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November 13, 2017

***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, OR 97301-3398

Attn: Filing Center

**RE: UM 1846—PacifiCorp's Reply Comments**

PacifiCorp d/b/a Pacific Power encloses for filing its Reply Comments in the above-referenced docket.

If you have questions about this filing, please contact Natasha Siores at (503) 813-6583.

Sincerely,

Etta Lockett  
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1846**

In the Matter of:

PACIFICORP, d/b/a PACIFIC POWER

2016 Renewable Portfolio Standard  
Compliance Report

REPLY COMMENTS OF PACIFICORP

PacifiCorp d/b/a Pacific Power submits these comments in response to the Public Utility Commission of Oregon (Commission) Staff's comments filed on October 12, 2017. On June 1, 2017, PacifiCorp submitted its Oregon Renewable Portfolio Standard (RPS) Compliance Report for 2016 (2016 Compliance Report) to the Commission under ORS 469A.170 and OAR 860-083-0350. On September 26, 2017, the Commission granted Staff's request for a waiver of the deadlines set by OAR 860-083-0350(4), which required Staff and intervenor comments to be filed by July 15, 2017. In granting Staff's waiver request, the Commission set a deadline for Staff and intervenor comments to be filed by October 12, 2017, and PacifiCorp's response comments to be filed by November 13, 2017.

**I. INTRODUCTION**

In its comments, Staff concluded that PacifiCorp met the RPS compliance targets as mandated by ORS 469A.052(1)(a), and will meet the RPS compliance reporting requirements as mandated by OAR 860-083-0350.<sup>1</sup> PacifiCorp supports Staff's conclusion and recommends that the Commission find that it has complied with applicable RPS requirements.

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<sup>1</sup> Staff also noted that it would review any comments filed by any other parties or PacifiCorp.

In the 2016 Compliance Report, PacifiCorp indicated that, due to passage of Senate Bill (SB) 1547 and the associated elimination of the first-in, first-out retirement requirement, PacifiCorp's incremental costs of compliance were higher in 2016 as compared to the 2015 RPS Compliance Report. In its comments, Staff indicated that it struggled to understand why PacifiCorp chose to retire higher-cost renewable energy certificates (RECs) from the Oregon Solar Incentive Program (OSIP) and relied less on zero-cost hydro RECs in the 2016 Compliance Report. In response to Staff's concerns, PacifiCorp provides the background and rationale for its strategy, which may result in year to year fluctuations in annual incremental RPS compliance costs.

## **II. REPLY COMMENTS**

In PacifiCorp's July 15, 2016 Updated 2017-2021 Renewable Portfolio Implementation Plan (RPIP), the company identified a compliance strategy to use RECs with the shortest lives first before using RECs from the existing (pre-2016) bank.<sup>2</sup> In its reply comments in the RPIP proceeding, PacifiCorp further described this strategy as designed to maximize the value of RECs before they expire and cannot be used for compliance with the Oregon RPS.<sup>3</sup> This approach generally assumes that PacifiCorp will retire five-year RECs before retiring RECs with an unlimited life. PacifiCorp also noted that the determination of which specific RECs are retired in a given year also depends on the levelized cost of each resource (and variable inputs to the calculation, such as fuel prices), renewable resource performance, and the annual RPS target. This strategy is intended to manage RPS incremental costs in the following ways: (1) minimize the risk of losing unused RECs before they expire to avoid the need to procure replacement

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<sup>2</sup> Docket No. UM 1790, *PacifiCorp Renewable Portfolio Standard Implementation Plan 2017 through 2021* at 4 (Jul. 15, 2016).

<sup>3</sup> Docket No. UM 1790, *PacifiCorp Reply Comments* at 2-3 (Oct. 28, 2016).

RECs or resources; and (2) defer the use of the bank of “golden”<sup>4</sup> RECs with lower incremental costs for use in years with higher RPS targets. PacifiCorp indicated that it intended to identify the most balanced portfolio of RECs and renewable resources to manage RPS incremental compliance costs relative to the four percent cost cap each year. The overall objective of this strategy is to avoid triggering the four percent cost cap, which may or may not reduce or minimize incremental compliance costs on a year-to-year basis.

PacifiCorp’s strategy for retiring RECs for 2016 compliance is consistent with the strategy described in PacifiCorp’s reply comments in the RPIP proceeding. By retiring higher-cost OSIP RECs before they expire, PacifiCorp is ensuring that: (1) these RECs are used before they expire; and (2) RECs with lower incremental costs are deferred for use in years with higher RPS targets. This strategy helps to ensure that PacifiCorp will be able to stay under the four percent incremental cost cap while RPS requirements increase over time. From a long-term perspective, this strategy is more sustainable but may involve year to year fluctuations in the level of incremental cost included in the annual compliance reports.

The incremental cost calculation does not reflect the actual cost to customers for complying with the RPS, but rather a forecast of the difference between RPS-resource costs and the cost of proxy resource alternatives. The four percent cost cap is intended to act as a potential stopping point for RPS compliance<sup>5</sup> and is not a prohibition on prudently incurred costs associated with RPS compliance nor a tool used to determine a least-cost, least-risk RPS compliance strategy. There is therefore no associated incremental customer impact associated with incremental

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<sup>4</sup> “Golden” RECs are RECs generated by resources before March 8, 2016, or generated during the first five years for long-term projects coming online between March 8, 2016 and December 31, 2022, and are not subject to the five-year REC life of other RECs. Enrolled Senate Bill 1547, OR S.B. 1547-B, 78<sup>th</sup> Legislative Assembly (2016).

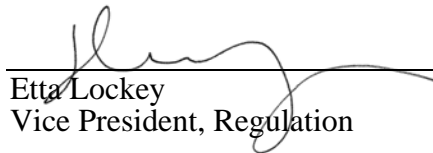
<sup>5</sup> See ORS 469A.100(1).

compliance cost fluctuations based on which RECs are retired for RPS compliance in a given compliance year.

### **III. CONCLUSION**

Consistent with Staff's recommendation, PacifiCorp respectfully requests that the Commission find PacifiCorp in compliance with the 2016 RPS requirements.

DATED: November 13, 2017

  
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Etta Lockey  
Vice President, Regulation