BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1754

In the Matter of PacifiCorp, 2016 Renewable Portfolio Standard Implementation Plan	Staff's Initial Comments

Staff of the Public Utility Commission of Oregon (Staff) presents its Initial Comments on PacifiCorp's 2017-2021 Renewable Portfolio Standard Implementation Plan (2017-2021 RPIP). Staff's Initial Comments address the substance of the Company's RPIP. Staff's final report to the Commission will include a comprehensive review of the responsiveness of PacifiCorp's RPIP to the reporting requirements found in OAR 860-083-0400 and ORS 468A.075 in addition to the standard of review associated with Commission acknowledgement, review of pertinent discovery, and an expanded summary of Staff's review and conclusions.

<u>Resources Included in Compliance of OAR 860-083-0400(2)(d)</u>

PacifiCorp is required under OAR 860-083-0400(2)(d) to include in its RPIP "a forecast of the expected incremental costs of *new* qualifying electricity for facilities or contracts planned for first operation in the compliance year."[1] Staff would like to know if the inclusion of the Black Cap solar photovoltaic (PV) facility in the 2017-2021 RPIP creates any meaningful impacts to the incremental cost calculations given that the facility was excluded from the 2015-2019 RPIP even though it was being utilized by the Company. If the Black Cap PV facility is not new, why does PacifiCorp include it now? What are the incremental costs without the Black Rock PV facility? Staff expects the Company to respond to these questions in the Company's Reply Comments.

<u>Order No. 14-267 Requirements</u>

Included in the Commission's acknowledgement of PacifiCorp's 2015-2019 RPIP were two recommendations presented in the joint parties' stipulation agreement. The first recommendation was:

"PacifiCorp will include a nonconfidential summary of RPS total incremental costs for each scenario analyzed in future RPIPs."[2]

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[1] Emphasis added, *See* OAR 860-083-0400(2)(d)

[2] Commission Order No. 14-267, Appendix A, at page 5, UM 1681, July 22, 2014.

PacifiCorp satisfied this recommendation. The Company included a summary of the RPS incremental costs by resource for each scenario in Attachment E and provided a summary of the RPS total incremental costs of each scenario analyzed in the 2017-2021 RPIP in Attachment F.

The second recommendation was:

> "PacifiCorp will include in subsequent RPIPs a scenario that uses the base case price curve assumptions (medium gas and medium CO2 prices) similar to that used in the other scenarios in the RPIP, with the assumption the Company maximizes the use of unbundled [renewable energy credit] REC for each year analyzed in the RPIP and assuming an unbundled REC price equal to the weighted average price paid for unbundled RECs used for compliance in their last compliance filing."[3]

PacifiCorp presented its analysis of this scenario on page 14 of the 2017-2021 RPIP. PacifiCorp calculated the incremental cost of meeting the RPS requirement with 20 percent unbundled RECs annually in each year of the 2017-2021 compliance period under the base case scenario, which utilizes the September 2014 official forward price curve. From its initial review of this analysis and the accompanying work papers, Staff believes the Company has complied with this Commission requirement. Staff continues to analyze the inputs and assumptions in order to conduct a thorough analysis.

A comparison of the costs of RPS compliance with and without the 20 percent unbundled RECs during the 2017-2021 period is shown below:[4]

Base Case (RefGas-Ref CO2)	2017	2018	2019	2020	2021
Total incremental cost without unbundled RECs ($000s)	$6,721	$6,783	$6,793	$9,132	$9,205
Total incremental cost with 20% unbundled RECs ($000s)	$3,502	$3,528	$3,534	$4,702	$4,683
Incremental cost difference for 20% unbundled compliance	$3,219	$3,255	$3,259	$4,430	$4,522
Incremental cost difference for 20% unbundled (%)	47.9%	48.0%	48.0%	48.5%	49.1%
Revenue Requirement($000s)	$1,236,413	$1,245,552	$1,247,703	$1,244,920	$1,240,037
Percentage of Rev requirement (w/o unbundled)	0.54%	0.54%	0.54%	0.73%	0.74%
Percentage of Rev requirement (w/ 20% unbundled)	0.28%	0.28%	0.28%	0.38%	0.38%
Difference	-0.26%	-0.26%	-0.26%	-0.45%	-0.46%

[3] Ibid.
[4] PacifiCorp's 2017-2021 RPIP filing, at pages 10 and 14, Docket No. UM 1754, December 29, 2015.

The table above demonstrates that compliance with the RPS standards using 20 percent unbundled RECs through the 2017-2021 period is close to half the cost compared to full use of bundled RECs. Though the magnitude of savings is miniscule compared to Company's annual revenue requirement, the use of unbundled RECs is certainly the least-cost approach to RPS compliance and may be a least-risk approach as discussed further below.

Banked REC Strategy

Staff requests PacifiCorp provide further detail in its Reply Comments about how it will be able to rely on its bank of RECs at least until 2027.[5] Using data presented in Attachment A, Staff calculates that, at projected rates of depletion, PacifiCorp will only have enough banked RECs to meet RPS compliance up to 2025 when the RPS requirement increases to 25%. Without supporting data, Staff cannot corroborate the claim.

Staff understands PacifiCorp's hesitation to pursue an unbundled REC strategy given the legal uncertainty surrounding state and regional compliance with the Environmental Protection Agency's Clean Air Act Section 111(d) Clean Power Plan (CPP) rules. However, given the local and regional environmental regulation efforts, including California's increasing its RPS requirements to 50 percent by 2030, Oregon's potentially increasing RPS requirements to 50 percent by 2040, House Bill 4036 impacts on a utility's ability to bank RECs, and Washington's implementation of either a cap and trade or carbon tax, Staff is uncertain whether PacifiCorp is adequately considering the risks associated with a fully-banked REC compliance strategy. Pressures on renewable energy resource procurement such as resource acquisition delays, resource capital costs and optimal siting due to growing demand from these new environmental policies, coupled with potential impacts of the CPP, may make PacifiCorp's banked REC strategy untenable. Staff believes that until these additional risks are clarified, PacifiCorp should give greater consideration to a strategy for compliance with 20 percent unbundled RECs.

This concludes Staff's Initial Comments.

Dated at Salem, Oregon, this 17th day of February, 2016.

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[5] Ibid., at page 13.