BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1788

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, 2016 Renewable Portfolio Standard Implementation Plan.	))))))))	COMMENTS OF NW ENERGY COALITION

I. Introduction

NW Energy Coalition ("Coalition") appreciates the opportunity to comment on Portland General Electric's ("PGE") Revised 2016 Renewable Portfolio Standard Implementation Plan ("RPIP"), submitted July 15, 2016.

The RPIP suffers from unfortunate timing, a lack of clarity of the purpose and intent, and an apparent disconnect between IRP filing requirements and RPIP expectations. The following comments raise issues for Commission consideration. It is significant to note that a number of the issues here are also raised in the Coalition's comments submitted September 9, 2016 in UM 1790, PacifiCorp's 2017-2021 RPIP filing.

II. Issues for Consideration

1. Relationship and timing of RPIP and IRP should be clarified and synchronized

The rapid onset of events since the passage of SB 1547 early in 2016 highlights the important new opportunities provided by the law and has brought to the forefront new complexities in the relationship of different processes under PUC purview. In particular, it is important to address the proper relationship and timing of the RPIP process and Integrated Resource Planning.

While the RPIP in recent years has essentially been a filing update process, SB 1547 substantially changed the duration, magnitude and operating elements of the Oregon RPS. It is important that this be viewed in the broader context provided by the ongoing IRP process.

First, it is important to have thorough, clear and consistent assessment of Oregon RPS compliance, whether more of that occurs in the RPIP or IRP processes.

Second, significant changes to the timing, the new “Golden RECs,” the elimination of the prior “first in-first out” requirement for RECs and other aspects of RPS compliance should not be locked in ahead of or in isolation from the IRP, and the RPIP process should preserve the least cost/least risk perspective that is foundational to the IRP.

In addition, however, we recognize that the timing of the RPIP and IRP processes now creates some difficulty in proper sequencing. This certainly seems to be the case for PGE in the current RPIP filing.

The Company is straightforward about the fact that much of the RPS compliance analysis will be conducted in the IRP and is not included in the current RPIP filing.

> While not included here, the economic impacts of accelerating RPS procurement to capture the PTC are being evaluated in the 2016 IRP in the context of identifying a least-cost least-risk portfolio. This filing does not replicate that process, rather the RPIP determines the impact of renewable resource procurement decisions on PGE's ability to acquire RPS compliant resources at or below the 4% incremental cost cap (RPIP at 5).

It is puzzling, however, that PGE chose to focus on the 2030-2040 timeframe for the bulk of the analysis discussed in this current RPIP. Incremental cost calculations are included for the 2017-2030 timeframe, but an analysis of the least cost/least risk compliance strategy for 2017-2030 appears to be absent from the RPIP.

We hope the Commission will consider the need for better alignment between the IRP and the RPIP filings going forward. It would also be useful to clarify the expectations for each process and the relationship between the two.

2. Disconnect between timing for RPS procurement actions and the RPIP

In light of the extension and current timing of the federal production tax credit (“PTC”) and investment tax credit (“ITC”) availability, early action on procurement of physical renewable resources may hold significant value for PGE and its customers. Wind under construction, or turbine equipment safe harbored, by the end of 2016 is eligible for 100% of the PTC. For wind projects that do not begin construction or otherwise achieve “safe harbor” status by the end of 2016, the PTC decreases to 80% in 2017, and eventually comes to an end at 40% in 2019. The ITC, often used for investment in solar energy projects, stays at 30% until the end of 2019 and then begins to ramp down.

The Coalition is concerned that PGE’s efforts to initiate an RFP in a timely fashion to capitalize on the incremental economic value offered by the PTC and ITC has been hampered, at least in part, by the fact that there is currently no Commission-approved plan that contains sufficient analysis of current RPS compliance options. In this particular instance, it may be a perfect storm of bad timing. However, thought should be given to how to prevent delaying procurement actions that could have significant benefits to customers.

The Coalition recommends that the Commission consider ways to ensure that the RPIP process and calculations are relevant to ongoing actual compliance plans and actions. If RPIPs are going to be utilized as the primary means to evaluate RPS compliance strategy, perhaps the RPIP process needs to become more dynamic to ensure updated, transparent decision-making.

3. Approach to unbundled RECs

The Coalition agrees with PGE's strategy, discussed in the RPIP, to avoid substantial reliance on unbundled REC purchases for RPS compliance and to pursue a strategy of physical compliance. Uncertainty in the long-term REC markets make overreliance on unbundled REC purchases a high-risk endeavor. We agree with PGE's analysis in this regard:

> The absence of an organized market enabling availability and efficient pricing of RECs makes it difficult to propose a long-term strategy predicated on the use of unbundled RECs in lieu of planning for physical compliance. Additionally, PGE expects increasing uncertainty in REC markets due to increasing RPS requirements in states across the Western Electricity Coordinating Council (WECC) region. As such, unbundled RECs at the volumes required may not be available from current inventory of eligible renewable resources at or near current market rates. (RPIP at 10).

Better substantiation of the analysis underpinning this strategy would be helpful to illustrate the quantitative risks posed by a reliance on unbundled RECs.

4. Incremental cost calculations

We are encouraged that the projected incremental costs for PGE's RPS compliance will not reach the 4% cost cap. More detail in the RPIP filing about how this conclusion was reached would be informative and useful.

III. Conclusion

PGE does not provide a thorough and complete analysis of RPS compliance options in the RPIP, especially for near-term compliance plans. PGE openly states that some aspects of the missing analysis will be presented in their upcoming IRP filing and we look forward to seeing a more robust and complete examination of least cost/least risk RPS compliance options.

For the RPIP to be a relevant process that provides strategic and transparent analysis of RPS compliance options, it needs to be relevant to utility actions related to RPS compliance. The purpose and function of the RPIP in relation to the IRP should also be examined and the Commission should issue guidance about the expectations for each with regard to analyzing RPS compliance strategies.

Respectfully submitted this 12th day of September 2016.

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