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July 21, 2017

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

RE: UM 1020 PGE's Reply to Staff Memo

This letter is in response to Staff's recommendations with regard to the "co-funding study" to be considered on the OPUC's regular agenda at the July 25, 2017 public meeting. PGE supports the recommendation that addresses the blending of ratepayer funds with Energy Trust (ETO) incentive funds but does not support Staff's recommendation that pertains to PGE's approved Renewable Development Fund (RDF) guidelines, specifically the granting of funds to only non-profit entities. Lastly, PGE points out that the Staff Memo does not mention utility-owned projects even though Staff's Memo attached as Appendix A to Commission Order 16-156 specifically includes this issue in the scope of Staff's review.

The Staff Report makes three recommendations: 1) limit the awarding, by utilities, of grant funds to non-profit organizations, 2) direct the utilities to adopt Staff's operating parameters to guide future blending of funds from the ETO and utility voluntary programs for eligible renewable projects, and 3) qualifying facilities may receive both ETO and voluntary program funding but only if the project is owned by a nonprofit and the Staff parameters apply. Two of these recommendations relate to the blending or commingling of ratepayer and ETO funds and one is addressed solely to the granting criteria when the utilities grant voluntary program funds (contributed by customers) to renewable projects. PGE supports Staff's second and third recommendation; however, the recommendation regarding granting criteria from voluntary program funds exceeds the scope of the direction to Staff and amends the already approved and disseminated granting guidelines. For those reasons we do not support that recommendation. This letter discusses the second and third recommendations and then the first.

<u>Staff's Second Recommendation: RDF and ETO Funded Projects</u>

PGE is in support of Staff's second recommendation that the utilities and Energy Trust adopt Staff's operating parameters to guide future co-funding of voluntary program and ETO incentive funds to renewable projects, starting no later than November 1, 2017. The operational parameters speak to community benefit, integrity of public purpose and efficient use of program funds. The recommendation and operating parameters fit squarely within the Commission request that Staff investigate this co-funding issue and make recommendations. PGE understands Staff's interest in inserting community benefit when RDF funds are combined with ETO funds or otherwise commingled.

Given that community benefit is not required in our tariff noting the opportunity for customers to contribute to the voluntary fund, nor is it in the Guidelines, PGE does not accept the requirement when it applies to only RDF funded projects. We address this in our discussion of Staff's First Recommendation.

The operating parameters address how RECs are split, efficiency (need for regular and timely coordination) between the company and the Energy Trust, reasonable project costs, ETO installation guidelines and inspections, and reporting.

Staff's Third Recommendation: QF and ETO Funded Projects

PGE also supports Staff's third recommendation that qualifying facilities may receive combined RDF grants and ETO funds but only if the QF project is owned by a nonprofit and the parameters are used. Again, given that this recommendation is aimed at the co-funding question, Staff's recommendation is reasonable.

Staff's First Recommendation: Amending PGE's RDF Guidelines to limit grant awards to only non-profits

Staff's first recommendation is for the utilities to limit the awarding of grant funds to only non-profit entities.

Grant eligibility and disbursement is governed by PGE's Commission approved Guidelines[1]. While PGE appreciates the recently added phrase to this part of Staff's memo, allowing an exception to the nonprofit rule if PGE demonstrates there is a "compelling public interest," this change imposes a requirement that does not currently exist in the approved Guidelines and is also not currently in the tariff which advises customers what they are contributing to. The recommendation will require PGE to change its Guidelines, which, as discussed below, was thoroughly vetted through the Commission's Portfolio Options Committee (POC) and the Commission. PGE is in its second funding cycle with the Guidelines.

The objective of the Guidelines is to reasonably implement the PGE Tariff to promote renewable energy and demonstration projects. Residential and small commercial customers participate in the program to further that renewable energy project development. With regard to Staff's underlying rationale for the recommendation, PGE's tariff does not prescribe that customer contributions serve as a replacement to tax credits that nonprofit project owners cannot take.

While the current Guidelines allow projects to be owned by for-profit and nonprofit entities, they declare a preference for projects that have a nonprofit or public entity serve as the host or are in meaningful partnership with the project developer.

[1] The Guidelines were approved by Order 16-156.

Ironically, PGE supported the nonprofit restriction when it discussed a first draft of the Guidelines with the POC. At that time, in response to feedback from Renewable Northwest and CUB against limiting funding to only nonprofits, PGE wrote the Guidelines to express it as a preference and not a mandate. If Staff had concerns about funded projects and their hosts, both Staff and the Commission would have a chance to voice concerns during the required Commission and Staff review process.

PGE requests that the Commission not adopt Staff's first recommendation and instead accept PGE's offer to review the Guidelines and consider the Staff recommendation when the Guidelines are next updated. We'd like to apply the current Guidelines for 3-4 RFP cycles before evaluating them for any changes. Given that the original Guidelines were developed through an extensive and collaborative process with PUC Staff, the ETO, and the POC, any amendment should go through a similar process.

Utility Owned Projects

Contrary to Staff's assertion (Staff Memo, page7) that the use of voluntary funds for utility-owned projects was resolved in Order 16-123[2] and did not require addressing here, we disagree but note that the issue is no longer ripe because we do not intend to grant awards from the RDF to PGE owned projects.

We include the following to clarify the record. We understood the issue of whether a utility-owned project could receive RDF funding was within the scope of Staff's investigation[3]. When PGE first filed the draft Guidelines for PUC consideration, PGE included in the Guidelines the possibility that a PGE owned project would receive RDF funding. That became a stumbling block for the Commission's approval of the Guidelines and in response to PGE's request that the Commission give the go ahead to PGE launching the then-delayed RFP process for RDF projects, the Commission directed PGE to remove the utility ownership option rom the Guidelines.

PGE followed up with filing the revised Guidelines April 12, 2016 without the option of a utility owned project receiving RDF funding. At the time, we believed the utility owned project option would be addressed in the co-funding investigation. It was not. As noted, the approved Guidelines do not include utility owned projects as eligible for RDF funding and the Guidelines would have to be amended and then reviewed by the POC and Commission to do so. PGE has no current plans to allow for this.

[2]Commission Order No. 16-123 memorializes the decision that the RDF Guidelines were not approved as written, at the March 22, 2016 public meeting and that PGE is directed to remove utility-owned projects from the Guidelines and present the revised Guidelines at a future public meeting. It also did not accept the utility ownership component in Staff's proposed RDF review process. PGE and Staff, as noted in the Staff memo attached to Order 16-156, then understood that the rejection of a utility owned project receiving RDF, was temporary pending the outcome of the Staff investigation into the appropriateness of commingling funds collected from ratepayers participating in the voluntary program with funds collected from all ratepayers through general tariffs. Utility owned projects fell into the latter category of projects funded by all ratepayers through general tariffs.

[3] Commission Order No. 16-156, page four, Section 3: Commingling Voluntary and Ratepayer Funds.

In closing, PGE appreciates Staff's investigation of the co-funding issue raised by Commissioner Savage in 2016 and the thoughtful approach that would apply when ratepayer funds (RDF or QF) and ETO incentives are commingled. Thus, PGE supports all but the first of Staff's recommendations from its investigation.

Should you have any questions or comments regarding this report, please contact me at (503) 464-8718.

Please direct all formal correspondence and requests to the following email address pge.opuc.filings@pgn.com

Sincerely,

Karla Wenzel

Karla Wenzel,
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cc: JP Batmale
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