

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 9, 2019**

REGULAR X CONSENT _____ EFFECTIVE DATE January 1, 2020

DATE: December 9, 2019

TO: Public Utility Commission

FROM: Jill Goatcher

THROUGH: Michael Dougherty and JP Batmale **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1037/Advice No. 19-014)
Requests increase to the standard block size listed in the Blue Sky Schedules from 100 kWh to 200 kWh of renewable energy.

STAFF RECOMMENDATION:

The Commission should approve Pacific Power's (PacifiCorp or Company) Advice No. 19-014, effective for service rendered on and after January 1, 2020.

DISCUSSION:

Issue

Whether the Commission should approve the Company's Advice No. 19-014, which increases the standard block size listed in the Blue Sky Schedules from 100 kWh to 200 kWh of renewable energy, removes a reference to megawatt-hours in the minimum purchase amount, and the standard block charge.

Applicable Rule or Law

Under ORS 757.205(1):

Every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls, and charges which it has established and which are in force at the time for any service performed by it within the state, or for any

service in connection therewith or performed by any public utility controlled or operated by it.

The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

Analysis

Background

The Company filed the proposed tariff pages associated with the Renewable Energy Tariffs Schedule 212, 270, and 272 on November 7, 2019.¹ The proposed tariff pages seek to increase the standard block size of the Company's Blue Sky program. The Blue Sky program was launched in 2000 to give customers the option to purchase renewable energy credits (RECs) to offset some or all of their energy use and support the development of renewable energy.² The program sees wide participation from the Company's Oregon customers. The Company reported to the Portfolio Options Committee at year end 2018 that over 64,000 customers participated across the Blue Sky program's three products.³

¹ See Docket ADV 1037, *In the Matter of PacifiCorp dba Pacific Power, Advice 19-014 Application to Update Renewable Energy Tariffs Schedule 212, 270 and 272*, November 7, 2019 at 1.

² *Id.*

³ *Id.* at 2.

In Oregon, the Program offers three products:⁴

1. **Blue Sky Block** (Block program) is available to all rate classes in all states that the Company serves. Block program participants pay a fixed monthly fee and the Company retires unbundled RECs on behalf of customers in fixed kilowatt hour (kWh) “blocks.” The Company puts any Block program revenue remaining after the purchase of RECs and spending on marketing and administrative activities into a grant fund for community-based organizations to install on-site renewable energy projects. Large customers are eligible for bulk and custom block prices.⁵
2. **Blue Sky Usage** is only available to residential and small non-residential customers in Oregon. Blue Sky Usage customers pay a ¢/kWh charge and the Company retires unbundled RECs equal to 100 percent of their usage.
3. **Blue Sky Habitat** is the same as Blue Sky Usage, but includes an additional \$2.50 monthly donation passed through to a third-party organization for native fish habitat restoration projects.

At the end of 2018, the Company reported approximately 51,000 (80 percent) participants in the Blue Sky Usage and Blue Sky Habitat programs and approximately 13,400 Oregon participants in the Block program (20 percent).⁶ In 2018, Oregon participants made up 42 percent of the total Block program purchases the five states that the Company offers the program.⁷

The Company seeks approval to increase the Block program’s block size from 100 kWh per month to 200 kWh per month, with no increase in cost to participants. For standardization of the Block program across its service territory, the Company requests that the approval of this change be contingent on the Company receiving approval for the change in the other five states that it offers this Program: California, Idaho, Utah, Washington, and Wyoming.⁸ The Company seeks this change to align the pricing of the Block program with REC market pricing. This will help participants double the impact of the program on their sustainability goals and on the renewable energy market. The Company also notes that the timing of this price change aligns with the Program’s 20th anniversary.⁹

⁴ See the Company’s Overview of the Blue Sky Program, available at

<https://www.pacificpower.net/savings-energy-choices/blue-sky-renewable-energy.html>.

⁵ See Docket ADV 1037, *In the Matter of PacifiCorp dba Pacific Power, Advice 19-014 Application to Update Renewable Energy Tariffs Schedule 212, 270 and 272*, November 7, 2019 at 1.

⁶ See Attachment A for the Company’s February 2019 Portfolio Options Committee Status report with year-end 2018 data.

⁷ See Docket ADV 1037, *In the Matter of PacifiCorp dba Pacific Power, Advice 19-014 Application to Update Renewable Energy Tariffs Schedule 212, 270 and 272*, November 7, 2019 at 1.

⁸ *Id.*

⁹ *Id.*

Structure and Funding of the Blue Sky Block Program

As it is currently structured, the Block program gives participants the option of purchasing 100 kWh blocks of RECs at the price of \$1.95 per block (\$19.50 per REC or \$0.0195 per kWh). In this filing, the Company seeks to double the size of the block that is offered to customers, offering customers 200 kWh of RECs at the same price of \$1.95 per block (\$9.75 per REC or \$0.00975 per kWh).

The Company negotiates bulk REC purchases to fulfill the needs of this Program. The Program is designed so that the Company's origination team makes periodic supply purchases to match customer purchases, and is trued-up following every calendar year. RECs are registered with the Western Renewable Energy Generation Information System (WREGIS) and meet the Green-e energy certification requirements. The Company approaches sourcing RECs by geographical origin, starting within the six states that the Company serves, followed by RECs originated within the Pacific Northwest or Rocky Mountain area, and finally sources from the greater Western Electricity Coordinating Council footprint. The Company also gives preference to RECs that are sourced from newer facilities to encourage renewable resource development.

Analysis of the Block Size Change

Staff has discussed the impact of the block size change with the Company and has concluded that the requested change is fair, just, and reasonable.

In its filing, the Company notes that it has not changed the price of the Block program since 2003.¹⁰ Since then, the price of unbundled RECs has fallen significantly. As illustrated by Figure 1 and Table 1, the Block program price is significantly out of alignment with market conditions.

¹⁰ *Id.* at 2.

Figure 1: Net Price Premium Charged for Top Ten Utility Green Pricing Programs 2013¹¹

| Rank | Utility | Net Premium |
|------|---|-------------|
| 1 | Austin Energy | -1.04¢/kWh |
| 2 | Oklahoma Gas & Electric Co | 0.04¢/kWh |
| 3 | Indianapolis Power & Light Co | 0.06¢/kWh |
| 4 | City of Palo Alto – (CA) | 0.20¢/kWh |
| 5 | Edmond Electric | 0.27¢/kWh |
| 6 | Xcel – (MN) ⁷ | 0.29¢/kWh |
| 7 | Avista Corp – (WA & ID) | 0.33¢/kWh |
| 8 | Portland General Electric ⁸ | 0.80¢/kWh |
| 9 | Duke Energy (NC, SC, IN, OH, KY) | 0.90¢/kWh |
| 10 | Connecticut Power & Light/United Illuminating | 0.99¢/kWh |

Table 1: Comparison of Oregon Green Power Program Pricing¹²

| Product | \$/REC | \$/kWh | ¢/kWh |
|--|---|--------|-------|
| Blue Sky Block | 19.5 | 0.0195 | 1.95 |
| Blue Sky Usage and Habitat | 10.5 | 0.0105 | 1.05 |
| Portland General Electric Green Source | 8.0 | 0.0080 | 0.80 |
| Portland General Electric Clean Wind | 12.5 | 0.0125 | 1.25 |
| Portland General Electric Green Future | N/A, sold in \$5 per kW blocks from a specific solar facility | | |

The Company believes that its increase in REC purchases is not likely to impact the overall pricing of available RECs because the market has been stable for the past seven years. If the block size change is approved, the Company will reserve funds in the first few years of the increase to make sure the change will not have a negative impact on the financial status of the Block program. Staff believes that this is a reasonable approach to insure against market fluctuations in REC prices.

¹¹ See National Renewable Energy Laboratory, *Top Ten Utility Green Pricing Programs* at 10, available at <https://www.nrel.gov/analysis/assets/pdfs/utility-green-power-ranking.pdf>.

¹² See Docket ADV 1037, *In the Matter of PacifiCorp dba Pacific Power, Advice 19-014 Application to Update Renewable Energy Tariffs Schedule 212, 270 and 272*, November 7, 2019 at 2; see also the Company's Overview of the Blue Sky Program, available at <https://www.pacificpower.net/savings-energy-choices/blue-sky-renewable-energy.html>; see also PGE *Understanding Your Power Options* at 2, available at <https://www.portlandgeneral.com/-/media/public/residential/power-choices/documents/power-choices-understanding-your-power-options-residential.pdf?la=en>.

Staff also notes that doubling the amount of program revenue spent on RECs will reduce the availability of grant funding. As explained above, the remaining balance of Block program revenue after program administration expenses and REC purchases is distributed as grants for community-based renewable energy projects. The Company estimates that the net financial impact would equal an approximate 40 percent reduction in available grant funds in Oregon. Based on 2018 data, the 40 percent reduction will reduce the grant funding from the Block program by \$311,000. Based on the average grant size, this will reduce the approximate overall number of annual projects from eight to five.

While Staff encourages the Company to monitor any feedback from customers about this change and consider program design elements that could allow participants to contribute more to grant funding in the future, the overall benefit of aligning the pricing with the market makes this change fair, just, and reasonable.

Conclusion

The Commission should approve PacifiCorp's request, as it will increase the standard block size listed in the Blue Sky Schedules from 100 kWh to 200 kWh of renewable energy.

PROPOSED COMMISSION MOTION:

Approve Advice No. 19-014, effective with service rendered on and after January 1, 2020.

Program Status Report Pacific Power's Blue Sky Program – CY 2018

| Customer Participation | | | | | MWh supported | | | | | |
|-----------------------------|------------------|---------------|---------------|--------------|---|-----------------------------|----------------|----------------|----------------|--------------|
| | Option | YE 2018 | YE 2017 | % change | | Option | YE 2018 | YE 2017 | % change | |
| Residential | Usage | 44,453 | 41,096 | 8.2% | Residential | Usage | 380,141 | 365,294 | 4.1% | |
| | Habitat | 5,514 | 5,610 | -1.7% | | Habitat | 52,899 | 55,053 | -3.9% | |
| | Block | 12,672 | 11,770 | 7.7% | | Block | 24,644 | 23,625 | 4.3% | |
| | Total | 62,639 | 58,476 | 7.1% | | Total | 457,684 | 443,972 | 3.1% | |
| | Gross Ads | 15,610 | 14,142 | 10.4% | | % Load | 8.24% | 7.65% | 7.7% | |
| | Net adds | 4,163 | 3,835 | 8.6% | | Non-residential (portfolio) | Usage | 12,943 | 11,049 | 17.1% |
| | Penetration rate | 12.29% | 11.61% | 5.9% | | | Habitat | 3,669 | 3,549 | 3.4% |
| | | | | | | | Block | 3,077 | 3,006 | 2.4% |
| | | | | Total | 19,689 | | 17,604 | 11.8% | | |
| Non-residential (portfolio) | Usage | 845 | 776 | 8.9% | % Load | 1.51% | 1.35% | 11.8% | | |
| | Habitat | 188 | 185 | 1.6% | Portfolio Total | Usage | 393,084 | 376,343 | 4.4% | |
| | Block | 441 | 442 | -0.2% | | Habitat | 56,568 | 58,602 | -3.5% | |
| | Total | 1,474 | 1,403 | 5.1% | | Block | 27,721 | 26,631 | 4.1% | |
| | Gross adds | 507 | 419 | 21.0% | | Total | 477,373 | 461,576 | 3.4% | |
| | Net adds | 71 | 59 | 20.3% | | % Load | 6.71% | 6.49% | 3.4% | |
| | Penetration rate | 2.17% | 2.09% | 3.6% | | Non-portfolio | Total | 116,508 | 122,119 | -4.6% |
| | | | | % Load | | | 1.93% | 2.02% | -4.6% | |
| Large user (non-portfolio) | Participants | 291 | 291 | 0.0% | Total MWh | Total | 593,881 | 583,695 | 1.7% | |
| | Gross adds | 14 | 22 | -36.4% | <i>*RECs purchased to meet green power customer demand are above and beyond the electricity used to satisfy customer electricity needs.</i> | | | | | |
| | Net adds | - | 16 | -100.0% | | | | | | |
| | Penetration rate | 3.15% | 3.14% | 0.4% | | | | | | |
| Program Total | Usage | 45,298 | 41,872 | 8.2% | | | | | | |
| | Habitat | 5,702 | 5,795 | -1.6% | | | | | | |
| | Block | 13,404 | 12,503 | 7.2% | | | | | | |
| | Total | 64,404 | 60,170 | 7.0% | | | | | | |
| | Gross adds | 16,131 | 14,583 | 10.6% | | | | | | |
| | Net adds | 4,234 | 3,891 | 8.8% | | | | | | |
| | Penetration rate | 10.97% | 9.95% | 10.3% | | | | | | |

Program highlights & accomplishments

- * 183,400+ residential knocks, phone calls, or booth greetings across 66 communities and 23 counties, resulting in ~60,500 customer conversations
- * 41,000+ Direct Mail pieces to Portland in support of a cross-utility community challenge w/PGE & The City of Portland
- * 1,500+ Businesses reached via Outreach across 14 communities and 7 counties

Enrollment Channels

