROPOSED COMMISSION MOTION:

Approve Idaho Power’s filed update and modifications to Schedule 62, Green Energy Purchase Program Rider subject to Staff’s recommended condition that the Company begins regularly reporting to this Commission on the status of the Green Power Program in a manner consistent with its arrangement with the Idaho Public Utility Commission.