

**PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: December 28, 2021**

REGULAR CONSENT EFFECTIVE DATE January 1, 2022

DATE: December 20, 2021

TO: Oregon Public Utility Commission

FROM: Eric Shierman

THROUGH: Bryan Conway, JP Batmale, and Sarah Hall **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1309/Advice No. 21-019)
Reduced block size for Schedule 212, Schedule 270, and Schedule 272.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve Pacific Power's (PacifiCorp or the Company) Advice No. 21-019, which reduces the standard block size of renewable energy purchases from 200 kWh to 100 kWh for Schedules 212, 270, and 272.

DISCUSSION:

Issue

Whether the Commission should approve the modification of Pacific Power's portfolio options that would reduce the amount of renewable energy in a customer's standard block by 50 percent, for Schedules 212, 270, and 272.

Applicable Rule or Law

ORS 757.603 requires electric utilities to provide a portfolio of rate options to residential customers. The Commission regulates portfolio options so the rates reflect the costs and risks of serving each option.

Analysis

Background

Through UM 1020, PacifiCorp has offered the Blue Sky program, which allows customers to voluntarily purchase renewable energy credits (RECs) to offset emissions from electricity consumption. This program is self-funded. Funds collected through Schedules 212, 270, and 272 are used to acquire RECs, support new community-based renewable energy installations through competitive grants, and cover the Blue Sky program's administrative costs. Over the past two decades, this program has led to the voluntary purchase of more than 10 billion kWh of renewable energy and supported more than 300 community based renewable projects.¹

PacifiCorp currently has approximately 17,000 Oregon program participants. This represents 20 percent of Blue Sky customers. Oregon customers disproportionately purchase more through this program, representing 40 percent of the Blue Sky blocks sold by the Company across five other states.²

For the past two years, the price of RECs has been growing significantly. This was the primary basis for the Commission approval of PacifiCorp's request to extend contracts for REC procurement services for Blue Sky at the September 21, 2021, Public Meeting.³

REC Market Data

PacifiCorp has shared proprietary market data to document the escalation in REC prices the Company has observed. The price of RECs from 2012-2019 remained stable between [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL], forming the basis for Pacific Power's proposal in Advice No. 19-014 to increase the size of each Blue Sky block from 100 kWh to 200 kWh of renewable energy while maintaining a price of \$1.95 per block. This had the effect of lowering the price per kWh.⁴

Soon after the Commission approved Pacific Power's request, the prices for RECs began moving in the opposite direction. The current prices can no longer sustain the Blue Sky's program price for each block at 200 kWh.

Figure 1 below was provided by PacifiCorp to show the context of REC prices over the past decade and the significance of recent price trends.

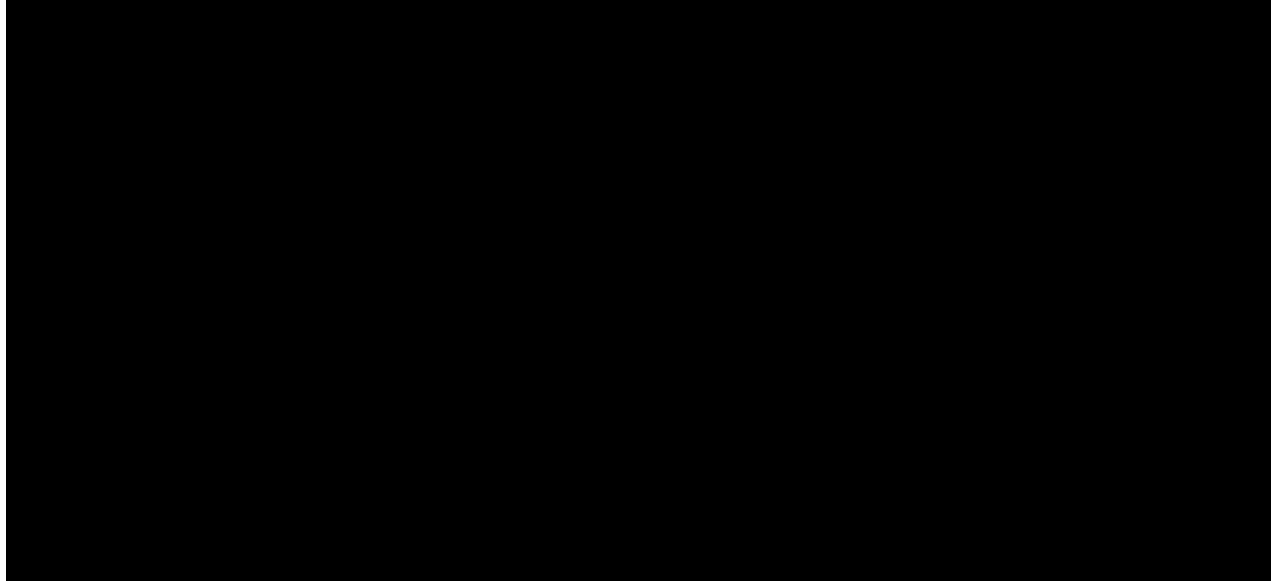
¹ See Docket No. ADV 1309, PacifiCorp, Advice No. 21-019, August 27, 2021, p 1.

² Ibid. p 2.

³ See Docket No. UM 1020, OPUC, Order No. 21-308, September 22, 2021, p 2-3.

⁴ ADV 1309 Updated Info for Staff CONF.docx.

[BEGIN CONFIDENTIAL] Figure 1



[END CONFIDENTIAL]

Pacific Power's current request would effectively raise the price of these portfolio options to reflect the change in market prices. However, the Company's proposal will not necessarily raise Blue Sky customers' expense. PacifiCorp seeks to keep prices constant but reduce the size of the renewable energy block to its size in 2019. As prices remain constant, Blue Sky customers that want to keep their consumption of renewable energy constant will have to purchase more blocks.

Reason for Staff Recommendation

Staff finds Pacific Power's proposal reasonable. The market data supports the Company's assertion that REC prices have made the current block size for Schedules 212, 270, and 272 unsustainable. Without this adjustment in block size, Blue Sky will no longer be a self-funding program, and other customers would not be held harmless.

Conclusion

The escalating price of RECs has made Pacific Power's Blue Sky program unsustainable. Reducing the renewable energy block size from 200 kWh to 100 kWh will ensure this program remains self-funded.

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PROPOSED COMMISSION MOTION:

The Commission should approve Pacific Power's Advice No. 21-019, which reduces the standard block size of renewable energy purchases from 200 kWh to 100 kWh for Schedules 212, 270, and 272.

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