

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**LC 62**

In the Matter of PACIFICORP, dba  
PACIFIC POWER's 2015 Integrated  
Resource Plan

Final Comments of Renewable Northwest

**I. INTRODUCTION**

Renewable Northwest appreciates the opportunity to submit these Final Comments to the Public Utility Commission (“Commission”) on PacifiCorp’s (or “the Company’s”) 2015 Integrated Resource Plan (“IRP”). Renewable Northwest appreciates the Company’s Reply Comments. In particular, Renewable Northwest would like to acknowledge the thoroughness of the Company’s Reply Comments with regard to modeling of the Clean Power Plan (or “111(d)"). While we do not agree with many of the conclusions drawn by the Company surrounding the interactions between the Clean Power Plan and existing state law, we believe this iterative dialogue will beneficially inform future modeling of the Clean Power Plan in the IRP.

Firstly, looking towards the IRP update, Renewable Northwest recommends that the Commission direct PacifiCorp to explore compliance with the Clean Power Plan that considers the implications of Oregon going beyond the carbon dioxide emissions reductions required by the Environmental Protection Agency (“EPA”). Such an analysis will be invaluable to the state in determining its compliance plan, and therefore invaluable to the Company in its IRP process.

Secondly, Renewable Northwest is concerned that PacifiCorp’s Reply Comments appear to prejudge the outcome of the Commission’s investigation in Docket No. UM 1716 into the resource value of solar by asserting that the costs of net metering outweigh the benefits. The balance between the costs and benefits, and the magnitude of the difference, will inform many other dockets; therefore, it is important that stakeholders do not anticipate its outcome prior to the conclusion of the investigation in UM 1716.

Finally, Renewable Northwest is committed to working alongside PacifiCorp and state agencies while the agencies are developing state plans to implement the Clean Power Plan, and looks forward to working with PacifiCorp on analyzing the effects of Clean Power Plan compliance on the Company’s resource planning.

## **II. EXISTING OREGON LAW WOULD NOT PERMIT AN EMISSIONS REDUCTIONS CREDIT TO BE SEPARATED FROM ITS ASSOCIATED RENEWABLE ENERGY CREDIT IN ORDER TO BE RETIRED IN A DIFFERENT STATE**

In its opening comments, the Company suggests that there is a “lack of clarity regarding the interaction of 111(d) and state RPS [Renewable Portfolio Standard] requirements”.<sup>1</sup> Renewable Northwest believes that while there are still many questions to be answered with regard to the interaction between state policy and the Clean Power Plan’s Final Rule, there is not a lack of clarity in existing state laws regarding the definition of renewable energy credits (“RECs”) used for RPS compliance.<sup>2</sup> Renewable Northwest notes that even though the Company’s exhaustive Clean Power Plan compliance modeling was based on the Proposed 111(d) Rule, as Commission Staff pointed out in its Opening Comments, “[t]he treatment and tracking of RECs is a key issue and one that has changed little from the proposed rule”.<sup>3</sup> Renewable Northwest is concerned that the Company’s erroneous assumptions regarding Clean Power Plan compliance in its 2015 IRP could influence how the state and other stakeholders consider compliance with the Final Rule. While the Company responded in its Reply Comments to our concerns regarding its assumptions, Renewable Northwest remains unconvinced by PacifiCorp’s conclusions.

### *The Definition of a REC in Oregon Precludes the Separation of RECs from ERCs*

In the Company’s Reply Comments, PacifiCorp recites the definition of an Emission Reduction Credit (“ERC”) as provided by the EPA’s Final Rule and noted by Renewable Northwest in our Opening Comments:

An ERC is issued separately from any other instrument that may be issued for a MWh of energy generation or energy savings from a qualifying measure. Such other instruments may be issued for use in meeting other regulatory requirements (e.g., such as state RPS and EERS requirements) or for use in voluntary markets.<sup>4</sup>

PacifiCorp infers from this partial quotation that the EPA is indicating, “an Emission Reduction Credit (ERC) is separable from a REC”.<sup>5</sup> However, in the same paragraph cited above, the EPA continues:

[...] the definitions of other instruments, such as RECs differ (as established under state statute, regulation, and PUC orders) and that requirements under state regulatory programs that use such instruments, such as state RPS, also differ. As a

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<sup>1</sup> PacifiCorp, LC 62 Reply Comments, 24<sup>th</sup> September 2015, p 12.

<sup>2</sup> OPUC, LC 62 Opening Comments, 23<sup>rd</sup> August 2015, pp 15–16, Renewable Northwest, LC 62 Opening Comments, 23<sup>rd</sup> August 2015, pp 3–4.

<sup>3</sup> OPUC, LC 62 Opening Comments, 23<sup>rd</sup> August 2015, p 16.

<sup>4</sup> Environmental Protection Agency, 40 CFR Part 60, Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, pp 1279–1280.

<sup>5</sup> PacifiCorp, LC 62 Reply Comments, 24<sup>th</sup> September 2015, p 46.

result, states may want to assess, when developing their state plan, *how such existing instruments may interact with ERCs* [emphasis added].<sup>6</sup>

Clearly, the severability of an ERC in Oregon is dependent on an assessment of how such a credit would interact with existing instruments, such as RECs. Furthermore, when responding to Staff's Opening Comments on Clean Power Plan modeling, the Company stated that:

Both the proposed rule and current state law are silent as to whether renewable generation could be used for both 111(d) compliance and RPS compliance in separate states.<sup>7</sup>

While existing state law may currently be silent on the issue of 111(d) compliance generally, it is not silent on the definition of a REC, as pointed out by many stakeholders, including Staff and Renewable Northwest in their Opening Comments.<sup>8</sup> As defined under rule, a REC is "a unique representation of the environmental, economic, and social benefits associated with the generation of electricity from renewable energy sources".<sup>9</sup> In Oregon at least, any and all environmental benefits, including emissions reductions identified with an ERC, are embodied within the REC.

*Splitting an ERC from a REC for Compliance Purposes in Separate States Could Lead to Double Counting of Emissions Reductions*

PacifiCorp has argued that "EPA's proposed rule made clear that a single megawatt-hour of renewable generation can be used for both 111(d) and RPS compliance"<sup>10</sup> and that "PacifiCorp's modeling did not allow the same CO<sub>2</sub> emission reductions to be counted in multiple states".<sup>11</sup> However, as noted in our Opening Comments, PacifiCorp also assumed that a REC retired for compliance with one state's RPS could be bifurcated in order to use the so-called "111(d) attribute" for compliance with a different state's Clean Power Plan obligation, without any overarching multi-state agreement.<sup>12</sup> As the REC is a "unique representation of the environmental [and other] benefits" associated with renewable energy—which would include environmental benefits such as CO<sub>2</sub> emission reductions—retiring a REC in one state for RPS compliance and retiring an ERC in a different state for Clean Power Plan compliance when both were originally associated with the same MWh of renewable energy would result in the same CO<sub>2</sub> emission reductions being counted in multiple states. In other words, retiring a REC in one state for compliance with that state's

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<sup>6</sup> Environmental Protection Agency, 40 CFR Part 60, Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, pp 1279–1280.

<sup>7</sup> PacifiCorp, LC 62 Reply Comments, 24<sup>th</sup> September 2015, p 11.

<sup>8</sup> OPUC, LC 62 Opening Comments, 23<sup>rd</sup> August 2015, pp 15–16, Renewable Northwest, LC 62 Opening Comments, 23<sup>rd</sup> August 2015, pp 3–4.

<sup>9</sup> Oregon Administrative Rule 330-160-0014.

<sup>10</sup> PacifiCorp, LC 62 Reply Comments, 24<sup>th</sup> September 2015, p 11.

<sup>11</sup> PacifiCorp, LC 62 Reply Comments, 24<sup>th</sup> September 2015, p 11.

<sup>12</sup> PacifiCorp, 2015 IRP, Volume I, March 31, 2015 p140.

RPS and retiring an ERC associated with the same MWh of renewable generation in a different state for that state's 111(d) compliance would amount to double-counting. This situation is distinguishable from the situation where the same MWh of renewable generation is used for a given state's RPS compliance (as tracked via the REC) and for that same state's 111(d) compliance (as tracked via the ERC). As Renewable Northwest articulated in our Opening Comments, a REC and an ERC from the same MWh of renewable energy can be used to simultaneously comply with the RPS and the Clean Power Plan in the same state; however, allowing them to be separated and used in more than one state would result in double-counting of emissions reductions.<sup>13</sup>

### *Oregon Can Go Beyond the Minimum Emissions Reductions Required by the EPA*

As Renewable Northwest noted in its Opening Comments, allowing RECs and ERCs to be separated and used in more than one state would effectively cap emissions reductions at the EPA level. PacifiCorp's Reply Comments stated that the Company remained "unconvinced by RN [Renewable Northwest] that using separable ERC's and REC's would cap compliance at the EPA level".<sup>14</sup> Contrary to the Company's contention, unless Oregon retained the emissions reductions associated with its state policies—either through maintaining the integrity of RECs under rate-based compliance or via restricted trading of excess allowances under mass-based compliance—the Clean Power Plan would effectively put a cap on the state's carbon emission reductions. This is because any emissions reductions in excess of the Clean Power Plan's requirement could be traded away without any further efforts to reduce emissions.

The Clean Power Plan does not have to be a ceiling for Oregon's achievements in emissions reductions and clean energy deployment. Indeed, Oregon may well decide that its 111(d) compliance plan should continue to build on the state's strong record of environmental progress. For example, Oregon could choose to retire all of its excess allowances under a mass-based approach or could assign itself a stricter Clean Power Plan requirement.

Given these possibilities, Renewable Northwest recommends that the Commission direct PacifiCorp to explore—in the Company's IRP Update—the implications of Oregon pursuing environmental policies that are more ambitious than the Clean Power Plan. Such an exploration should include assessing the effects across a broad range of scenarios, as the Company did so diligently for its "flexible system allocation" assumption. This additional analysis will be invaluable to the state in determining its 111(d) compliance plan, and therefore invaluable to the Company in its IRP process.

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<sup>13</sup> Renewable Northwest, LC 62 Opening Comments, 23<sup>rd</sup> August 2015, p 4.

<sup>14</sup> PacifiCorp, LC 62 Reply Comments, 24<sup>th</sup> September 2015, p 47.

### **III. PACIFICORP SHOULD NOT PREJUDGE THE OUTCOME OF THE COMMISSION'S INVESTIGATION INTO THE RESOURCE VALUE OF SOLAR AS IT RELATES TO THE COSTS AND BENEFITS OF NET METERING**

Renewable Northwest is concerned with the Company's characterization of net-metering as an "incentive" and with the Company's assertion that the costs of net-metering outweigh the benefits.

In its Opening Comments, Staff suggests that perhaps the most effective first step to overcoming market barriers to adoption of distributed generation would be to "offer incentives in Idaho, Washington and Wyoming for residential and commercial solar PV, similar to the Oregon, Utah and California programs".<sup>15</sup> The Company responded that, "[c]urrently, customers have access to existing federal tax credits and net metering programs."<sup>16</sup>

Renewable Northwest disagrees with the Company's characterization of net metering in the IRP process as an "incentive" alongside tax credits. Net metering is simply a billing mechanism that allows customers who generate their own power to (1) feed electricity they do not use back to the grid, and (2) be compensated for that excess generation at the retail rate. Characterizing the enabling billing mechanism as comparable to a tax credit implies that the billing mechanism itself is a subsidy. Such an implication is evidenced by the Company's statement that more installation of distributed generation "would also certainly involve equity issues among all customers".<sup>17</sup> PacifiCorp seems to maintain that net metering leads to some significant degree of cross-subsidization between participating and non-participating customers, notwithstanding its acknowledgment that "[r]egulatory proceedings are underway nationally and in several of the Company's jurisdictions to resolve outstanding net metering cost allocation issues", including the Commission's ongoing value of solar investigation in UM 1716.<sup>18</sup>

Renewable Northwest looks forward to the findings of UM 1716, and exploring how they can inform other dockets such as UM 1746 (Recommendations for Community Solar Program Designs and Attributes) and UM 1690 (Voluntary Renewable Energy Tariffs for Non-Residential Customer). Both UM 1746 and UM 1690 provide opportunities to connect new types of customers from a variety of classes to the monetary and environmental benefits of renewable energy. Renewable Northwest encourages the Company to remain open to the findings of UM 1716 and to not assume at this stage that the costs of net metering outweigh the benefits. Renewable Northwest is ready to explore with the Commission and the Company the most effective steps to increasing the adoption of distributed generation in Oregon.

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<sup>15</sup> OPUC, Staff Opening Comments—LC 62, 27<sup>th</sup> August 2015, p 13.

<sup>16</sup> PacifiCorp, LC 62 Reply Comments, 24<sup>th</sup> September 2015, p 9.

<sup>17</sup> PacifiCorp, LC 62 Reply Comments, 24<sup>th</sup> September 2015, p 9.

<sup>18</sup> PacifiCorp, LC 62 Reply Comments, 24<sup>th</sup> September 2015, pp 9–10.

#### IV. CONCLUSIONS

Renewable Northwest appreciates the opportunity to submit these Final Comments to the Commission on PacifiCorp's 2015 Integrated Resource Plan, and is grateful for the Company's thorough and thought-provoking Reply Comments.

Firstly, looking towards the IRP update, Renewable Northwest recommends that the Commission direct PacifiCorp to explore compliance with the Clean Power Plan that considers the implications of Oregon going beyond the carbon dioxide emissions reductions required by the EPA. Such an analysis will be invaluable to the state in determining its compliance plan, and invaluable to the Company in its IRP process.

Secondly, Renewable Northwest encourages PacifiCorp to remain open to the findings in UM 1716 and not assume at this stage that the costs of net metering outweigh the benefits. The balance between the costs and benefits and the magnitude of the difference will inform many other dockets, and therefore it is important that stakeholders not anticipate its outcome before the investigation is completed.

Finally, Renewable Northwest looks forward to working with the state, Commission, Company and other stakeholders on complying with the Clean Power Plan and taking into consideration what additional, long-term emissions reductions are achievable in order for Oregon to continue to lead on environmental progress.

Dated this 15<sup>th</sup> day of October, 2015

Sincerely,

s/ M H O'Brien

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