NW Energy Coalition

for a clean and affordable energy future

From: Michael Breish
Policy Associate
NW Energy Coalition

Jana Gastellum
Program Director, Climate
Oregon Environment Council

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To: Oregon Public Utility Commission
Nolan Moser
Jason Salmi-Klotz
Commissioners

Re: Docket No. UM 1826 – Staff's Report on Utility Credit Monetization Principles

The NW Energy Coalition (Coalition) and the Oregon Environmental Council (OEC) appreciate the opportunity to provide written comments on Commission Staff's report in Docket No. UM 1826, which provides recommendations to the Commission regarding policies instructing and affecting the utilities' role in monetizing credits generated from Oregon's Clean Fuels Program (CFP).

The additional time granted to stakeholders to draft these comments due to the placement on the ensuing December Public Meeting is greatly appreciated because the original time allowed was unrealistic. The Coalition hopes that in future Docket No. UM 1826 stakeholder comment solicitations that Staff provides ample time to the public to submit any material.

The Coalition supports Staff's decision to first provide recommendations regarding credit monetization before tackling issues related to program objectives. The Oregon Department of Environmental Quality's (DEQ) recent CFP rulemaking enables utilities to generate credits for years 2016 and 2017 retroactively. Because those credits will deposit in quarters 1 and 2 of 2018, respectively, swift and narrow action by the Commission is welcomed before turning to more complicated topics, like program objectives. The Coalition and OEC hope deliberations on program objectives can be thorough, but efficient so that utility credits can enter the market and value can be put to use as quickly as possible.

Below are the Coalition's and OEC's comments and questions for each principle.

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

The Coalition and OEC support this principle and understand the reasoning. However, the Coalition would like clarity on the applicability of these principles based on utility ownership of the residential charging infrastructure. Earlier in the report, Staff states that

> Staff and stakeholders are recommending principles that govern electric company generation of CFP credits *from residential electric vehicle chargers only* (not, for example, credits generated from electric company-owned charging infrastructure.)[1]

The Coalition and OEC assume that Staff meant to say "not, for example, credits generated from *non-residential* electric vehicle chargers only" when talking about what the policy does <u>not</u> apply to. OAR 340-253-0330(2) does not discriminate against ownership of residential charging infrastructure, but the Coalition and OEC want to be sure that Staff's recommendations would not inadvertently prevent these principles from governing credits generated from any future, utility-owned residential chargers. The Coalition and OEC believe that utilities should have the opportunity to be CFP credit aggregators, regardless of infrastructure ownership structure and market segment.

Relatedly, the Coalition and OEC would like to know how Commission Staff would recommend to the Commission consideration of these principles if a utility proposed to own residential charging infrastructure under a SB 1547-authorized program. Noting footnote number nine on page 6 of the report, the Coalition does not see any indication of what policy direction Staff would provide despite the overlap of policy implications of SB 1547 and the CFP.

Additionally, the Coalition and OEC would like to know if and when Staff will produce credit monetization principles that apply to non-residential charging in the case that a utility is the designated aggregator as provided by OAR 340-253-0330(3)(b) and how Commission Staff plans to incorporate CFP monetization and programming objectives for non-residential charging credits in SB 1547-authorized programs.

2. **Establishing revenue stream stability and timely realization of revenue is more important that maximizing credit price.**

The Coalition and OEC support this principle, recognizing that if the Commission were to prioritize "maximizing credit price," the utilities may hold on to credits for an indefinite period in order to produce incremental increases in value. This possibility is further compounded by the fact that credits do not expire

[1] Staff Report, Docket No. UM 1826, at page 5, November 3, 2017.

according to Oregon DEQ.[2] In addition to preventing indefinite retainment of credits by utilities, this rule also provides certainty to the market, ensuring that some amount of credits will be available. Finally, the Coalition and OEC strongly believe that utilities should be involved in transportation electrification market transformation and consistent funds generated by the sale of CFP credits will assist in that effort.

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.**

The Coalition and OEC support this principle and agrees with Staff that types of programming and the process in which to approve those programs will require additional attention.

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.**

Before offering complete support for this principle, the Coalition and OEC would like clarification on an aspect of monetization that Staff had discussed at the October 12, 2017 workshop. Staff indicated the possibility of balancing accounts that would allow the utilities to pursue programming using limited ratepayer funds, which would be later reimbursed by future sales of credits. This possibility seems like a crucial component to this principle and is distinct from principle number 8 below, which focuses strictly on administrative costs, not entire programmatic costs.

Because Oregon, and the broader region, are not only in the initial stages of market transformation for the electric vehicle market, but also because the CFP market is "nascent," the Coalition believes that programs implemented in the near term are crucial in strengthening the electric vehicle market for all participants. Funding instability due to uncertainty at least in the early stages of the CFP market may jeopardize these critical programs that are entirely supported by the utilities. Providing authority to the utilities to use limited, closely monitored ratepayer funds to stabilize these programs would prove vital in the near term.

5. **Electric Companies are encouraged to support a healthy CFP market, but not be held solely responsible for the health, maturity or liquidity of the CFP market.**

The Coalition and OEC support this principle. The utilities must be assigned appropriate responsibility commensurate with their role in the market, but that does not overly dissuade them from participating in the CFP market. Even though Staff does not believe that the utilities will be able to "assert market power" based on the credits the utilities may possess at any one time, the Coalition and OEC hope

[2] *See* OAR 340-253-1005(1)(b)(A).

either the Commission raises this as a potential issue to monitor or that DEQ has in place the ability to monitor market participant power abuse.

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

The Coalition and OEC support this principle, but encourage Commission flexibility in case utility action might require a balance in minimizing administrative costs, especially in the early years of the CFP program and as transportation electrification navigates the initial phases of the market transformation process. DEQ will be performing the bulk of the work to calculate and deposit credits in utility accounts.

7. **Electric companies may use consultants or third parties to assist with the administration of selling or transferring CFP credits.**

The Coalition and OEC support this principle knowing that in principle number eight, Commission Staff will review all administrative costs, which includes costs of consultants or third parties.

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

The Coalition and OEC support this principle, but have a few concerns. First, will this review process and the data being scrutinized by Staff be public, letting stakeholders review utility expenditures and make recommendations? Second, tying back to our question raised under recommendation number four, does Staff intend to limit utility use of balancing accounts exclusively for administrative costs, or does Staff envision allowing the utility to use, in a controlled and monitored fashion, balancing accounts to maintain specific program funding?

9. **Electric companies are responsible for filing an annual report with the Commission that details key metrics.**

The Coalition and OEC support this principle, but have two questions. One, what does Staff envision "strategies to support program funding" entailing beyond the utilities utilizing revenue from credit sales? Two, because the utilities will be simultaneously pursuing electrification efforts under CFP and senate bill 1547 mandates, will some sort of central reporting be required of the utilities in order to determine additionality and potential cross-subsidization?

The Coalition notes that Staff aims to present recommendations regarding CFP Program Development and use of CFP credits "by mid-March 2018." If Staff plans to host at least two workshops like it did for these principles and will need time to draft a report, the Coalition urges Staff to be more generous with its timeline in order to enable sufficient time for stakeholders to provide comments. The

Coalition anticipates the issues of credit use and program development to be more contentious, requiring more work in developing positions.