

January 9, 2015

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Public Utility Commission of Oregon
3930 Fairview Industrial Dr. S.E.
Salem, OR 97302-1166

Attn: Filing Center

**RE: UM 1690 – Voluntary Renewable Energy Tariffs for Non-Residential Customers
PacifiCorp’s Reply Comments in Response to the Voluntary Renewable Energy
Tariff Issues List**

PacifiCorp, d/b/a Pacific Power (PacifiCorp or the Company) submits these reply comments in response to the December 12, 2014 comments submitted by parties to docket UM 1690. The Company continues to urge the Public Utility Commission of Oregon (Commission) to authorize utilities to file voluntary renewable energy tariff (VRET) proposals consistent with parameters established as part of this proceeding.

I. The Commission should authorize utilities to offer VRETs.

House Bill (HB) 4126 authorizes the Commission to allow utilities to offer VRETs, pending investigation and consideration of the impacts of a utility VRET on the development of renewable resources, the competitive retail market, non-participating customers, competitive procurement processes, and any other reasonable consideration. The core issue in this proceeding is whether the VRET models identified in Staff’s *VRET Models Table* have the potential to fulfill these statutory considerations. PacifiCorp argues strongly that the answer is “YES.” A utility VRET offering is likely to drive development of renewable resources because customers want greater access to renewable resources and they want their choices to include a utility VRET as well as electric service supplier (ESS) renewable offerings. It is almost axiomatic that a utility VRET offering expands the competitive retail market by increasing the number of options available to customers. Finally, although parties disagree on the best method to prevent impacts to non-participating customers, parties generally agree that non-participating customers must be held harmless as the result of a utility VRET offering.

It is too early in the consideration of utility VRET offerings to significantly limit the form of potential VRET offerings—as PacifiCorp has continually argued, maximum flexibility is needed in the early stages in order to allow innovation for utility VRET offerings to be responsive to customer needs. Large customers, in particular, have voiced interest in participating in a VRET for a variety of reasons, such as to demonstrate leadership in

sustainability practices, meet greenhouse gas and/or carbon reduction goals and provide greater certainty about long-term energy costs. These customers are interested in scalable products that will provide greater options on how to meet these goals in a cost-efficient manner.

Because VRETs are a customer choice program, the success of utility VRETs in achieving the statutory considerations in HB 4126 is tied directly to the attractiveness of the VRET offerings to customers and limiting the options available for utility VRETs undermines the success of a program. Similarly, completely denying customers the opportunity to choose a utility VRET could dampen the market for renewables and stymie development of innovative opportunities to expand all aspects of renewable development in Oregon, including distributed generation. A utility VRET should be viewed as complementary to the options that customers currently have with self-generation, Public Utility Regulatory Policy Act contracts, and Direct Access.¹ PacifiCorp strongly urges the Commission to not preclude the use of any of the utility VRET models currently under consideration and to authorize utilities to offer VRETs on a pilot basis.

Based on the thorough treatment of the statutory considerations from HB 4126 in this proceeding, PacifiCorp urges the Commission to authorize utilities to offer VRETs on a pilot basis. Any utility VRET filing should thoroughly address, at a minimum, (1) protection of non-participating customers; (2) eligibility criteria; (3) pricing details and process and provisions for individually negotiated contracts (if applicable); (4) terms of service under the VRET; and (5) eligible renewable resources.

II. Responses and clarifications to opening comments

PacifiCorp offers the following responses and clarifications to comments raised by parties in their opening comments.

1. Direct Access details

Several assertions regarding utility Direct Access were made that require correction or clarification. First, PacifiCorp does not have a demand threshold of 30 kW for Direct Access as implied by the comments of Iberdrola Renewables, Inc. (Iberdrola) and the Northwest and Intermountain Power Producers Coalition (NIPPC).² All nonresidential customers are eligible for the Company's one-year opt-out program. Second, there is no requirement that customers electing Direct Access must take service at all meters, as asserted by NIPPC and Noble Americas Energy Solutions, Inc. (Noble).³ Customers can select which meters they elect to opt in to Direct Access service. Finally, Direct Access does not currently allow service for a portion of load at a

¹ Indeed, PacifiCorp and NIPPC are in agreement on this point. As stated by NIPPC, "To the extent a VRET is created in conjunction with extant Direct Access policy . . . a competitive market will have an opportunity to develop and deliver renewable power at least cost." Comments of NIPPC at 6. (Emphasis added).

² See Comments of Iberdrola Renewable, Inc. at 1; Comments of NIPPC at 9.

³ See Comments of NIPPC at 6; Comments of Noble at 3.

retail meter by an ESS. NIPCC's recommendation that a "Direct Access VRET"⁴ allow for this type of service is inconsistent with NIPCC's argument for consistency between Direct Access and utility VRETs—an argument PacifiCorp opposes. More importantly, allowing an ESS and utility to both provide electricity service to an individual retail meter introduces an unnecessary level of complexity that could shift risk from the ESS to utility customers due to the time-based variability in the cost of serving customers. PacifiCorp again notes that Direct Access does not preclude renewable offerings.

2. Cost-effective energy efficiency.

PacifiCorp is concerned with the proposal of the Citizens' Utility Board (CUB) to require that utility VRET participants are "assisting to acquire all cost-effective energy efficiency"⁵ PacifiCorp is supportive of cost effective energy efficiency and can certainly assist utility VRET customers to assess their energy efficiency options. However, to the extent CUB's proposal is a requirement that utility VRET customers acquire all cost-effective energy efficiency as a prerequisite to utility VRET participation, PacifiCorp is concerned that such a requirement is overly prescriptive and would place an unnecessary limitation on customer participation in a voluntary utility VRET program. Furthermore, each individual customer has their own view of what constitutes cost-effective energy efficiency.

3. Cost competition.

Several parties argue that allowing utility VRETs will harm the competitive retail market due to the advantageous position of utilities relative to an ESS, particularly if utility VRETs do not have program elements equivalent to Direct Access. Driving the need for a utility VRET is the principle of customer choice and customers want the option to pursue renewable resources with their utility provider. This customer desire is not due to a price advantage—as pointed out by Portland General Electric (PGE), VRET offerings are typically designed as a premium product to retail service. Instead, customers are driven by a desire to receive a VRET product from an established service provider with whom they already have a relationship and that meets their individual needs.

While the utility's role as the default service provider creates an on-going relationship between the utility and customers by necessity, this should not be used to limit the utility's ability to provide the best customer service and be responsive to customer needs. Moreover, all customer choice relationships cut both ways—if customers are not happy with their utility provider, they may have an incentive to go with an alternative provider. Limiting the ability of the utility to offer a VRET on this basis reduces customer choice, penalizes utilities for providing good customer service and may create an additional layer of complexity for those smaller customers seeking a renewable supply option. Furthermore, the Federal Energy Regulatory

⁴ Comments of NIPPC at 6. NIPPC refers to the VRET as a "Direct Access VRET;" however, HB 4126 specifically contemplates a *utility*, not ESS, VRET offering. Furthermore, ESS's can already provide renewable service options to customers, as noted in the comments of Noble (p. 5), Iberdrola (p. 2), and Shell (p. 8).

⁵ Comments of CUB at 9.

Commission rules and the Commission's rules already contain provisions for a code of conduct that ensures players in the competitive retail market are not accruing undue advantage.⁶

Several parties also argue that the Commission adopt a competitive procurement process for utility VRET resources. For a voluntary option that holds non-participating customers harmless, there is no basis for the additional costs associated with the competitive bidding guidelines and in particular, the requirement to retain an independent evaluator, which would add costs to customers. The voluntary nature of the utility VRET program will provide a clear incentive to the utility to acquire VRET resources as competitively as possible for a model that could include third party and/or utility ownership and operation.

Noble in particular argues that the request for proposal requirements adopted by the Commission in docket UM 1182 should apply to utility-owned VRET resources, regardless of size.⁷ The appropriate size threshold was a contested issue in docket UM 1182 and complete removal of the threshold for VRET resources should not be adopted without a more thorough discussion of this issue. Should the Commission require competitive VRET bidding, the same 100 MW size threshold for resources should apply. The Company also would urge the Commission to clarify who is responsible for the associated costs: bidders or VRET customers.

III. Changes to Direct Access should be addressed in a docket specific to Direct Access

This docket is about investigating the possibility of a utility VRET, not reforming or modifying Direct Access. To the extent that parties wish to incorporate elements of proposals made in this docket into the Direct Access program, those proposals should be made and considered in Direct Access-specific dockets, not in UM 1690.⁸ To the extent parties believe the structure of Direct Access, as currently established by Commission rules, inhibits the competitive retail market contemplated by Direct Access, parties have had ample opportunity to address the structure of Direct Access, including as recently as docket UE 267. Furthermore, it does not make sense to impose structural elements on a utility VRET that parties assert inhibit the competitive retail market in the Direct Access context.⁹ The argument for imposing direct access structural elements on a utility VRET ignore the fact that the Commission carefully considered

⁶ Particularly egregious is Shell's assertion that PacifiCorp has preferential access to transmission and ancillary services; Shell's assertion is wrong. Comments of Shell Energy at 10 ("...the utilities will enjoy the multitude of competitive advantages that come with their monopoly utility status [including] preferential access to transmission and ancillary services."). PacifiCorp Energy, the commercial and trading arm of PacifiCorp, has access to transmission and ancillary services from PacifiCorp per the terms of PacifiCorp's Open Access Transmission Tariff, which are the same terms available to all PacifiCorp transmission customers.

⁷ Comments of Noble at 12.

⁸ NIPPC, for example, urges the Commission to "authorize utilities to file a new and separate tariff for renewable service under Direct Access." Comments of NIPPC at 4. As previously stated, PacifiCorp views a utility VRET offering as complementary to Direct Access but rejects the suggestion that a utility VRET under Direct Access is what was contemplated by HB 4126.

⁹ For example, Noble argues that "[i]f direct access customers have to operate within a predefined arrangement that 'protects' the remaining bundled customers and/or shareholders of the utility, then allowing the utility to bypass these 'protections' in their VRET offering is unduly discriminatory and harms the competitive retail market." Comments of Noble at 7.

elements of Direct Access service, such as election windows, caps, and transition charges and credits in the context of and specific to Direct Access;¹⁰ a utility VRET is separate and distinct from Direct Access and its ultimate structure should reflect that distinction.

IV. Conclusion

A utility VRET can meet the statutory considerations set forth in HB 4126 and the Commission's consideration of utility VRET offers a unique opportunity for Commission to innovate for the benefit of customers. While several details of utility VRETs will need to be developed, what is clear is that authorizing utilities to offer VRETs will provide another option for customers to elect renewable power to service their retail load, expanding the competitive retail market, and promoting development of renewable resources. The issues raised in this proceeding have set the parameters of what a utility must address in any utility VRET filing and provide a framework for analyzing utility VRET filings, which will have the analytical benefit of definitive program features. At this time, the Company urges the Commission to authorize utilities to file utility VRET offerings for consideration by the Commission and interested stakeholders on a pilot basis.

Please direct questions regarding this filing to Joelle Steward, Director, Pricing, Cost of Service and Regulatory Operations, at (503) 813-5542 or Erik Andersson, Economic Development Manager, at (503) 813-5117.

Sincerely,



R. Bryce Dalley
Vice President, Regulation

cc: UM 1690 Service List

¹⁰ Election windows, for example, serve an important function in Direct Access. They provide a point in time when customers can comparably evaluate cost of service rates with market based offerings. This same comparison may not be necessary under a VRET if the VRET is not based on market, but instead a specific resource for which the customer pays a premium, or if the utility VRET is structured akin to a customer pursuing self-generation with cost-based partial requirements service from the utility.

CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of PacifiCorp's Reply Comments on the parties listed below via electronic mail in compliance with OAR 860-001-0180.

UM 1690

Carl Fink (W)
628 SW Chestnut St, Ste 200
Portland, OR 97219
cmfink@blueplanetlaw.com

Kacia Brockman (W)
Julie Peacock (W)
Oregon Department of Energy
625 MARION ST NE
SALEM OR 97301-3737
kacia.brockman@state.or.us
Julie.peacock@state.or.us

Kevin Devan (W)
Adobe Systems
devan@adobe.com

Suzanne Leta Liou (W)
Atkins
12725 SW MILLIKAN WAY, STE 230
PORTLAND OR 97005
suzanne.liou@atkinsglobal.com

OPUC Dockets (W)
Citizens' Utility Board of Oregon
610 SW BROADWAY, STE 400
PORTLAND OR 97205
dockets@oregoncub.org

Sarah Garrison (W)
City of Hillsboro
sarah.garrison@hillsboro-oregon.gov

Mary Lynch (W)
Constellation Energy Commodities Group Inc.
5074 Nawal Dr.
El Dorado Hills, CA 95762
Mary.lynch@constellation.com

Andria Jacob (W)
City of Portland
Andria.jacob@portlandoregon.gov

Jim Stanway (W)
jimstanway@fb.com

Doris Penwell (W)
AOC/CREA
dpenwell@aocweb.org

Dick Sheehy (W)
CH2M Hill
dick.sheehy@ch2m.com

Angus Duncan (W)
240 SW FIRST AVE
PORTLAND OR 97204
aduncan@b-e-f.org

Jeff Bissonnette (W)
G.Catriona McCracken (W)
Citizens' Utility Board of Oregon
610 SW BROADWAY, STE 400
PORTLAND OR 97205
jeff@oregoncub.org
Catriona@oregoncub.org

Ann English Gravatt (W)
Climate Solutions
917 SW Oak -- Ste 303
Portland, OR 97205
ann@climatesolutions.org

Thad Roth (W)
Energy Trust of Oregon
421 SW Oak Ste. 300
Portland, OR 97205
Thad.roth@energytrust.org

Benjamin Walters (W)
City of Portland City Attorney's office
1221 SW 4th Avenue, Room 430
Portland, OR 97204
Ben.walters@portlandoregon.gov

Michael Armstrong (W)
David Tooze (W)
City of Portland
1900 SW 4th Ave, Ste 7100
Portland, OR 97201
Michael.Armstrong@portlandoregon.gov
David.tooze@portlandoregon.gov

Ann Blackwood (W)
Facebook
561 Garden Street
Sacramento, CA 95815
ann@fb.com

Brian Skeahan (W)
CREA
Brian.skeahan@yahoo.com

Kevin Higgins (W)
Energy Strategies LLC
215 State Street, Suite 200
Salt Lake City, UT 84111-2322
khiggins@energystrat.com

Banjo Reed (W)
IBEW L.U. 659
4480 Rogue Valley Hwy #3
Central Point, OR 97520
banjo@ibew659.org

Ann L. Fisher (W)
Legal & Consulting Services
PO Box 25302
Portland, OR 97298-0302
ann@annfisherlaw.com

Christine Lewis (W)
Multnomah County District 1
christine.lewis@multco.us

Jude Noland (W)
Clearing Up
734 Hill Rd
Walla Walla, WA 99362
nolandj@charter.net

Kelsey Wilson (W)
Gallatin Public Affairs
kelseyw@gallatinpa.com

Joshua D. Weber (W)
Melinda Davison (W)
Davison Van Cleve
333 SW Taylor Ste 400
Portland, OR 97204
jdw@dvclaw.com
mjd@dvclaw.com

Kevin Lynch (W)
Kourtney Nelson (W)
Sara Parsons (W)
Iberdrola Renewables
1125 NW Couch St, Ste 700
Portland, OR 97209
Kevin.lynch@iberdrolaren.com
Kourtney.nelson@iberdrolaren.com
Sara.parsons@iberdrolaren.com

Connie Aschenbrenner (W)
Tami White (W)
Michael Youngblood (W)
Idaho Power
PO Box 70
Boise, Idaho 83707
caschenbrenner@idahopower.com
twhite@idahopower.com
myoungblood@idahopower.com

Greg Bass (W)
Noble Americas Energy Solutions, LLC
401 West A St, Ste. 500
San Diego, CA 92101
gbass@noblesolutions.com

Imogen Taylor (W)
David Brown (W)
Obsidian Renewables
5 Centerpointe Dr. Ste 590
Lake Oswego, OR 97035
itaylor@obsidianrenewables.com
dbrown@obsidianfinance.com

Robert D. Kahn (W)
NW & Intermountain Power Producers
Coalition
PO Box 504
Mercer Island, WA 98040
Rkahn@nippc.org

Colonel Christian F. Rees (W)
LTC Kenneth Safe (W)
Oregon National Guard
christian.f.rees.mil@mail.mil
kenneth.safe.mil@mail.mil

Erik Anderson (W)
Pacific Power
825 NE Multnomah St, Ste 800
Portland, Oregon 97232
Erik.anderson@pacificcorp.com

Karla Wenzel (W) 1WTC0702
J. Richard George (W) 1WTC1301
Elizabeth Paul (W)
Portland General Electric
121 SW Salmon St.
Portland, Oregon 97204
Pge.opuc.filing@pgn.com
Richard.george@pgn.com
Elizabeth.paul@pgn.com

Noel Mingo (W)
Portland State University
noel.mingo@pdx.edu

Michael T. Weirich (W)
PUC Staff- Department of Justice
1162 Court ST NE
Salem, OR 97301
Michael.weirich@state.or.us

Gregory M. Adams (W)
Richardson Adams, PLLC
PO Box 7218
Boise, Idaho 83702
greg@richardsonadams.com

Wendy Gerlitz (W)
NW Energy Coalition
1205 SE Flavel
Portland, Oregon 97202
Wendy@nwenergy.org

Evyan Jarvis (W)
Oxley & Associates
evyanjarvis@oxleyandassociatesinc.com

Joelle Steward (W)
Alysa M. Dunlap (W)
Pacific Power and Light
825 NE Multnomah Ste 2000
Portland, Oregon
Joelle.steward@pacificcorp.com
Alias.dunlap@pacificcorp.com

Ruchi Sadhir (W)
Public Utility Commission of Oregon
PO Box 1088
Salem, Oregon 97308
Ruchi.sadhir@state.or.us

Renewable NW Dockets (W)
Megan Decker (W)
Renewable Northwest
421 SW 6th Avenue, Ste 1125
Portland, OR 97204
dockets@renewalbenw.org
megan@renewalbenw.org

Steve W. Chriss (W)
Ken Baker (W)
Wal-Mart Stores
2001 SE 10th Street
Bentoville, AR 72716
Stephen.chriss@wal-mart.com
Ken.baker@wal-mart.com

Genevieve Dufau (W)
Solarcity
gdufau@solarcity.com

Matt Ruckwardt (W)
Schnitzer Steel Industries Inc.
299 SW Clay St., Ste 350
Portland, OR 97201
mruckwardt@schn.com

Jacques Grant (W)
Yam Services
1819 SW 5th Avenue, Ste 342
Portland, OR 97201
Electric@yamservices.com

Letha Tawney
World Resources Institute
ltawney@wri.org

Dated this 9th of January 2015.



Amy Eissler
Coordinator, Regulatory Operations