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June 8, 2016

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

RE: **UM 1020 – PGE's Response to OPUC Staff Questions**

Enclosed please find Portland General Electric Company's ("PGE") Responses to Oregon Public Utility Commission Staff ("OPUC Staff") Questions in the above mentioned docket.

At its March 22, 2016, OPUC Public Meeting, the Commission directed Staff (through OPUC Order Nos. 16-123 and 16-156) to further evaluate the appropriateness of co-funding renewable projects with customer voluntary funds and Energy Trust funds or payments to QFs under PURPA. On May 25, 2016 OPUC Staff provided PGE with "Questions to Consider" in advance of a Workshop to be held June 9, 2016 in Salem, which PGE plans to attend. PGE's responses address the specific questions put forth by OPUC Staff.

If you have any questions or require further information, please call Rebecca Brown at (503) 464-8545. Please direct all formal correspondence and requests to the following email addresses: doug tingey@pgn.com and pge.opuc.filings@pgn.com.

Sincerely,

Karla Wenzel
Manager, Pricing & Tariffs

KW/kr
Enclosures

UM 1020
PGE Responses to OPUC Staff Questions to Consider
June 8, 2016

1. Are there other ways in which general ratepayers support small scale renewables and that should be considered within the scope of this review?

In addition to general customer funds provided to the Energy Trust for renewables incentives, customer funds are used to pay Qualifying Facilities for renewable energy generation delivered to PGE's system under PURPA. Customers also support small-scale renewable projects through net metering and Feed-In Tariff payments, and associated administrative support. Commissioner Savage expressed concern that RDF granted projects are not vetted within PGE's IRP for least-cost, least-risk. Other renewable incentive programs like net metering, the Feed-In Tariff, and qualifying facilities are also outside the scope of the IRP and also not vetted according to least-cost, least-risk principles.

2. What is the intended purpose of voluntary program grant funds?

Voluntary renewable program grant funds have historically been used to support and promote creation of more renewable power capacity - over and above what would otherwise be developed. The purpose is set forth in our retail tariff, Schedules 7 and 32. Per Schedule 7 and Schedule 32:

> "The Company will also place $1.50 of the amount received from Customers enrolled in the Fixed Renewable Option in a new renewable resources development and demonstration fund. Amounts in the fund will be disbursed by the Company to public renewable resource demonstration projects or projects which commit to supply energy according to a contractually established timetable."

This fund was called the Clean Wind Development Fund until recently when PGE changed the name to Renewable Development Fund. The name change was in recognition that other funds (comprised of customer contributions) were combined together for the purpose of awarding grants to support development of new renewable resources. Those other funds were Green Source Reserve and Renewable Future. While neither of those added funds were established for the purpose of renewable resource grants, the Commission approved the transfer following the Staff's and POC's recommendation to do so, in the July 15, 2014 Staff memo.[1] The intent is that the same guidelines for disbursement will apply.

3. How does this purpose differ from that of general ratepayer funded renewable programs?

This question depends on what is meant by "general customer funded renewable programs."

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[1] http://apps.puc.state.or.us/orders/2014ords/14-273.pdf

A portion of the public purpose charge (PPC) collected from general customers goes to support renewable power.[2] The ETO website states that these funds help to pay the above market costs of renewable energy resources. In all likelihood, many of these projects would not have been completed without ETO funding. ETO funds also support awareness-building, technical assistance, as well as an online assessment tool to determine solar potential. When the ETO provides a PPC funded grant to a renewable resource, the renewable resource provides Renewable Energy Credits (RECs) to the ETO to be retired on behalf of all PGE customers and used to meet the Oregon Renewable Portfolio Standard (RPS). This is performed in recognition that PGE customers provided the funding for the incentive. General customers also support renewable resources and meeting the RPS, when PGE acquires a renewable generation resource and that resource is added to customer rates. The process for PGE to acquire a renewable generation resource is through the Integrated Resource Plan - a public, open, and competitive process governed by principles of least-cost, least-risk resource planning.

4. **Under what circumstances does combining voluntary and general ratepayer funds lead to additional benefits for voluntary and all ratepayers that could not have been achieved with one or the other fund?**

By filling only the funding gap that is left once other sources (tax credits, grants including ETO PPC grants) have been fully utilized, voluntary customer monies (RDF) enable projects that would otherwise not be completed. In general, this has been achieved by providing the minimum amount of funding to make these projects economically viable; a good example is the case of non-profits – which cannot utilize tax benefits. Voluntary renewable grant funds may fill that gap. General customers get additional renewable resources for compliance with the RPS; voluntary customer contributors receive the positive outcome of helping a resource come into fruition when it might not otherwise.

With regard to PURPA QF projects, if such projects received an RDF grant, then the projects would have to provide voluntary customers with RECs commensurate with the grant. During periods of PGE being deficient in renewables, the price paid to the QF by PGE general customers is the renewable resource avoided cost; this renewable avoided cost rate includes the RECs that the QF is required to provide to PGE to be retired on behalf of all PGE customers. If a QF applied for an RDF grant, planning to operate during a period of deficiency, the QF may have to opt for the standard avoided cost rate so that it has RECs to provide to voluntary customers.

5. **Should ratepayers that choose to participate in a voluntary program expect that their voluntary funding is purchasing new renewable resources that are entirely additional to those renewable resources procured using or supported by general ratepayer funds (into which they also contribute)?**

[2] The public purpose charge (PPC) amounts to 17.1% of the overall 3% PPC

Rather than delving into what customers *should* expect, our answer focuses on what customers do expect and what we have communicated to them. PGE has not surveyed participating customers on their expectations for contributions to the Clean Wind fund; they have been told their contributions would result in more renewable energy resources developed and demonstrated. (We should note that this fund has existed since before SB 1149 which created the portfolio options). There have been no representations that these will be discrete projects. Given the way the Green Source Reserve Fund (GSRF) was combined into the Clean Wind Fund, customers who paid into the GSRF had no expectations for their contributions; in fact, customers' contributions were intended to purchase RECs in anticipation of a rising REC price market that did not materialize.

6. How does the mixing of funds impact the administration of individual funds for specific projects and for reporting purposes for each fund?

PGE assumes that the "mixing of funds" is aimed at the co-funding by both ETO and RDF on projects. Some complexity results in addressing the apportionment of RECs resulting from the funds' disbursements. For example, should dual funding occur, RECs have generally been apportioned in accordance with the above-market funding:

- ETO - for retirement on behalf of all PGE customers under Oregon's RPS and
- PGE's RDF - for retirement on behalf of only voluntary renewable customers (<u>not to satisfy</u> the RPS requirement).

RDF funds have generally been awarded after ETO funding has been secured and the need for additional funding established. Coordination is required to ensure that projects are not overfunded. Co-funding with ETO and RDF funds offers benefits to voluntary customers by providing analytical discipline and rigor (and documentation) in both the funding and evaluation processes.

7. New legislation introduced several new policies that could impact small scale renewable development, including community solar, a new small-scale capacity goal, and a larger RPS requirement. In light of existing and new policies, how can voluntary and general ratepayer funds be optimized to meet requirements at least cost while providing opportunities to exceed requirements when customers prefer to do so?

From a historical perspective, it should be noted that PGE's Renewable Development Fund was created before Oregon's RPS existed and then continued after the RPS was enacted. PGE's RDF has not been nor is currently guided by least-cost, least-risk principles, and RECs from RDF projects <u>are not and cannot</u> be used to meet the RPS requirement. Rather, these voluntary funds must meet tariff criteria which have set customer expectations for the use of their contributions. The RDF funds are provided as opportunities arise and this opportunism is an important feature of the program. As examples, we identify the Portland Public Schools projects, the ODOT solar highway, and many others. Had these projects been required to be analyzed in the IRP process, the opportunity may have been lost.

The new legislation does however, present new opportunities for use of PGE's RDF monies. For instance, they could be used to 'buy-down' the low-income carve out for Community Solar per the recent SB 1547. This may require a tariff change and change to PGE's RDF disbursement guidelines. The RDF monies would not be mixed *per se*, but rather used to enable low-income participation in Community Solar projects that would otherwise be uneconomic for them. So, in that sense, greater and diverse participation, more projects (or larger ones) may result by making the RDF funds available for this closely related purpose as a result of this carve out.