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VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Attn: Filing Center

Re: UM 2014—PacifiCorp's Reply Comments

PacifiCorp, d/b/a Pacific Power (PacifiCorp), respectfully submits these comments in response to the comments of Public Utility Commission of Oregon Staff (Staff) regarding PacifiCorp's 2018 Renewable Portfolio Standards (RPS) Report (2018 Report). PacifiCorp filed its 2018 Report on May 31, 2019, pursuant to ORS 469A.170 and OAR 860-083-0350. As outlined below and stated in Staff's comments, the company's 2018 Report complies with all requirements and should be approved. The company also supports Staff's recommendation that further consideration of unbundled renewable energy certificate (REC) forecasting should occur in the currently pending dockets, AR 616 (Renewable Portfolio Standard Planning Process and Reports) and AR 617 (REC issues in Renewable Portfolio Standard). The company responds to Staff's comments below and notes that these pending dockets present an opportunity to address the appropriate proceedings for evaluation of RPS compliance procurement and the hurdles created by various reporting timing requirements.[1] To the extent that any questions remain regarding how a utility's RPS compliance strategy should be addressed in an RPS report proceeding or how changes to such strategy should be communicated, the company suggests that these issues be addressed in AR 616 and AR 617.

Staff raises two concerns with the company's 2018 Report: use of unbundled RECs for compliance and the company's definition of banked RECs. These concerns are addressed below.

<u>PacifiCorp's Use of Unbundled RECs</u>

First, "Staff finds that PacifiCorp's use of unbundled RECs deviates from the applicable [Renewable Portfolio Implementation Plan (RPIP)] in a manner that should have been flagged and explained in the report."[2] Staff asserts that because the company did not provide an explanation for this "material deviation" it is limited in its ability to understand whether the acquisition of unbundled RECs for compliance purposes was or will continue to be a "least cost,

[1] For example, the company's 2018 Report is linked to the company's RPIP that was filed in 2015 and to the company's most recent integrated resource plan, filed in 2017. Each of these plans provided a snapshot in time that can be outdated by the time a utility files its RPS compliance report. This is especially true for an RPS report, such as the 2018 Report, that is filed during the later years of an RPIP compliance period. For this reason, the company looks forward to the Commission's investigations in dockets AR 616 and AR 617.
[2] Staff Comments at 2.

least risk decision."[3] Staff argues that additional information is especially important in light of the company's plans to acquire additional bundled RECs including through PacifiCorp's energy vision 2020 (EV 2020) renewable resources.[4] Staff's concern regarding the company's use of unbundled RECs for compliance can therefore be broken into two categories: (1) was the use of unbundled RECs a material deviation from the company's compliance strategy set forth in its 2017-2021 RPIP; and (2) are the unbundled RECs the least-cost, least risk RPS compliance approach.

When feasible, PacifiCorp will take the opportunity to highlight specific REC procurements in its RPS compliance reports, to the extent such procurements have not been noted in the last-filed RPIP. The company's 2017-2021 RPIP was filed and acknowledged in docket UM 1790. Commission Order No. 17-010, acknowledges the company's 2017-2021 RPIP, and requires the company to comply with certain directives when and if PacifiCorp engages in an RPS procurement that materially deviates from its most recently filed integrated resource plan or RPIP.[5] The unbundled RECs referenced by Staff were acquired by the company through an RPS procurement that was conducted in 2016 following the filing of the company's 2017-2021 RPIP in 2015.

However, the company's 2017-2021 RPIP *specifically informed the Commission and stakeholders that PacifiCorp was evaluating request for proposal responses that included bids for unbundled RECs that would qualify for Oregon RPS compliance*.[6] Therefore, the possibility that the company would rely on unbundled RECs for future RPS compliance was clearly flagged. Following the 2017-2021 RPIP and related Commission order, the unbundled REC procurement was the subject of a separate Commission proceeding (UE 313) where the Commission approved the company's REC procurement based on a staff recommendation. Specifically, Staff determined that the company's REC procurement was consistent with the 2017-2021 RPIP and the need to acquire additional RECs for RPS compliance under Senate Bill 1547.[7]

The company acknowledges that its 2018 RPS report should have noted that the additional analysis contemplated in Order No. 17-010 was performed in docket number UE 313 and explained how there was no material deviation from the applicable RPIP. The company's filing in UE 313 allowed all stakeholders to evaluate the procurement of these RECs including the performance of a cost analysis. Going forward, the company will ensure that it directly references any separate Commission dockets where analysis of REC procurement occur for efficiency and transparency purposes.

[3] Staff Comments at 6.
[4] Staff Comments at 6.
[5] Order No. 17-10, at 1. The second condition contained in the Commission's Order was for PacifiCorp to participate in a stakeholder workshop to identify opportunities for revisions to the RPIP process and requirements. Order No. 17-10, at 1.
[6] PacifiCorp 2017-2021 RPIP Report at 16-17.
[7] *See* Order No. 17-019, Appendix A at 6; *see also* Order No. 17-019, Appendix A at 8 (*stating* that the costs associated with the company's procurement was "driven by PacifiCorp's need to plan for future REC needs").

In addition to providing prior notice regarding the unbundled RECs through its filing in UE 313, the company's 2017-2021 RPIP set forth PacifiCorp's strategy to use (or bank) RECs in such a manner as to retire the RECs with the shortest life first. This strategy is intended to manage RPS compliance cost for the company's customers in the following ways: i) minimize the risk of losing unused RECs before they expire; ii) avoid the need to procure replacement RECs or resources; and iii) defer the use of the bank of golden RECs with lower incremental costs for use in years with higher RPS targets. Use of the unbundled RECs for 2018 RPS compliance is consistent with this strategy. Finally, the company's use of these unbundled RECs is also consistent with its strategy to retain Oregon-allocated RECs to reduce future market risk, *i.e.*, PacifiCorp cannot predict whether the unbundled RECs could be sold for an amount greater than future RPS compliance costs. These factors inform the company's RPS compliance strategy as set forth in its RPIP and use of the unbundled RECs was consistent with this compliance strategy.

Staff's concerns regarding whether the unbundled RECs represent a least-cost, least-risk compliance strategy should similarly not prevent approval of the Report. As the company has argued previously, the appropriate forum for evaluation of whether the company's RPS compliance strategy represents the least-cost, least-risk compliance approach is not the Commission's review of RPS reports. Rather, the least-cost, least-risk compliance approach is developed and reviewed as part of the integrated resource plan and any acquisitions would be reviewed for prudence in a rate proceeding. These proceedings allow the Commission and stakeholders to review all relevant information and make a comprehensive decision. It is the company's perspective that the RPS compliance report is a forum to review the company's REC retirement strategy, confirm and document RPS compliance, or, as necessary, review requests for alternative compliance.

<u>PacifiCorp's Interpretation of Banked RECs</u>

Second, Staff raises concerns with the company's interpretation of the term "banked RECs."[8] PacifiCorp understands that its interpretation, which includes RECs produced and used for compliance during the reporting year, could cause confusion for stakeholders attempting to understand the status and management of the company's REC bank. Therefore, the company agrees not to describe current reporting year RECs as banked when used for compliance in the same year. The company recommends that this be required in future reports. The company also suggests the definition of banked RECs be discussed further in AR 616 and AR 617 but this discussion should not impede acknowledgement of the 2018 Report. Further discussion would ensure a consistent understanding by all interested parties.

PacifiCorp appreciates the opportunity to provide these comments and welcomes the opportunity to further engage with Staff and stakeholders through the pending RPS and REC rulemakings before the Commission.

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[8] Staff Comments at 7.

Respectfully submitted this 14th day of August, 2019

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