



Oregon Citizens' Utility Board

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December 5, 2017

Public Utility Commission of Oregon
201 High St SE, Suite 100
Salem, Oregon 97301

Attn: Nolan Moser
Jason Salmi-Klotz

Re: UM 1826: CUB's Comments on Staff's November 3, 2017 Recommendation

Dear Mr. Moser and Mr. Salmi-Klotz:

The Oregon Citizens' Utility Board ("CUB") hereby submits its comments on Staff's recommendations on Credit Monetization Principles for electric company participation in the clean fuels program. CUB appreciates Staff's efforts in coordinating a well-run series of stakeholder workshops, and CUB largely agrees with the Credit Monetization Principles laid out in its recommendation. CUB addresses each of Staff's proposed Credit Monetization Principles in order, along with any outstanding questions or concerns.

1. These Credit Monetization Principles apply only to monetization of *residential* charging CFP credits that the electric company has aggregated.

CUB agrees. The residential charging CFP credits should be treated separately from credits generated from utility-owned public charging or workplace charging stations. While still pending Commission approval, those credits will likely be used to offset ratepayer costs associated with utility compliance with SB 1547 § 20.

2. Credit monetization and electric company market participation strategies should focus on establishing revenue stream stability rather than absolute credit maximization. Establishing revenue stream stability and timely realization of revenue is more important than maximizing credit price.

CUB agrees with Staff. This principle reflects the outcome of stakeholder consensus at the UM 1826 workshop discussing credit monetization. Utilities should not fear an imprudence determination based upon failure to absolutely maximize credit value. In aligning with the purposes of the LCFS/CFP, a robust credit market requires earlier action to adopt electricity as a transportation option in the near-term. However, CUB recommends the Commission provide guidance on what this means in practice for utility participation in CFP credit markets. CUB believes a balance of ensuring adequate credit valuation while at the same time, bolstering the CFP credit market, is attainable.

- 3. An electric company's CFP credit market participation strategy should also generally align with the goals and timelines of any programs the credit revenue has been designated to support.**

CUB agrees. Funds received from the sale of residential charging credits should continue to support the electric utilities' ongoing efforts to accelerate transportation electrification in the state. For example, an obvious bucket for PGE funds earned from the sale of residential charging credits would be the residential home charging pilot contemplated in UM 1811.¹ Further development in future stakeholder meetings on this topic is necessary.

- 4. Electric company actions taken to monetize CFP credits in the nascent CFP market will be reviewed for reasonableness and should not be entirely based on the amount of revenue generated from the sale.**

CUB agrees, consistent with our position on principle #2 above. Utility actions should not be based solely on generated revenue. The health of the CFP credit market must be taken into consideration. A "reasonable person standard" based upon information the utility had, or should have had, at the time is a fair compromise in CUB's eyes. The Commission's typical prudence standard is likely too rigid from an economic perspective, when allowing for adequate flexibility, for a utility to sacrifice revenue maximization for CFP market health. The Commission should provide additional guidance regarding the application of a common law reasonableness standard to utility participation in the CFP market.

- 5. Electric companies are not deemed responsible for the development, health, maturity, or liquidity of the CFP market, and should be held to a reasonableness standard from: 1) market irregularities; 2) potential disputes over eligibility for CFP credits; and 3) potential disputes with credit purchasers over the validity of CFP credits. However, electric companies are encouraged to support a healthy market.**

As registered credit aggregators and affirmative market participants, CUB encourages the Commission to urge the utilities to support a robust and healthy CFP market envisioned by the DEQ rules and the state's GHG reduction goals. However, CUB realizes electric utilities are only one player in a much larger market, involving many other varieties of lower carbon intensity fuels. CUB agrees with Staff that DEQ will ultimately be responsible for oversight and enforcement of market stability, market engagement policy, and market health.

- 6. Credit monetization strategy and processes should minimize the administrative costs of participating in the CFP credit market.**

CUB agrees. Utilities should align with the best and most efficient administrative practices to avoid unnecessary costs borne by ratepayers. Administrative costs should be offset by funds received from the sale of residential CFP credits.

- 7. Electric companies may use consultants or third-parties to assist with the administration of selling or transferring CFP credits. The cost of such consultants will be considered administrative costs.**

¹ UM 1811 – Stipulation at 7.

CUB agrees in principle, but the selection of third-party consultants should align with the goals of principle #6 to minimize administrative costs. CUB recommends the Commission enable interested stakeholders the opportunity to have a say in third-party consultant selection, if applicable.

8. Commission Staff will review administrative costs, including if an electric company uses a balancing account to track administrative costs for later recovery.

CUB agrees administrative costs should first be offset by CFP credit revenue. The process should allow for adequate Commission review to determine whether such costs were borne through reasonable utility practices and are therefore recoverable.

9. Electric companies are responsible for filing an annual report with the Commission that includes the current balance of credits in its account, the number of sales executed, the amount of revenue gained from each credit sale and number of credits sold, administrative costs, and a general plan that includes strategies to support program funding.

CUB agrees. Utility participation in the CFP market should be transparent and allow for effective Commission oversight. Beyond filing an annual report, CUB recommends explicit opportunities for stakeholder feedback and revisiting utility participation in CFP credit markets.

Respectfully submitted,



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