

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1953

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Investigation into Proposed Green Tariff.

PHASE II
OPENING BRIEF OF
RENEWABLE NORTHWEST

I. INTRODUCTION

Renewable Northwest is grateful to the Public Utility Commission of Oregon (the “Commission”) for this opportunity to submit our Opening Brief in Phase II of Commission Docket UM 1953 regarding the Green Tariff program proposed by Portland General Electric Company (“PGE”). We continue to offer broad support for voluntary renewable energy tariffs (“VRETs” or “green tariffs”) in general to PGE’s Green Tariff (“GEAR” or “Green Tariff”) specifically, subject to several recommended minor modifications. In this brief, we walk through the legal and procedural background that has led us to Phase II of this docket, adding a note on Governor Kate Brown’s Executive Order 20-04 Directing State Agencies to Take Actions to Reduce and Regulate Greenhouse Gas Emissions (“EO 20-04”). We then walk through some potential changes to the nine conditions that currently apply to VRET offerings and address certain elements of PGE’s Green Tariff program design as well. Among other recommendations, we explain our support for: an annual reporting requirement regarding VRETs and Direct Access; expanding PGE’s program cap from 300 MW to 500 MW; including uncertain benefits as well as costs in the methodology for determining PGE’s risk adjustment fee; streamlining the

process for future program cap increases; and allowing hybrid renewable-plus-storage projects to serve VRET subscribers. Finally, we note again, as we did in our Phase I opening brief, that a number of policy considerations including Oregon climate policy, climate science, and customer demand all counsel in favor of a robust green tariff program statewide.

II. BACKGROUND

A. Procedural Background: The Green Tariff's Legislative and Regulatory Basis

In 2014 the Oregon Legislature passed House Bill 4126, directing the Commission to “determine whether, and under what conditions, it is reasonable and in the public interest to allow electric companies to provide voluntary renewable energy tariffs [‘VRETs’] to nonresidential customers.”¹ Following such a determination, the Commission may “authorize an electric company to file a schedule with the commission that establishes the rates, terms and conditions of services offered under the [VRET],” provided that “[a]ll costs and benefits associated with a [VRET] shall be borne by the nonresidential customer receiving service under the [VRET].”² Finally, the Commission must consider several factors in deciding whether to approve a proposed VRET: (1) promotion of further renewable-energy development; (2) effects on a competitive retail market; (3) possibility of impacts including cost-shifting; (4) resource procurement through a competitive process; and (5) “[a]ny other reasonable consideration.”³

To implement HB 4126, the Commission initially opened Docket UM 1690 to investigate VRETs. That process led to Order No. 15-405, which established nine guidelines for utilities designing VRETs:

1. Renewable Portfolio Standard (RPS) definitions for resource type, location, and bundled Renewable Energy Certificates (RECs) must apply to VRET products.

¹ House Bill 4126 (2014), Section 3(3).

² *Id.* Section 3(4).

³ *Id.* Section 3(4) (referring to section 3(3)).

2. VRET options should only include bundled REC products. Any RECs associated with serving participants must be retired by or on behalf of participants, unless the participants consent to RECs being retired by the utility or the developer.
3. The year in which a VRET eligible renewable resource became operational should be no earlier than 2015.
4. The VRET program size is limited to 300 aMW for PGE and 175 aMW for PacifiCorp.
5. VRET product design should be sufficiently differentiated from existing direct access programs.
6. VRET terms and conditions (including the timing and frequency of VRET offerings), as well as transition costs, must mirror those for direct access. PGE and PacifiCorp may propose VRET terms and conditions that differ from current direct access provisions but must propose changes to their respective direct access programs to match those changes.
7. The regulated utility may own a VRET resource, but may not include any VRET resource in its general rate base. It may recover a return on and return of its investment in the VRET resource from the VRET customer; however, the utility must share some of the return on with other utility customers for ratepayer-funded assets used to assist the VRET offering.
8. All direct and indirect costs and risks are borne by the VRET customers, shareholders of the utility, or third-party developers and suppliers with provisions allowing independent review and verification by the Commission Staff of all utility costs. Costs include but are not limited to ancillary services and stranded costs of the existing cost of service rate based system.
9. All VRET offerings must be made publicly available and subject to review by the Commission to ensure they are fair, just, and reasonable.⁴

In 2016, the Commission closed Docket UM 1690.⁵ Then in April 2018 PGE filed a motion to reopen Docket UM 1690 so the Commission could consider a proposed VRET, which

⁴ Docket No. UM 1690, Order No. 15-405 (Dec. 15, 2015).

⁵ Docket No. UM 1690, Order No. 16-251 (Jul. 5, 2016).

PGE labeled a Green Tariff.⁶ The Commission initially opened this docket, UM 1953,⁷ to assess whether PGE’s proposed Green Tariff conformed to the requirements of HB 4126 and the guidelines established in Order No. 15-405.

Following testimony and briefing by several parties, the first phase of this docket concluded with Order No. 19-075, in which the Commission both approved PGE’s VRET proposal with modifications and deferred “larger policy questions” to the docket’s second phase.⁸ PGE quickly received enough interest in the resulting Green Tariff product to fully subscribe a 160 MW resource,⁹ but some stakeholders’ concerns over PGE’s methodology of subscribing customers to that resource resulted in additional Phase I process¹⁰ and ultimately a stipulated amendment to Order No. 19-075.¹¹ PGE submitted an additional filing on March 25, 2020, indicating that a single customer had expressed interest in subscribing to the full remaining 140 MW available under amended Order No. 19-175.¹²

Around the same time, Governor Kate Brown signed EO 20-04, directing state agencies to “exercise any and all discretion and authority” to reduce Oregon’s GHG emissions 45% below 1990 levels by 2035 and 80% below 1990 levels by 2050.¹³ The EO explains that:

[G]iven the urgency and severity of the risks from climate change and ocean acidification, and the failure of the Legislature to address these immediate harms, the executive branch has a responsibility to the electorate, and a scientific, economic, and moral imperative to reduce GHG emissions and to reduce the

⁶ Docket No. UM 1690, Portland General Electric Green Tariff Filing (Apr. 13, 2018).

⁷ See Docket No. UM 1953, Prehearing Conference Memorandum (May 25, 2018).

⁸ Docket No. UM 1953, Order No. 19-075 at 4 (Mar. 5, 2019).

⁹ See Docket No. UM 1953, PGE’s Green Energy Affinity Rider, Schedule 55, Rate and Credit Calculations and Customer Agreements, Submitted in Compliance with Order No. 19-075 (Sept. 13, 2019).

¹⁰ Docket No. UM 1953, Order No. 19-348 (Oct. 25, 2019).

¹¹ Docket No. UM 1953, Order No. 20-036 (Jan. 31, 2020).

¹² Docket No. UM 1953, Re: UM 1953 PGE Green Energy Affinity Rider (GEAR), Schedule 55 (Mar. 25, 2020).

¹³ EO 20-04 at Sections 2 and 3(A).

worst risks of climate change and ocean acidification for future generations, to the greatest extent possible within existing laws[.]¹⁴

Accordingly, with respect to the Commission, the EO includes a finding that “[i]t is in the interest of utility customers and the public generally for the utility sector to take actions that result in the rapid reduction of GHG emissions, at reasonable costs, to levels consistent with the GHG emission goals set forth in [this EO], including transitioning to clean energy resources.”¹⁵ The EO then sets forth some specific directives to the Commission, including to “[d]etermine whether utility ... customer programs reduce risks and costs to utility customers by making rapid progress towards reducing GHG emissions consistent with Oregon’s reduction goals” and to “[p]rioritize proceedings and activities ... that advance decarbonization in the utility sector, and exercise its broad statutory authority to reduce GHG emissions.”¹⁶

B. Evidentiary Background: PGE’s Phase II Green Tariff Proposal and Responses

On April 15, 2020, following resolution of the lingering Phase I issues briefly sketched above, PGE submitted an updated proposal for Phase II of this docket.¹⁷ At a high level, PGE proposed:

- To replace the nine conditions set forth in Orders No. 15-405 and 16-251 with a new, “refined set of seven Guidelines, to be used for determining whether a green tariff is in the public interest”;
- To “[r]aise the participation cap on the GEAR to a total of 500 MW”

¹⁴ *Id.* at p.3.

¹⁵ *Id.* at Section 5(A).

¹⁶ *Id.* at Section 5(B)(1) & (3).

¹⁷ See PGE/700, Wenzel-Halley. The same filing includes as an exhibit the still-relevant prior testimony of Brett Sims and Jay Tinker, originally submitted as PGE/600 but now labelled PGE/701 and addressed as such in this brief.

- To bring additional risks into a risk adjustment fee to be borne by green tariff subscribers;
- To “[w]aive the Competitive Bidding Rules (CBRs) for Phase II”;
- To “[a]ffirm that PGE’s approach to addressing the GEAR interactions within the Integrated Resource Plan (IRP) is reasonable”; and
- To “[c]larify PGE’s authorization associated with utility ownership of a resource for the GEAR.”¹⁸

Renewable Northwest responded with the testimony of Dr. Micha Ramsey, who responded to several elements of PGE’s proposal, including:

- Proposed updates to the guidelines regarding the interaction between VRETs and Long-Term Direct Access (“Direct Access”);
- Expansion of the program cap from 300 MW to 500 MW;
- Inclusion of additional risks in subscribers’ risk adjustment fee;
- Utility ownership and resource procurement;
- Interactions between PGE’s Green Tariff program and its IRP;
- A proposed streamlined process for future cap increases; and
- The inclusion of storage as a component of VRET-eligible resources.¹⁹

Breaking down each bullet, with respect to the interaction between VRETs and Direct Access, Dr. Ramsey highlighted both differences between the two programs and uncertainties regarding their interaction; to resolve the latter, she proposed an annual reporting requirement to inform potential future changes to VRET guidelines.²⁰ Regarding program expansion, Dr. Ramsey

¹⁸ PGE/700, Wenzel-Halley/1-2.

¹⁹ See *generally* RNW/400, Ramsey.

²⁰ RNW/400, Ramsey/4-7.

supported raising the cap primarily due to “due to customers’ demand for renewable energy to help them meet their commitments to mitigating climate change.”²¹ As to the risk adjustment, Dr. Ramsey acknowledged that additional uncertainties existed that could appropriately be accounted for in the risk adjustment fee so long as the fee accounts not only for potential harms but also for potential benefits.²² On utility ownership and procurement, Dr. Ramsey recommended that utility ownership of green tariff resources be permitted subject to compliance with Oregon’s competitive bidding rules, and that a streamlined version of the competitive bidding rules could be appropriate where utility ownership is not an option.²³ Dr. Ramsey expressed some concern over the possibility of setting energy and capacity credits to zero absent an established IRP need, noting that resources may still provide value even absent traditional “need” but otherwise supporting interactions between PGE’s Green Tariff and its IRP.²⁴ Finally, Dr. Ramsey supported a streamlined process for future cap increases and recommended the Commission allow VRET resources to include storage components due to their unique value in supporting the shift to a decarbonized system.²⁵

PGE responded to several of Dr. Ramsey’s points, most notably supporting her “creative solution” regarding annual reporting on VRETs and Direct Access²⁶ and opposing inclusion of hybrid renewables-plus-storage as potential VRET resources.²⁷ PGE’s rebuttal testimony

²¹ RNW/400, Ramsey/4.

²² RNW/400, Ramsey/8-10.

²³ RNW/400, Ramsey/10-12.

²⁴ RNW/400, Ramsey/12-14.

²⁵ RNW/400, Ramsey/14-17.

²⁶ PGE/800, Wenzel-Faist/20.

²⁷ PGE/800, Wenzel-Faist/12-13.

concludes with a list of requests of the Commission, which this brief will address as appropriate below.²⁸

III. ARGUMENT

Renewable Northwest broadly supports PGE's proposal for Phase II of the VRET program subject to certain modifications and clarifications set forth below. The program continues to be an important means of fulfilling Oregon's "scientific, economic, and moral imperative to reduce GHG emissions and to reduce the worst risks of climate change and ocean acidification for future generations" and the Commission's directive to "take actions that result in the rapid reduction of GHG emissions, at reasonable costs, to levels consistent with the GHG emission goals set forth in [this EO], including transitioning to clean energy resources."²⁹

A. Some Changes to the Nine Conditions May Help To Implement Oregon Law and Support Oregon Climate and Energy Policy

Renewable Northwest supports PGE's proposed changes to Conditions 2 (REC treatment) and 4 (cap increase) and recommends an alternative approach to Conditions 5 and 6.³⁰ These changes will carry out the intent of HB 4126 and support robust renewable energy deployment in furtherance of Oregon climate and energy policy.

²⁸ PGE/800, Wenzel-Faist/50-51.

²⁹ EO 20-04 at p. 3 and Section 5(A).

³⁰ Additionally, we offer the following responses to the remaining conditions:

- Condition 1: As discussed further below, Renewable Northwest supports maintaining this condition to the extent it is consistent with the inclusion of energy storage; if the Commission concludes that the condition does not allow a storage component then Renewable Northwest supports the modification set forth in Staff/400, Gibbens/7.
- Condition 3: Renewable Northwest supports the modification supported by most parties and set forth in Staff/400, Gibbens/9 and PGE/800, Wenzel-Faist/4.
- Condition 7: As discussed further below, Renewable Northwest supports allowing utility ownership, subject to application of the Competitive Bidding Rules.
- Condition 8: Renewable Northwest supports PGE's proposed modification set forth in PGE/800, Wenzel-Faist/28.
- Condition 9: Renewable Northwest supports maintaining this condition in its current form.

The three conditions of concern that were addressed in Dr Ramsey’s Phase II testimony³¹ were Condition 4 (cap increase) and Conditions 5 and 6 (VRET and Direct Access interaction). Beginning with Condition 4, Renewable Northwest supports PGE’s request to increase the cap from 300 MW to 500 MW. PGE’s experience to date has demonstrated significant customer interest in incremental renewable energy, with subscriber commitments already filling the entire 300 MW cap of their Phase I Green Tariff offering. PGE’s requested increase will help to “promote[] the further development of significant renewable energy resources” in Oregon, as intended by HB 4126.³² Moreover, in light of Governor Brown’s EO 20-04 and its direction to the Commission,³³ providing ample opportunities for customers to switch to renewable sources of electricity is consistent with the policy of the State of Oregon and with the public interest (another HB 4126 factor).

As to Conditions 5 and 6, while PGE had originally proposed to eliminate Condition 5,³⁴ in its most recent filing PGE ultimately agreed with Renewable Northwest, Oregon Citizens’ Utility Board (“CUB”), and Commission Staff to retain Condition 5.³⁵ For Condition 6, regardless of whether the condition is retained, amended, or removed, Renewable Northwest requests that the Commission require a utility offering a green tariff product to submit an annual report with three components:

(1) Customer interest in and actual subscriptions to the green tariff and Direct Access programs;

³¹ RNW/400, Ramsey/4-7.

³² HB 4126 (2014), Section 3(3)(a).

³³ EO 20-04, section 5(A).

³⁴ *See, e.g.*, PGE/701, Wenzel-Halley/16.

³⁵ PGE/800, Wenzel-Faist/5.

(2) A narrative demonstrating that both programs are truly available to all interested customers; and

(3) A narrative that analyzes how the green tariff program is affecting or otherwise interacting with the competitive marketplace.³⁶

An annual report may be a more appropriate way to deal with the complex issues surrounding the VRET and Direct Access programs than a more stringent condition.³⁷ The changes occurring in the electricity sector are only accelerating, and it is difficult to accurately assess the overlap between customer segments for the two programs and how changes in the competitive market impact both programs in isolation from larger market forces.³⁸ Should a significant difference in subscription level of one or the other program be identified through this report, additional investigation into the root cause and potential mitigation options may be warranted.³⁹ Renewable Northwest does not recommend any up-front requirements prescribing additional investigation because any hypothetical difference in subscription rates could merely be the result of a functional market where demand for one product outstrips demand for the other product, rather than the result of market distortion due to program design. Both PGE⁴⁰ and NIPPC⁴¹ have significant concerns that there will be a competitive advantage for VRET or for Direct Access, albeit from opposite perspectives. An annual report could serve as a yearly evaluation as to whether the condition requiring that the conditions of the two programs be

³⁶ See RNW/400, Ramsey/7.

³⁷ See RNW/400, Ramsey/6.

³⁸ See *id.*

³⁹ *Id.*

⁴⁰ See, e.g., PGE/800, Wenzel-Faist/14 (providing that Condition 6 may be “adversely limiting to VRETs”).

⁴¹ See, e.g., NIPPC/300, Gray/19 (providing that “[w]hen PGE proposes to offer a more favorable opportunity for its own product than for competing products, it is impermissibly using monopoly power to lock out competition”).

mirrored, or the absence of that condition (whether by individual waiver or global removal), is having any adverse impact on either program.

Finally, Renewable Northwest continues to support PGE's position on Condition 2⁴² for the reasons fully expressed and briefed in our Phase I Opening Brief in this docket.⁴³ Specifically, HB 4126 at section 3(6) provides in full that "[a]ny qualifying electricity, as defined in ORS 469A.005, procured by an electric company to provide electricity pursuant to a voluntary renewable energy tariff described in this section may not be used by the electric company to comply with the requirements of the renewable portfolio standard described under ORS 469A.052 or 469A.055." That language requires that utilities may not retire RECs associated with VRET-supplied energy except on behalf of subscribing customers.

Also regarding Condition 2, while CUB has recommended a modification "stat[ing] that any load served by renewable project eligible for a green tariff should be reduced from the utility's RPS requirements" to avoid "adding renewables to serve load which is already served by renewables,"⁴⁴ Renewable Northwest agrees with PGE that "CUB's recommendation to use green tariffs to reduce utility compliance needs would ... diminish the impact that customers desire: ... a significant tangible impact on renewable development above and beyond the levels already mandated by law to achieve RPS compliance."⁴⁵ Indeed, it is important to remember that HB 4126's first policy consideration for VRET programs is "[w]hether allowing electric companies to provide voluntary renewable energy tariffs to nonresidential customers promotes the further development of significant renewable energy resources."⁴⁶ As Renewable Northwest

⁴² See PGE/701, Wenzel-Halley 7-9.

⁴³ Docket No. UM 1953, Opening Brief of Renewable Northwest at 9-11 (Dec. 11, 2018).

⁴⁴ CUB/200, Jenks/12.

⁴⁵ PGE/701, Wenzel-Halley/8.

⁴⁶ HB 4126 (2014), Section 3(3)(a).

argued in our Phase I Opening Brief, “[u]nder HB 4126, the best course of action (and the one most attractive to potential Subscribers) is to *maximize additionality* and carry out the statute’s requirement that ‘[a]ny qualifying electricity ... procured by an electric company to provide electricity pursuant to a voluntary renewable energy tariff ... may not be used by the electric company to comply with the requirements of the renewable portfolio standard.’”⁴⁷

B. To Avoid Cost-Shifting, Any Risk Adjustment Fee Should Reflect Uncertain Benefits As Well As Costs

Renewable Northwest recommends the Commission require that, for any new categories added into PGE’s proposed Risk Adjustment Fee, PGE must account not only for potential costs but also for potential benefits resulting from mismatches between a Green Tariff resource and its subscribers. The risk categories where this is possible include subscriber load uncertainty and resource variability.⁴⁸ For instance, if a GEAR resource’s output is less than the level of subscription to that resource, PGE would have to buy replacement RECs to meet subscribers’ need for a renewable product. In the same manner however, if the GEAR resource’s output is greater than the level of subscription to that resource, that resource’s surplus output could allow PGE to avoid the need to purchase power on the market, to avoid operating costs for non-renewable generating resources, or even to sell excess power on the wholesale market.⁴⁹ In order to implement HB 4126’s requirement that green tariff subscribers must bear “[a]ll costs *and benefits* associated with a voluntary renewable energy tariff” (emphasis added), Renewable

⁴⁷ Docket No. UM 1953, Opening Brief of Renewable Northwest at 9-11 (Dec. 11, 2018) (quoting HB 4126 (2014), Section 3(6)) (emphasis added).

⁴⁸ RNW/400, Ramsey/9-10.

⁴⁹ See RNW/400, Ramsey/10 (observing that “in the event a subscribing customer’s load drops unexpectedly, it is possible that a green tariff resource’s output could bring energy, capacity, and other benefits to PGE’s system ... that exceed the costs associated with that resource”).

Northwest recommends that any methodology used for the risk adjustment fee should account for both potential costs and potential benefits of the risks or uncertainties that PGE identifies.

C. Formal Procurement Processes May Support Customer Confidence in VRET Resources

Renewable Northwest recommends that the Commission require Competitive Bidding Rules (“CBR”) to apply for any proposed resource where the utility could be the owner. This outcome would help ensure that the procurement process is fair and results in the selection of the best available resource or resources -- as the Commission observed in its order adopting the current CBR, “an RFP [Request for Proposals] conducted consistent with the rules is more likely to result in a low-cost, low-risk resource acquisition than an RFP conducted outside of the rules.”

⁵⁰ While ultimately subscribing customers will bear the costs associated with VRET resources, application of the CBRs where utility ownership is a possibility will help provide those customers with assurance that the costs they are taking on are associated with the best resource available to meet their needs.⁵¹

In order to facilitate PGE meeting customer timelines, however, Renewable Northwest recommends that the Commission allow a streamlined competitive bidding process when utility ownership is *not* a potential outcome.⁵² In this case, there is less concern about customer or developer confidence in a fair outcome.⁵³ The streamlined process proposed in PGE/801 represents a fair starting point, though Renewable Northwest would appreciate at least one

⁵⁰ Docket No. AR 600, Order No. 18-324 at 3 (Aug. 30, 2018).

⁵¹ RNW/400, Ramsey/11.

⁵² See RNW/400, Ramsey/12.

⁵³ *Id.*

opportunity for stakeholder engagement on a utility's draft RFP to ensure that no RFP elements will present an undue barrier to acquisition of the best available resource.⁵⁴

D. VRET Programs and Resource Planning Processes Reasonably Should Inform One Another

Renewable Northwest recommends that the Commission approve PGE's proposed approach to interactions between a VRET and Integrated Resource Planning, subject to certain clarifications.

Interactions between a VRET and IRP flow two ways: the VRET must be accounted for in development of an IRP, and an IRP informs development of a reasonable subscriber credit that avoids cost shifting. On the question of how to account for VRET resources in IRP development, PGE "propose[s] to include sensitivity analysis ... in each IRP ... includ[ing] VRET participation up to the currently approved program cap and currently subscribed VRET load."⁵⁵ In testimony for Renewable Northwest, Dr. Ramsey expressed "no concerns" regarding this approach, and Renewable Northwest continues to support the proposal as a reasonable means of exploring the impacts of the VRET program on a utility's system and needs.⁵⁶

As to how the IRP informs the VRET, PGE has generally supported "aligning the energy and capacity credits with the energy and capacity values in the IRP" such that "PGE plans to update the GEAR energy and capacity credits at the time of resource procurement ... consistent with the most recently acknowledged IRP methodologies."⁵⁷ However, PGE elaborates that, in

⁵⁴ It is possible that starting with the "RFP design from [a utility's] last RFP" will mitigate this concern, provided the referenced design is the final, Commission-approved design following that prior RFP's stakeholder-engagement process and that the Final Shortlist resulting from that prior RFP did not indicate any unreasonable barriers to competition.

⁵⁵ PGE/800, Wenzel-Faist/47.

⁵⁶ RNW/400, Ramsey/14.

⁵⁷ PGE/700, Wenzel-Halley/19.

its view, “[w]hen there is no need for energy from the market, or capacity to meet customer load, achieving neutral portfolio expected cost impacts in the IRP requires that the energy and capacity credits be set to zero.”⁵⁸ In her testimony, Dr. Ramsey expressed some concern about this potential outcome, noting that “[a] green tariff resource may ... allow PGE to avoid making market energy purchases or to defer capacity needs even during periods of ... sufficiency,” ultimately “add[ing] value that is not reflected in credits determined on the basis of PGE’s energy or capacity needs.”⁵⁹ This result would run afoul of HB 4126’s requirement that “[a]ll costs *and benefits* associated with a [VRET] shall be borne by the nonresidential customer receiving service under the [VRET].”⁶⁰

PGE’s 2019 IRP, however, employed methodologies that do not seem consistent with energy or capacity values of zero -- at least in the near and medium term. For example, its energy need analysis did not seek to determine “minimum levels of procurement that [PGE] must undertake to meet customer need” but rather undertook a more nuanced “analysis ... to develop a balanced portfolio that would not result in making PGE overly reliant as a purchaser or as a seller on the market in the future.”⁶¹ Accordingly, “energy value for each resource option represents the market revenues or the value of avoided market purchases when the resource dispatches” -- a nuanced analysis that is not tied to a strict need/no-need demarcation and seems unlikely to result in a zero value solely as a function of PGE’s overall market energy position.⁶² As to capacity value, PGE has employed a probabilistic approach to determining capacity need

⁵⁸ *Id.*

⁵⁹ RNW/400, Ramsey/14.

⁶⁰ HB 4126, Section 3(4) (emphasis added).

⁶¹ PGE 2019 IRP at 110.

⁶² *Id.* at 162. Notably, the very notion of an “energy need” is in flux as the western energy system evolves toward greater integration, as discussed in Docket No. LC 73, Order No. 20-152 at 12-13 (May 6, 2020).

with the result that resources' capacity values could conceivably yield a value of zero if PGE's system were resource-sufficient to the point of being overbuilt; PGE's approach, however, appears likely to provide reasonable capacity values for the foreseeable future given that PGE does have a well-demonstrated capacity need.⁶³ With this understanding of PGE's approach to determining energy and capacity values, and acknowledging the benefit of aligning VRET and IRP approaches, Renewable Northwest supports PGE's proposed approach to VRET-IRP interactions.

E. A Streamlined Process Is Appropriate for Future Cap Increases

Renewable Northwest requests that the Commission allow an expedited process for future cap increases only. In her testimony for Renewable Northwest, Dr. Ramsey recommended that “[a]llowing PGE to raise the program cap subject to a 60-day opportunity for stakeholder and Commission review, without having to reopen the broad suite of policy considerations stakeholders are currently engaging with in this docket, will help to meet ... customer demand and accelerate achievement of needed greenhouse gas emission reductions in accordance with Oregon’s policy goals.”⁶⁴ However, rather than the 60-day timeframe Dr. Ramsey initially supported, Staff proposed⁶⁵ and PGE agreed⁶⁶ to a 90-day timeframe instead in subsequent testimony; either timeline seems appropriate and Renewable Northwest does not oppose the new 90-day figure. In sum, Renewable Northwest supports a streamlined process for future cap increases in order to meet customer demand, promote efficiency, and avoid unnecessary bureaucratic overhead as Oregon stakeholders work toward decarbonizing our energy system.

⁶³ See PGE/800, Wenzel-Faist/41 and PGE 2019 IRP at 106-09 & 164-68. See also generally Docket No. LC 73, Order No. 20-152.

⁶⁴ RNW/400, Ramsey/14-15.

⁶⁵ Staff/400, Gibbens/49-50.

⁶⁶ PGE/800, Wenzel-Faist/48-49.

F. Allowing Storage Resources Would Be Consistent with the Policy and Legal VRET Background and Support Decarbonization Goals

Renewable Northwest recommends that the Commission expressly allow hybrid renewable-plus-storage projects to serve green tariff subscribers, because doing so would support the policy goals of the VRET program while remaining consistent with the program's statutory underpinnings.

The statutory provisions supporting VRET development do not preclude projects that include a storage component. HB 4126 refers repeatedly to “voluntary renewable energy tariffs” and shine some additional light on the “renewable energy” part of that term in section 6, which discusses “qualifying electricity, as defined in ORS 469A.005” -- Oregon’s Renewable Portfolio Standard (“RPS”) statute. By a somewhat byzantine route through the RPS statute, ORS 469A.005(11) ultimately defines “qualifying electricity” by reference to ORS 469A.025’s list of “renewable energy sources.”⁶⁷ While HB 4126 itself is silent on energy storage, in 2016 SB 1547 (Oregon’s “coal-to-clean” statute) added a reference to energy storage into Oregon’s RPS statute. Specifically, since SB 1547’s passage in 2016, ORS 469A.120 has allowed utilities to include “associated energy storage” in the automatic adjustment clause that can be used to recover costs attributable to investments in RPS-eligible resources. The Commission is currently in rulemaking in Docket No. AR 616 to determine the definition of “associated energy storage.” Renewable Northwest’s, PGE’s, and PacifiCorp’s comments in that docket differ on a recommended definition for the term but appear broadly to agree, in PGE’s words, that storage “supports 1) the

⁶⁷ Specifically, ORS 469A.005(11)’s definition of “qualifying electricity” points to ORS 469A.010; ORS 469A.010 provides that, subject to certain additional qualifications, “electricity generated from a renewable energy source may be used to comply with a renewable portfolio standard”; the phrase “renewable energy source” is defined in ORS 469A.005(12) by reference to ORS 469A.025; and ORS 469A.025 ultimately lists the relevant sources of renewable energy, including wind, solar, and geothermal.

integration of renewables, 2) decarbonization goals, and 3) increasing capacity needs.”⁶⁸ These considerations overlap nicely with HB 4126, with its goals of supporting “further development of significant renewable energy resources” and, more broadly, the “public interest.”⁶⁹ Recall that EO 20-04’s directives to the Commission include a “Statement of Public Interest that provides: “It is in the interest of utility customers and the public generally for the utility sector to take actions that result in the rapid reduction of GHG emissions, at reasonable costs, to levels consistent with the GHG emission goals set forth in [this EO], including transitioning to clean energy resources.”⁷⁰ Ultimately, because HB 4126 points to the RPS statute in laying the foundation for VRETs, and because the RPS statute contemplates a role for “associated energy storage,” and because storage resources can support the public policy expressed in HB 4126 and EO 20-04, the best read of the overall VRET statutory scheme is that green tariff resources may include hybrid renewable-plus-storage projects.

The record also supports a Commission order allowing hybrid resources to serve green tariff customers. Dr. Ramsey explained in her testimony for Renewable Northwest that “the development of additional storage resources supports the development of additional renewable resources” for several reasons: “Not only can storage resources effectively shift generation in time to align with load, but they also provide increasingly important grid services,” especially “as the northwest power system transitions from its current reliance on more-dispatchable, greenhouse-gas emitting thermal generation to non-emitting renewable resources with variable but predictable generation profiles.”⁷¹ Additionally, Dr. Ramsey agrees with PGE’s AR 616

⁶⁸ Docket No. AR 616, PGE Comments at 5 (Oct. 22, 2020).

⁶⁹ HB 4126 (2014), Section 3(3).

⁷⁰ EO 20-04, Section 5(A).

⁷¹ RNW/400, Ramsey 15-16.

comments that projects with a storage component “will be displacing more of PGE’s capacity need with a clean, non-emitting resource,” an “extra clean capacity benefit [that] may also be attractive to potential green tariff subscribers.”⁷² To tie this testimony back to the underlying statutory factors for VRETs, allowing hybrid resources not only will be “reasonable and in the public interest” -- including the public interest in decarbonization expressed in EO 20-04 -- but also will “promote[] the further development of significant renewable energy resources” without cost-shifting.⁷³

Finally, PGE’s implicit view that allowing a storage component would be inconsistent with Condition 1 (RPS Definitions for Bundled RECs Apply) and explicit view that it would be inconsistent with the enabling statute are both misplaced.⁷⁴ With respect to bundled RECs, Operating Rule 9.3 of the Western Renewable Energy Generation Information System (“WREGIS”) states:

For each renewable energy resource, total MWhs of generation shall be measured at the point of interconnection to the transmission or distribution company’s system or adjusted to reflect the energy delivered into either the transmission or distribution grid at the high side of the transformer.

Under this rule, when storage is co-located with an RPS-eligible renewable generating facility on the high side of the transformer, then a REC will not be generated until the relevant MWh of generation is discharged from the co-located battery and delivered to the grid -- in which case, the REC could be considered “bundled” under the definition of that term in ORS 469A.005(4).⁷⁵

⁷² RNW/400, Ramsey 16-17.

⁷³ HB 4126 (2014), Section 3(3).

⁷⁴ See PGE/800, Wenzel-Faist/12-13.

⁷⁵ ORS 469A.005(4) provides:

“Bundled renewable energy certificate” means a renewable energy certificate for qualifying electricity that is acquired:

With respect to the enabling statute, PGE’s testimony cites two provisions of Oregon’s RPS statute (ORS 469A.020 and ORS 469A.025) -- a statute which, as noted above, contemplates a role for “associated energy storage” that the Commission is still in the process of defining. In any event, no party suggests that anything in Oregon law *prohibits* the Commission from including storage in the definition of VRET-eligible resources, so at the very least there is ambiguity allowing the Commission to act. Because allowing VRET-eligible resources could serve important Oregon policy goals, including those in the VRET statute itself and in EO 20-04, Renewable Northwest respectfully requests that the Commission include hybrid projects among eligible resources in its UM 1953 Phase II order.

G. VRETs Remain Necessary To Reduce Carbon Emissions and Meet Customer Demand

Roughly two years ago in Phase I of this docket, Renewable Northwest’s opening brief observed that “PGE’s proposed Green Tariff is necessary to help Oregon achieve its aggressive greenhouse gas emission reduction goals, which science tells us are critically important, and at the same time to meet significant customer demand for voluntary renewable-energy programs.”⁷⁶ At the time, we cited Governor Kate Brown’s Oregon Climate Agenda and its “specific, science-based climate emissions reduction goals for Oregon” including the goal of achieving “emissions levels that are at least 75 percent below 1990 levels by 2050” as well as its support for “expanding green power options and tariffs for residential, municipal, and commercial utility

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- (a) By an electric utility or electricity service supplier by a trade, purchase or other transfer of electricity that includes the renewable energy certificate that was issued for the electricity; or
 - (b) By an electric utility by generation of the electricity for which the renewable energy certificate was issued.

⁷⁶ Docket No. UM 1953, Opening Brief of Renewable Northwest at 12 (Dec. 11, 2018).

customers.”⁷⁷ We also pointed to the Intergovernmental Panel on Climate Change’s (“IPCC”) special report finding that “limiting global warming to 1.5°C ... would require rapid and far-reaching transitions in energy.”⁷⁸ Finally, we discussed “ample evidence—including in this docket—of high and growing customer demand for voluntary renewable energy products such as green tariffs.”⁷⁹

Since that time, Governor Brown’s Climate Agenda has been supplanted by the more rigorous EO 20-04; climate science continues to suggest that recent study reports that warming well in excess of 2°C is highly likely if emissions remain unchanged⁸⁰; and stakeholders in this docket have seen from PGE’s initial Green Tariff offering that VRET demand in Oregon is very robust. Renewable Northwest therefore recommends that the Commission weigh all filings in this docket against these three fundamental premises demonstrated by the legal and evidentiary record that favor strong VRET programs: Oregon law and policy support expanding renewable-energy options; climate science supports expanding renewable-energy options; and Oregon utility customers support expanding renewable-energy options.

⁷⁷ Gov. Kate Brown & Kristen Sheeran, Ph.D., *Oregon Climate Agenda: A Strong, Innovative, Inclusive Economy While Achieving State Climate Emissions Goals*, at 22 (Nov. 28, 2018), available at <https://www.oregon.gov/gov/policy/Documents/Governor%20Kate%20Brown%20Climate%20Agenda.pdf>.

⁷⁸ Intergovernmental Panel on Climate Change, *Special Report on Global Warming of 1.5°C*, Summary for Policymakers, SPM-21 (Oct. 8, 2018), available at http://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf. PGE’s CEO Maria Pope referenced the IPCC on page one of her opening testimony supporting the Green Tariff, before the release of the IPCC’s October special report, noting that “[i]t’s essential that greenhouse gases are systematically driven out of the energy economy.” UM 1690 – PGE/100, Pope-Wheeler-Gamba-Callaway-Bennett-Bemis-Doyle / 1.

⁷⁹ Docket No. UM 1953, Opening Brief of Renewable Northwest at 13 (Dec. 11, 2018) (listing evidence supporting very robust green tariff demand).

⁸⁰ Sherwood, S.C., Webb, M.J., Annan, J.D., Armour, K.C., Forster, P.M., Hargreaves, J.C., Hegerl, G., Klein, S.A., Marvel, K.D., Rohling, E.J., Watanabe, M., Andrews, T., Braconnot, P., Bretherton, C.S., Foster, G.L., Hausfather, Z., Heydt, A.S., Knutti, R., Mauritsen, T., Norris, J.R., Proistosescu, C., Rugenstein, M., Schmidt, G.A., Tokarska, K.B., Zelinka, M.D., 2020. An Assessment of Earth’s Climate Sensitivity Using Multiple Lines of Evidence. *Reviews of Geophysics*. doi:10.1029/2019rg000678

IV. CONCLUSION

For all of the above reasons, Renewable Northwest respectfully requests that the Commission adopt the requirements noted above, including in particular:

- Require annual reporting on the relationship between VRETs and Direct Access;
- Expand PGE's program cap from 300 MW to 500 MW;
- Ensure balance between uncertain costs and benefits in PGE's risk adjustment fee;
- Establish a streamlined process for future cap increases; and
- Allow storage as a component of VRET-eligible resources.

These requirements appear likely to support as rapid, robust, and fair an acceleration of Oregon's transition to zero-carbon renewable energy as possible.

Dated this 3rd day of November, 2020.

Respectfully submitted,

/s/ Max Greene

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