



**Portland General Electric Company**  
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March 21, 2014

***VIA E-MAIL AND FIRST-CLASS MAIL***

Commission Chair Susan Ackerman  
Commissioner John Savage  
Commissioner Steve Bloom  
Public Utility Commission of Oregon  
550 Capitol Street NE  
Salem, OR 97308

**Re: Docket UM 1662—Request for Investigation into Ratemaking Treatment of Variable RPS Compliance Costs**

Dear Commissioners:

On June 19, 2013, Portland General Electric Company (PGE) and PacifiCorp d/b/a Pacific Power (PacifiCorp) sent a letter to the Commission respectfully requesting that a generic docket be opened to investigate the policies and design of the power cost adjustment mechanism (PCAM) now in place for the two companies.<sup>1</sup> After filing the letter, PGE and PacifiCorp discussed the request informally with Commission Staff, the Citizens' Utility Board of Oregon, and the Industrial Customers of Northwest Utilities. Based on the feedback received during these discussions, PGE and PacifiCorp worked to narrow the scope of the docket outlined in the utilities' letter to address specific issues rather than open a complete reevaluation of the PCAM. PGE and PacifiCorp identified one area warranting investigation in a generic proceeding: recovery of all prudent costs incurred to comply with the Renewable Portfolio Standard (RPS), as authorized by ORS 469A.120.

As stated in the companies' original letter, the environment for electric utilities in Oregon has changed considerably since the PCAM was first adopted in 2007. The enactment of the RPS in Oregon was the most significant of these changes. Existing ratemaking mechanisms are inadequate to account for the benefits and costs associated with this change. For example, in PacifiCorp's 2012 general rate case, PacifiCorp presented evidence demonstrating that the net market value of owned and contracted wind generation reflected in the company's Transition Adjustment Mechanism (TAM) exceeded actuals by an average of \$35.1 million per year.<sup>2</sup> Under the existing TAM and PCAM, these variations would largely be absorbed by the company. PGE has experienced similar variances associated with wind. From 2010 to 2012, forecasted amounts included as part of the Annual Update Tariff (AUT) have deviated from actuals by up to \$24 million in a given year. These deviations are not reflected in customer rates due to the operation of the PCAM. This data shows that the companies are not recovering the variable costs associated with renewable resources used to comply with the RPS.

<sup>1</sup> PGE and PacifiCorp did not include Idaho Power in the generic investigation because Idaho Power has a different PCAM than PGE and PacifiCorp and Idaho Power is not subject to Oregon's Renewable Portfolio Standard.


<sup>2</sup> *In the Matter of PacifiCorp d/b/a Pacific Power Request for a General Rate Revision*, Docket No. UE 246, Exhibit PAC/1800, Duvall/5 (Jul. 19, 2012).


The variable costs to comply with the RPS are unique because state law expressly authorizes that “all prudently incurred costs associated with compliance with a [RPS] are recoverable in the rates of an electric company[.]”<sup>3</sup> Although the companies’ Commission-approved renewable adjustment clauses (RAC) allow for the recovery of the prudent costs “to construct or otherwise acquire facilities that generate electricity from renewable energy sources and for associated transmission[.]”<sup>4</sup> the RAC does not address recovery of the variable costs associated with RPS compliance, such as costs to firm, shape, or integrate renewable energy sources. In addition, if traditional ratemaking methods were sufficient to allow recovery of all prudently incurred RPS compliance costs, then ORS 469A.120 would be unnecessary.

The companies emphasize that this request is to open an investigation into the appropriate ratemaking treatment of the variable costs associated with RPS compliance. The specifics, including how benefits and costs are tracked and measured and possible ratemaking mechanisms, are topics to be addressed during the investigation.

We appreciate the Commission’s consideration of this request.

Respectfully submitted,

  
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cc: Jason Eisdorfer/Oregon Public Utility Commission  
Maury Galbraith/Oregon Public Utility Commission  
Bob Jenks/Citizens’ Utility Board of Oregon  
Irion Sanger/Industrial Customers of Northwest Utilities  
Jay Tinker/Portland General Electric Company  
Bryce Dalley/PacifiCorp

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<sup>3</sup> ORS 469A.120(1).

<sup>4</sup> ORS 469A.120(2)