PACIFIC POWER
A DIVISION OF PACIFICORP

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April 10, 2020

VIA ELECTRONIC FILING

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

RE: AR 610, Rulemaking Regarding the Incremental Cost of Renewable Portfolio Standard Compliance

PacifiCorp d/b/a Pacific Power (PacifiCorp) submits these comments in response to the Public Utility Commission of Oregon (OPUC or Commission) Staff's questions issued on March 27, 2020 in the above-referenced proceeding.

Question 1: Are there additional options for calculating incremental cost that Staff should consider? What legal or policy reasons support your position?

PacifiCorp has not identified any additional options that should be included for consideration in this proceeding. The company respectfully asks the commission to consider clarifying in OAR 860-083-0010(30), that the appropriate proxy plant selected for the incremental cost calculation should be the least-cost non-qualifying resource from the relevant integrated resource plan (IRP) at the time of resource acquisition. And, in the event the relevant IRP does not include a non-qualifying resource, the qualifying electricity should be deemed as having no incremental cost to the Renewable Portfolio Standard (RPS).

Question 2: Should AR 610 include rules or standards for assessing REC bank management? What legal or policy reasons support your position?

PacifiCorp does not recommend amending the existing rules to include requirements for REC bank management. It has been the company's practice to utilize RECs with the shortest life first to meet its compliance obligation, and bank RECs that are eligible to meet compliance obligations in the future in order to guard against the possibility that the cost to obtain RECs will increase in the future. This approach socializes the cost and the benefits of RPS compliance across an evolving customer base, and all customers benefit from having access to banking flexibility. PacifiCorp finds that this practice is appropriate to mitigate future pricing risk for customers, as renewable requirements increase, and therefore, no changes are necessary at this time. There is also no need to memorialize this practice through rules. Any changes to this practice can be communicated to the Commission through annual RPS reporting or in the Renewable Portfolio Implementation Plan (RPIP). These filings allow opportunity for Commission feedback and ensure that flexibility be maintained. As RPS and renewable acquisition requirements change over time, it will be beneficial to have this flexibility in case changes to REC bank management are warranted. At a minimum, any changes in rules or

standards for REC bank management should not have deleterious effects on the existing REC bank and the benefits accrued in that bank for all customers.

Question 3: Are there any RECS that should not be included in the compliance calculation? If so, please identify these and explain why.

PacifiCorp interprets this question to mean any RECs that should not be included in the incremental cost calculation, and has not identified any category of RECs that should not be included in the incremental cost calculation.

Questions 4 through 6 assume that REC costs are included in the incremental and total cost calculations in the year of generation.
Question 4: Is this appropriate? Is it feasible?

PacifiCorp agrees that this is appropriate and feasible. As discussed in the company's September 14, 2018 comments filed in this proceeding, calculating the incremental cost of compliance for qualifying electricity based on the year the electricity is generated or that RECs are acquired is consistent with the intent and language in the rules that states that incremental costs should be based on the "likely impacts on the rates of its Oregon retail electricity customers."[1] The incremental cost calculation can only serve as a customer protection and cost containment mechanism if the incremental cost calculation is more closely aligned with the customer rate impacts of RPS compliance.

Question 5: Are there alternatives that are also feasible and/or appropriate? If not, why not?

As set forth in PacifiCorp's September 14, 2018 comments, it would not be appropriate to base the incremental cost on retirement of RECs because this would not provide any measure of impacts to customer rates associated with RPS compliance.

Question 6: What should happen to the existing bank of RECs once the new method of calculating cost is implemented? Should RECs being retired from the existing REC bank be accounted for in the total cost and/or incremental cost calculation? If so, how? If not, why?

RECs being retired from the existing REC bank should be accounted for in the total cost and the incremental cost calculation because only RECs that have been delivered are included in previous year incremental and total cost calculations. The incremental cost of unbundled RECs should be the contract price for the vintage of REC being utilized in that compliance period. For bundled RECs, the incremental cost should be calculated based on the levelized cost of qualifying electricity compared to the levelized cost of an equivalent amount of least-cost, non-qualifying electricity from the relevant IRP at the time of acquisition of the qualifying electricity.

[1] Oregon Administrative Rules § 860-083-0100(1)(h).

This approach ensures the cost is associated with the time at which the decision to procure the qualifying electricity was made.

Questions 7 and 8 assume that REC sales are subtracted from the total cost of compliance.
Question 7: It this appropriate? Is it feasible?

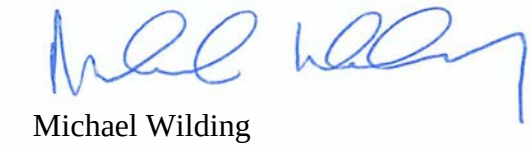
PacifiCorp agrees that this is appropriate and feasible in order to result in a cost of compliance that most closely aligns with the impact to customer rates.

Question 8: Are there alternatives that are also feasible and/or more appropriate? Why or why not?

PacifiCorp does not have any alternatives to suggest at this time.

Informal inquiries may be directed to Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,



Michael Wilding
Director, Regulation