

Docket No. UM 1953
Witness: Michael O'Brien

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1953

**In the Matter of
PORTLAND GENERAL ELECTRIC
COMPANY,
Investigation into Proposed Green Tariff.**

RENEWABLE NORTHWEST'S EXHIBIT 100

Response Testimony of Michael O'Brien

July 18, 2018

1 **INTRODUCTION**

2 **Q. Please state your name, occupation and business address.**

3 A. Michael O’Brien, Regulatory Director at Renewable Northwest. My business
4 address is 421 SW 6th Avenue, Suite 975, Portland, OR 97204–1625.

5 **Q. On whose behalf are you testifying?**

6 A. This testimony is on behalf of Renewable Northwest.

7 **Q. Mr. O’Brien, please describe your educational background and work experience.**

8 A. I hold a Ph.D. in Physics from the University of Birmingham, in the United
9 Kingdom, which included an MSc in the Physics and Technology of Nuclear Reactors. I
10 also hold a BSc(Hons) in Physics from the University of Birmingham. After post-
11 doctoral research with the United Kingdom Atomic Energy Authority, I completed an
12 MPhil in Technology Policy at the University of Cambridge. Following Cambridge, I
13 worked for the UK Parliamentary Office of Science and Technology as Energy Advisor,
14 and then for the House of Commons Energy and Climate Change Select Committee as
15 Committee Specialist. I have been working at Renewable Northwest since I moved to the
16 United States in June 2012. I have also been a Board Member of the Green-e Governance
17 Board since December 2017, supporting Green-e’s customer protection program for the
18 sale of renewable energy and carbon offsets in the retail market.

19 **Q. What is the purpose of your opening testimony?**

20 A. We appreciate the opportunity to testify to the Oregon Public Utility Commission
21 (“the Commission”) in response to Direct Testimonies relating to a proposed green tariff
22 program that Portland General Electric Company (“PGE”) originally filed in Docket UM
23 1690 and that was transferred to Commission Docket UM 1953.

1 **Q. Would you please summarize your testimony?**

2 A. Yes. First, I offer general support for PGE’s green tariff concept and specific
3 support for certain elements of the proposed green tariff, including PGE’s decision to set
4 the program cap at the statutory maximum given high customer demand for new
5 renewable-energy products, and the proposed structure of the green tariff design. Next, I
6 express my concern with certain elements of PGE’s proposal. Specifically, I explain that
7 PGE’s proposal not to compensate green tariff subscribers for the capacity value of new
8 renewables during periods of resource sufficiency could fail to reflect the actual capacity
9 value of those resources. I also highlight concerns with PGE’s proposal that—if
10 specifically requested by the subscriber—RECs associated with new renewables procured
11 for green tariff subscribers could be used for utility compliance with Oregon’s Renewable
12 Portfolio Standards (“RPS”). Finally, PGE’s proposed risk premium is insufficiently
13 detailed at this stage of the proceedings and could benefit from Commission oversight
14 that would impose limitations to protect green tariff subscribers and determine what
15 happens to risk-premium proceeds in the event risks do not materialize.

16 **GENERAL SUPPORT FOR PGE’S PROPOSED GREEN TARIFF**

17 **Q. What is your overall impression of PGE’s proposed green tariff?**

18 A. PGE’s proposed green tariff is an important addition to the set of options for
19 Oregon utility customers interested in renewable energy products. The program has the
20 potential to result in hundreds of megawatts of new renewable energy that would
21 otherwise have not been developed, offsetting greenhouse gas-intensive fossil generation
22 and helping Oregon achieve its climate goals. While the proposed program will benefit
23 from refinements, I am optimistic that the result at the end of this Commission process

1 will yield significant net benefits not only for PGE and for green tariff subscribers but
2 also for Oregon's energy mix writ large.

3 **Q. Are there any other elements of PGE's proposal that you would like to**
4 **support?**

5 A. Yes. I appreciate PGE's decision to propose an enrollment cap of 300 aMW even
6 if "PGE anticipates that the initial green tariff offering will be well below this cap."¹ PGE
7 explains in its filing that Oregon customers are "interest[ed] in advancing the
8 development of renewable energy resources in Oregon and in having a greater portion of
9 their electric usage attributed to renewable resources."² PGE also attaches a report from
10 3Degrees stating that, nationwide, "there is tremendous demand for utility-provided
11 renewable energy" resulting in success for well-designed green tariff programs.³ In fact,
12 says 3Degrees, "most subscription-based utility green tariffs sell out within hours to
13 months of launch."⁴ PGE's initial green tariff offering may be well below the program's
14 300 aMW cap, but in the medium term I anticipate that PGE is likely to take advantage of
15 additional green tariff enrollment up to or near the cap.

16 **CONCERNS REGARDING PGE'S PROPOSED GREEN TARIFF**

17 **Q. Do you have any proposed changes to PGE's proposed green tariff?**

18 A. I do. My main concern is that PGE proposes not to compensate green tariff
19 subscribers for the capacity value of new renewable resources procured under the green
20 tariff during periods of resource sufficiency. This proposed compensation scheme could
21 fail to reflect the actual capacity value of those resources. I have testified before in other

¹ PGE Response to OPUC Data Request No. 018 (June 22, 2018).

² PGE/200, p. 24.

³ PGE/202, p. 2.

⁴ PGE/202, p. 2.

1 docket regarding the importance of properly valuing capacity, as have other
2 stakeholders.⁵ For example, in the Commission’s *Investigation to Determine the*
3 *Resource Value of Solar* (“RVOS”, UM 1716), Order 17-357—in summarizing party
4 testimony on avoided generation capacity value during resource sufficiency periods—
5 states, “... E3 recommended that avoided O&M costs be assigned as a generation capacity
6 value during the sufficiency period.”⁶ Order 17-357 also asked Commission Staff and the
7 UM 1716 parties to “explore options for valuing capacity additions incrementally during
8 resource sufficiency.”⁷ The June 13, 2018, Notice of Commissioner Examination and
9 Memorandum for Dockets No. UM 1716, UM 1910, UM 1911, UM 1912 also included
10 “Capacity Values” as a topic of interest, but the issue of capacity value during resource
11 sufficiency periods has not been fully explored by the Commission in the context of the
12 RVOS. I recommend that the Commission’s decision on this issue in the RVOS also
13 inform UM 1953.

14 **Q. Do you have any other concerns regarding PGE’s proposed green tariff?**

15 A. I have one other concern. PGE states that “[t]he RECs associated with the green
16 tariff facility will not be used for general RPS compliance purposes, unless that use is
17 specifically requested by the subscriber (per Order No. 16-251).”⁸ It is true that
18 Commission Order No. 15-405 also provided that “[a]ny RECs associated with serving
19 participants must be retired by or on behalf of participants, unless the participants consent
20 to RECs being retired by the utility or the developer.”⁹ I appreciate PGE providing

⁵ UM 1911, Opening Testimony of Michael O’Brien, p. 8 (Mar. 16, 2018), *available at* <http://edocs.puc.state.or.us/efdocs/HTB/um1912htb165656.pdf>; UM 1716, Opening Testimony of Michael O’Brien, p. 7 (May 5, 2017), *available at* <http://edocs.puc.state.or.us/efdocs/HTB/um1716htb152652.pdf>.

⁶ UM 1716, Order 17-357, at 5.

⁷ UM 1716, Order 17-357, at 7.

⁸ PGE/200, Sims-Tinker/11

⁹ UM 1690, Order 15-405, p. 1.

1 flexibility to meet the potential needs of a subscriber. However, such a green tariff—in
2 which the subscriber would be assisting the utility in complying with mandated RPS
3 targets—would require extraordinary attention to detail in both the marketing and the
4 claims made about such a product. This attention to detail would be necessary in order to
5 ensure the integrity of both RECs and the RPS, and also to avoid double-claims of
6 environmental benefits. Indeed, in the past, Commission Staff have taken the position
7 that “[a]ny RECs associated with serving participants” of green tariff programs “must be
8 retired on behalf of participants.”¹⁰

9 **CONDITIONAL SUPPORT FOR ELEMENTS OF PGE’S PROPOSED GREEN TARIFF**

10 **Q. Are there any other elements of PGE’s green tariff filing that you wish to discuss?**

11 A. Yes, I would like to briefly respond to PGE’s proposal to include a risk premium
12 in the costs passed on to subscribers.¹¹

13 **Q. What is your position on the proposed risk premium?**

14 A. I am not opposed to the concept of a risk premium, but the concept as it appears in
15 PGE’s current filing is insufficiently detailed.¹² PGE states that it:

16 [...] anticipates adding a risk premium to the program cost, which is intended to
17 balance the inherent uncertainties that result from a program that incorporates
18 specific generation resources, differing contract lengths and individual subscriber
19 performance obligations. To the extent that risk is realized, the risk premiums
20 paid will be used to absorb the risk-realized cost.¹³

¹⁰ UM 1690, Order 16-251, Appx. A, p. 7 (Jul. 5, 2016); Order 15-405, Appx. A, p. 1 (Dec. 15, 2015).

¹¹ See PGE/200 pp. 15-16; PGE/201, p. 3.

¹² See generally PGE Response to OPUC Data Request No. 016 (Jun. 22, 2018).

¹³ PGE/200, Sims-Tinker/15-16.

1 In response to Commission Staff, PGE added that it “is unable to forecast the risk
2 premium at this time, and will do so in individual contracts between PGE and
3 subscribers—which will be filed as a compliance filing for Commission review.”¹⁴ I
4 would recommend that the Commission condition its approval of PGE’s present filing on
5 future review and approval of specific risk premiums, perhaps subject to a set of
6 constraints regarding how a risk premium may reasonably be calculated. Additionally, I
7 would note that while PGE’s testimony is clear that any realized risks in excess of the
8 risk premium would be borne by PGE shareholders, it is not clear what would happen to
9 risk premium proceeds in the event that anticipated risks are not realized.¹⁵ The
10 Commission may wish to consider requiring that any excess premium proceeds be
11 reimbursed to tariff subscribers.

12 CONCLUSION

13 **Q. Is there anything else you wish to say before concluding your testimony?**

14 A. Yes. Once again, I commend PGE for taking this step to create a new green tariff
15 program with the potential to bring hundreds of megawatts of new renewables onto
16 Oregon’s grid.

17 **Q. Does this conclude your testimony?**

18 A. Yes.

¹⁴ PGE Response to OPUC Data Request No. 016, Dated June 22, 2018.

¹⁵ PGE/200, p. 16.