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December 30, 2016

VIA ELECTRONIC FILING

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

Attn: Filing Center

RE: UE 313 – PacifiCorp’s Reply Comments

In compliance with Order No. 16-470, PacifiCorp d/b/a Pacific Power encloses for filing its comments related to issues raised by Calpine Energy Solutions, LLC and Northwest and Intermountain Power Producers Coalition in the above-referenced docket.

Please direct any questions on these comments to Natasha Siores at (503) 813-6583.

Sincerely,

A handwritten signature in black ink that reads "R. Bryce Dalley". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

R. Bryce Dalley
Vice President, Regulation

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 313

In the Matter of:

PACIFICORP d/b/a PACIFIC POWER

Renewable Resource Deferral Supply
Service Adjustment, Schedule 203.

PACIFICORP'S REPLY COMMENTS

I. INTRODUCTION

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In accordance with Order No. 16-470, PacifiCorp d/b/a Pacific Power (PacifiCorp or the Company) files these comments in response to the written comments of Noble Americas Energy Solutions LLC, now known as Calpine Energy Solutions, LLC (Calpine Solutions),¹ and the oral comments of the Northwest and Intermountain Power Producers Coalition (NIPPC) at the Public Utility Commission of Oregon's (Commission) December 6, 2016, public meeting.² These parties challenge the applicability of PacifiCorp's proposed tariff changes to Schedule 203, Renewable Resource Deferral Supply Adjustment, to short-term (*i.e.*, one-year Schedule 294 and three-year Schedule 295) direct access customers. These tariff changes, filed as Advice 16-011: (1) recover the costs associated with the purchase of Renewable Energy Credits (RECs) to comply with Oregon's Renewable Portfolio Standard (RPS); (2) apply to all customers except those on PacifiCorp's long-term (*i.e.*, five-year Schedule 296) direct access program; and (3) result in an overall rate increase of 0.05 percent. The Company requests approval of Schedule 203 as filed, without the exemption proposed by Calpine Solutions and NIPPC.

¹ On December 20, 2016, Noble Americas Energy Solutions LLC filed a motion substituting Calpine Solutions as a party to this matter. For purposes of these comments, PacifiCorp will refer to Noble Solutions Energy LLC as Calpine Solutions.

² *In the Matter of PacifiCorp dba Pacific Power Renewable Resource Deferral Supply Service Adjustment, Schedule 203*, Docket No. UE 313, Order No. 16-470 (Dec. 7, 2016).

1 Under Schedule 203, all customers covered by the Company’s RPS compliance planning,
2 including short-term direct access customers, share the costs of RPS compliance. This ensures
3 that the costs of RECs acquired for service to short-term direct access customers are not
4 improperly shifted to non-participating customers.

5 Calpine Solutions and NIPPC recommend that all direct access customers be exempt
6 from revised Schedule 203. This recommendation is based on identical arguments to those
7 Calpine Solutions made in support of its past proposal for a credit for RPS-compliant RECs in
8 the transition adjustment calculation.³ The Commission has twice rejected this proposal, most
9 recently in Order No. 16-482 in the 2017 Transition Adjustment Mechanism (TAM).⁴ Like
10 Calpine Solutions’ proposed REC credit, adoption of Calpine Solutions’ and NIPPC’s direct
11 access exemption from Schedule 203 would result in improper cost-shifting and undue
12 administrative burden.

13 II. BACKGROUND

14 On September 9, 2016, PacifiCorp filed revisions to Schedule 203 for cost recovery
15 associated with the purchase of RECs for RPS compliance. Schedule 203 recovers costs
16 deferred for renewable resources. The filing was docketed as UE 313. Also on September 9,
17 2016, the Company filed a request for authorization to establish and maintain a balancing
18 account to record the deferral of costs related to the purchase of RECs, the actual collections
19 through the proposed Schedule 203, and the related interest. The deferral filing was docketed as
20 UM 1797.

³ *In the Matter of PacifiCorp, dba Pacific Power, 2016 Transition Adjustment Mechanism*, Docket No. UE 296, Order No. 15-394 at 10-12 (Dec. 11, 2015); *In the Matter of PacifiCorp, dba Pacific Power, 2017 Transition Adjustment Mechanism*, Docket No. UE 307, Order No. 16-482 at 21-22 (Dec. 20, 2016).

⁴ Order No. 16-482 at 21-22.

1 The costs reflected in revised Schedule 203 result from a request for proposal (RFP)
2 process initiated April 11, 2016, that included an RFP for renewable resources and an RFP for
3 RECs. The issuance of the RFPs was driven by the passage of Senate Bill 1547 (SB 1547), the
4 recent extension of federal production and investment tax credits, and reduced resource costs.

5 By its terms, Schedule 203 applies to all customers except long-term direct access
6 customers taking service under Schedule 296. On December 1, 2016, Calpine Solutions filed
7 comments challenging the applicability of Schedule 203 to direct access customers under
8 Schedules 294 and 295.⁵ Calpine Solutions acknowledges the relationship of its position here to
9 its proposal in the 2016 and 2017 TAM dockets for a credit to reflect the value of the RECs
10 freed-up by the departure of direct access customers.⁶ Calpine argues that because the
11 Commission has refused to approve a credit for RECs in the transition adjustment, the
12 Commission should approve an exemption to the REC-related charges in Schedule 203.⁷

13 On December 1, 2016, Staff filed a public meeting memorandum recommending
14 approval of Schedule 203 as filed.⁸ Because Staff’s memorandum was filed on the same day as
15 Calpine Solutions’ comments, however, Staff did not respond to these comments in its
16 memorandum.

17 The Commission addressed Schedule 203 at a public meeting held on December 6, 2016.
18 Calpine Solutions did not appear at the public meeting. NIPPC appeared and supported Calpine
19 Solutions’ written comments.

⁵ *In the Matter of PacifiCorp dba Pacific Power Renewable Resource Deferral Supply Service Adjustment, Schedule 203*, Docket No. UE 313, Comments of Noble Americas Energy Solutions LLC (Dec. 1, 2016) (hereinafter “Calpine Solutions’ Comments”).

⁶ *Id.* at 2.

⁷ *Id.*

1 program.¹⁴ When adopting this planning requirement, the Commission reasoned that customers
2 who have permanently opted-out “are effectively committed to service by an alternative
3 electricity supplier” and are therefore excluded from a utility’s planning until they provide notice
4 of their intent to return to cost-of-service rates.¹⁵ Because short-term direct access customers
5 return to cost-of-service rates at the end of their program term, PacifiCorp must continue to plan
6 to serve those customers.¹⁶

7 Consistent with these planning obligations, the Company purchased RECs through the
8 2016 RFP based on the Company’s forecasted RPS target, which includes short-term direct
9 access loads. Schedule 203 reasonably requires short-term direct access customers to pay for the
10 RECs acquired to satisfy RPS obligations relating to their loads. Otherwise, the costs of these
11 RECs would be improperly shifted to non-participating customers.¹⁷

12 **B. The Commission has previously rejected the arguments underlying Calpine**
13 **Solutions’ and NIPPC’s argument in support of a direct access exemption to**
14 **Schedule 203.**

15 Calpine Solutions and NIPPC recommend that all direct access customers be exempt
16 from Schedule 203.¹⁸ They claim that if a direct access customer pays for RECs under Schedule
17 203, the customer pays for RPS compliance twice—once to PacifiCorp and once to its Electricity

¹⁴ *In re Integrated Resource Planning*, Docket No. UM 1056, Order No. 07-002, Guideline 9 (Jan. 8, 2007) (planning Guideline 9 requires planning for all direct access customers except those that have permanently opted-out).

¹⁵ Order No. 07-002 at 19.

¹⁶ *Id.* (“Because direct access customers have a right to return to cost-of-service rates, the utilities should plan to serve them in the long run. We consider a customer signed up for direct access under the existing one- or three-year options as ‘effectively committed to service’ from an ESS only during that contract period.”).

¹⁷ ORS 757.607(1) (prohibits “unwarranted shifting of costs to other [non-participating] retail electricity consumers of the electric company.”); *In the Matter of Pacific Power & Light Company, dba PacifiCorp, Request for a General Rate Increase in the Company’s Oregon Annual Revenues*, Docket No. UE 170, Order No. 05-1050 at 21 (Sept. 28, 2005) (prohibits cost-shifting for PacifiCorp’s direct access programs).

¹⁸ Calpine Solutions’ Comments at 1.

1 Service Supplier (ESS)—and that paying twice illegally subsidizes cost-of-service customers.¹⁹
2 This contention is substantively identical to Calpine Solutions’ argument in favor of a REC
3 credit in the transition adjustment calculation, which the Commission has rejected in the last two
4 TAMs.²⁰

5 In Order No. 16-482 issued in the 2017 TAM, the Commission rejected Calpine
6 Solutions’ claim that direct access customers were subsidizing cost-of-service customers when
7 direct access customers paid for RPS compliance twice.²¹ The Commission found that in the
8 near term there was “little or no benefit from a reduction in the RPS obligation due to the loss of
9 load from direct access” and that long-term benefits are speculative and would be *de minimis*
10 when discounted to today’s dollars.²² Because the Commission found that non-participating
11 customers are not receiving a benefit as a result of the loss of short-term direct access load, there
12 is no improper subsidy to these customers.

13 In addition, there is nothing improper in requiring short-term direct access customers to
14 pay RPS compliance costs to both the utility and the ESS. These customers’ ability to switch
15 energy providers on a short-term basis causes both providers to incur RPS compliance costs.
16 Without payment of Schedule 203 charges, these costs will be shifted to non-participating
17 customers. Similarly, short-term direct access customers pay PacifiCorp’s fixed generation costs

¹⁹ *Id.*

²⁰ See Order No. 15-394 at 10 (“Noble Solutions states that without a REC credit, direct access customers pay for RPS compliance twice, once from PacifiCorp and once from their [ESS].”); *In the Matter of PacifiCorp, dba Pacific Power, 2017 Transition Adjustment Mechanism*, Docket No. UE 307, Noble Americas Energy Solutions LLC’s Response Brief at 12 (Sept. 26, 2016) (“Without the REC credit, direct access customers are paying twice for their RPS obligations and subsidizing RPS compliance for cost-of-service customers.”).

²¹ Order No. 16-482 at 22.

²² *Id.*

1 under Schedule 200, along with the ESS's fixed generation costs.²³ Calpine Solutions has not
2 challenged this treatment of fixed generation costs, and previously agreed that direct access
3 customers should pay for the resources that were planned and acquired for their benefit even if
4 those resources are no longer serving the direct access customer.²⁴ The same is true for RECs for
5 RPS compliance.

6 **C. Calpine Solutions and NIPPC fail to account for PacifiCorp's planning**
7 **obligation.**

8 Calpine Solutions does not dispute that PacifiCorp is required to plan to serve short-term
9 direct access customers. Despite this planning obligation, Calpine Solutions claims that these
10 customers should not pay for the RECs acquired to serve them because "previously acquired
11 RECs will be freed-up by these customers' direct access election and can be banked for future
12 use."²⁵ In Order No. 16-482, however, the Commission determined that banked RECs provide
13 little or no benefit to non-participating customers.²⁶ Therefore, freed-up RECs do not mitigate
14 the cost-shifting that would result from exempting all direct access customers from Schedule
15 203.

16 Calpine Solutions further argues that the planning obligation is immaterial because short-
17 term direct access customers "will again pay for their allocation of PacifiCorp's RECs in future
18 years (if any) where they take service under cost-of-service tariffs."²⁷ But this does not change

²³ See *In the Matter of PacifiCorp, dba Pacific Power, 2016 Transition Adjustment Mechanism*, Docket No. UE 296, Noble Solutions/100, Higgins/6.

²⁴ See *In the Matter of PacifiCorp, dba Pacific Power, 2016 Transition Adjustment Mechanism*, Docket No. UE 296, Noble Solutions/100, Higgins/23; *In the Matter of PacifiCorp, dba Pacific Power, 2017 Transition Adjustment Mechanism*, Docket No. UE 307, Noble Solutions/100, Higgins/26.

²⁵ Calpine Solutions' Comments at 2.

²⁶ Order No. 16-482 at 22. The Commission also found that any long-term benefits would be *de minimis* when discounted to today's dollars. *Id.*

²⁷ Calpine Solutions' Comments at 2.

1 the fact that in the years when the customer is served by an ESS, non-participating customers are
2 paying for additional RECs that were purchased to serve the direct access customer.

3 **D. Exempting all direct access customers from Schedule 203 would create an**
4 **undue administrative burden.**

5 Calpine Solutions’ and NIPPC’s recommendation implicitly assumes that RECs will be
6 retired in the same year they are purchased. Because Oregon law allows banking, the RECs that
7 are subject to Schedule 203 will not necessarily be retired in the year that they are purchased.
8 Therefore, exempting direct access customers from Schedule 203 would require PacifiCorp to
9 track individual RECs purchased each year to ensure that a returning direct access customer does
10 not receive the benefit of a REC that was purchased while the customer was exempt from
11 Schedule 203. The administrative burden of exempting direct access customers from Schedule
12 203 is no less than the administrative burden associated with Calpine Solutions’ previously
13 rejected REC credit proposal.²⁸

14 **IV. CONCLUSION**

15 PacifiCorp respectfully requests that the Commission approve revised Schedule 203 as
16 filed and reject Calpine Solutions’ and NIPPC’s recommendation to exempt all direct access
17 customers from the tariff change. If short-term direct access customers do not pay for the RECs

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²⁸ See, e.g., *In the Matter of PacifiCorp, dba Pacific Power, 2017 Transition Adjustment Mechanism*, Docket No. UE 307, PAC/800, Dickman/45-47.

1 that were acquired for them, non-participating customers will be required to pay those costs,
2 contrary to the prohibition on cost-shifting.

3

4 Respectfully submitted this 30th day of December, 2016.


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