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May 12, 2016

## *Via Electronic Filing*

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High St. SE, Suite 100  
Salem OR 97301

Re: PACIFICORP, dba PACIFIC POWER  
Petition for Approval of the 2017 Inter-Jurisdictional  
Allocation Protocol  
**Docket No. UM 1050**

Dear Filing Center:

Enclosed for filing in the above-referenced docket, please find the Cross-Examination Exhibits of the Industrial Customers of Northwest Utilities.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch  
Jesse O. Gorsuch

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**UM 1050**

In the Matter of  PACIFICORP, dba PACIFIC POWER,  Petition for Approval of the 2017 PacifiCorp <u>Inter-Jurisdictional Allocation Protocol.</u>	) ) ) ) ) )	CROSS-EXAMINATION EXHIBITS OF THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES
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Pursuant to the Administrative Law Judge’s Clarifying Ruling on May 6, 2016, the Industrial Customers of Northwest Utilities (“ICNU”) submits the following cross-examination exhibits.

<u>Cross-Examination Exhibit</u>	<u>Description</u>
ICNU/300	PacifiCorp Responses to ICNU Data Requests (“DRs”)
ICNU/301	Pacific Power News Release, <i>Oregon Moves Towards a Cleaner Energy Future</i> (March 2, 2016)
ICNU/302	Excerpt of PacifiCorp 2015 IRP Update, Chapter 5 – Portfolio Development (March 31, 2016)
ICNU/303	Staff Responses to ICNU DRs
ICNU/304	Staff Motion and Comments Filings, UM 1754 and UM 1755 (April 2016)
ICNU/305	The Oregonian/OregonLive, <i>State Utility Regulators Were Silenced by Governor on Big Energy Bill</i> (February 17, 2016)

<u>Cross-Examination Exhibit</u>	<u>Description</u>
ICNU/306	CUB Responses to ICNU DRs
ICNU/307	CUB Quarterly Newsletter, <i>The Bear Facts</i> (Winter 2016)

Dated this 12th day of May, 2016.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Jesse E. Cowell

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Of Attorneys for the

Industrial Customers of Northwest Utilities

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1050**

In the Matter of )  
)  
PACIFICORP, dba PACIFIC POWER, )  
)  
Petition for Approval of the 2017 PacifiCorp )  
Inter-Jurisdictional Allocation Protocol. )

**ICNU/300**

**PACIFICORP RESPONSES TO ICNU DATA REQUESTS**

**May 12, 2016**

**ICNU Data Request 18.3**

**Please refer to the Petition for Approval of the 2017 Protocol:**

Paragraph 9. The Company states that the 2010 Protocol “was designed to ... ensure PacifiCorp plans and operates its generation and transmission system on a six-state integrated basis.” Is it the Company’s position that the 2010 Protocol achieved this design purpose? Please explain.

**Response to ICNU Data Request 18.3**

Yes. The Company agrees with paragraph 9 in the application. For more information on how the system is operated please refer to the Company’s Integrated Resource Plan “IRP” in Oregon Docket No. LC-62.

**ICNU Data Request 20.1**

Please refer to PAC/101, Dalley/17:20-18:3, in which the lowercase word “agreement” appears four times. Do all four instances of “agreement” refer strictly to the agreement between the “Oregon Parties”? If no, as to any instance in the referenced exhibit passage, please explain each alternative meaning of “agreement.”

**Response to ICNU Data Request 20.1**

No. In each instance the term “agreement” is in reference to the terms of the entire 2017 PacifiCorp Inter-Jurisdictional Allocation Protocol.

**ICNU Data Request 20.5**

Please refer to PAC/101, Dalley/16:12-20. For each of the years in which the 2017 Protocol would or could be in effect—2017, 2018, and 2019—please estimate the annual Oregon rate impact for each of the following:

- (a) PacifiCorp’s Transition Adjustment Mechanism;
- (b) the Power Cost Adjustment Mechanism;
- (c) the Renewable Adjustment Clause;
- (d) all other existing “rate adjustment mechanisms authorized by the Commission,” assuming “Introduced” HB 4036 does not go into effect;
- (e) all other existing “rate adjustment mechanisms authorized by the Commission,” assuming “Introduced” HB 4036 does go into effect; and
- (f) any “new rate adjustment mechanisms authorized by the Commission,” assuming “Introduced” HB 4036 does go into effect.

**Response to ICNU Data Request 20.5**

PacifiCorp objects to this request as overly broad, unduly burdensome, and not reasonably calculated to lead to the discovery of admissible evidence.

UM-1050/PacifiCorp  
February 18, 2015  
ICNU Data Request 20.7

**ICNU Data Request 20.7**

Please explain PacifiCorp's role in the drafting, development, and sponsorship of "Introduced" HB 4036.

**Response to ICNU Data Request 20.7**

PacifiCorp objects to this request as overly broad, unduly burdensome, and not reasonably calculated to lead to the discovery of admissible evidence.



**ICNU Data Request 25.2**

Refer to PAC/400, McDougal/5:17-6:1. Please confirm that the Wyoming Public Service Commission (“PSC”) did not accept the test year data, as filed by the Company on March 3, 2015, in the Wyoming PSC’s final resolution of Docket 20000-469-ER-15. If the Company cannot confirm, please explain and provide support for a position that the Company’s originally filed test year data had been approved by the Wyoming PSC.

**Response to ICNU Data Request 25.2**

Confirmed.

**ICNU Data Request 25.3**

Refer to PAC/400, McDougal/5:17-6:1 & n.9. Please explain how the citation to PAC/101, Dalley/4 supports the referenced sentence in the text of Mr. McDougal's rebuttal testimony (e.g., where in this citation to the proposed 2017 Protocol is the 2015 GRC in Wyoming referenced?).

**Response to ICNU Data Request 25.3**

The citation was meant to reference:

Wyoming General Rate Case Docket No. 20000-469-ER-15, Direct Testimony of Steven R. McDougal, Exhibit RMP\_\_(SRM-2), Page 2.9.

The citation shows the total Company Embedded Cost Differentials. For the allocation factors necessary to calculate Oregon's share of the differential, please see Wyoming General Rate Case Docket No. 20000-469-ER-15, Direct Testimony of Steven R. McDougal, Exhibit RMP\_\_(SRM-2), Page 11.2.

**BEFORE THE PUBLIC UTILITY COMMISSION  
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**ICNU/301**

**PACIFIC POWER NEWS RELEASE, *OREGON MOVES TOWARDS A CLEANER  
ENERGY FUTURE* (March 2, 2016)**

**May 12, 2016**



## Oregon Moves Towards a Cleaner Energy Future

March 02, 2016

PORTLAND, Ore. — The Oregon Legislature today approved a bill that will require Pacific Power in Oregon to increase the amount of energy it delivers to customers from qualifying renewable resources to 50 percent by 2040. The bill also sets firm timelines for Pacific Power to eliminate coal-fired generation from its Oregon customers' energy mix no later than the end of 2030. Otherwise known as the Clean Electricity and Coal Transition plan, Senate Bill 1547-B (formerly House Bill 4036) received approval today from the Oregon Senate after the Oregon House passed the bill on Tuesday.

"Our customers tell us that they want us to move to a cleaner energy future while maintaining the reliability and affordability of the power that they depend upon," said Stefan Bird, President and CEO of Pacific Power. "We are pleased that we were able to work with a broad group of stakeholders to help craft a policy that will put Oregon on a path to meet the state's carbon reduction goals – while ensuring it will keep the lights on, and costs to our customers low."

Pacific Power was part of a coalition of organizations that supported the legislation, which received extensive public review in multiple state House and Senate hearings during January and February, as well as a special public meeting of the Oregon Public Utility Commission.

The final bill was amended to reflect concerns raised during the legislative review process.


The state's existing renewable energy standard, adopted in 2007, requires Pacific Power to meet customers' power needs using 20 percent qualifying renewable resources by 2020 and 25 percent by 2025. The new law increases the standard to 50 percent by 2040, with intermediate steps of 27 percent in 2025, 35 percent in 2030, and 45 percent in 2035.

Also included in the bill are mechanisms to protect utility customers from excessive cost increases or reliability issues resulting from the new mandates. Other provisions promote community solar installations, transportation electrification, energy efficiency measures, small-scale renewable power projects, and power generation from biomass.

The bill now goes before Gov. Kate Brown, who supported the proposal, for her signature to become law.



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OF OREGON**

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**ICNU/302**

**EXCERPT OF PACIFICORP 2015 IRP UPDATE, CHAPTER 5 –  
PORTFOLIO DEVELOPMENT (March 31, 2016)**

**May 12, 2016**

**Table 5.5 – Business Plan, Detailed Portfolio (Megawatts)**

Resource	Capacity (MW)												Resource
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Totals 1/	
<b>East</b>													<b>10-year</b>
<b>Existing Plant Retirements/Conversions</b>													
Carbon 1 (Coal Early Retirement/Conversions)	(67)	-	-	-	-	-	-	-	-	-	-	-	-
Carbon 2 (Coal Early Retirement/Conversions)	(105)	-	-	-	-	-	-	-	-	-	-	-	-
Cholla 4 (Coal Early Retirement/Conversions)	-	-	-	-	-	-	-	-	-	-	-	(387)	(387)
Naughton 3 (Coal Early Retirement/Conversions)	(50)	-	-	(280)	-	-	-	-	-	-	-	-	(280)
<b>Expansion Resources</b>													
DSM, Class 2, ID	3	3	3	3	4	3	3	3	3	3	3	3	32
DSM, Class 2, UT	61	61	63	63	63	63	64	63	63	61	65	65	629
DSM, Class 2, WY	4	6	7	7	7	7	8	8	7	8	8	8	73
<b>DSM, Class 2 Total</b>	<b>67</b>	<b>70</b>	<b>73</b>	<b>73</b>	<b>74</b>	<b>73</b>	<b>75</b>	<b>75</b>	<b>73</b>	<b>72</b>	<b>76</b>	<b>734</b>	
FOT Mona Q3	-	-	-	-	99	64	-	-	-	-	291	-	45
<b>West</b>													
<b>Expansion Resources</b>													
DSM, Class 1, OR-Curtail	-	-	-	-	-	-	-	-	-	10.6	-	-	10.6
DSM, Class 1, OR-Irrigate	-	-	-	-	-	-	-	-	5.0	-	-	-	5.0
<b>DSM, Class 1 Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.0</b>	<b>10.6</b>	<b>-</b>	<b>-</b>	<b>15.6</b>
DSM, Class 2, CA	1	1	2	2	2	1	1	1	1	1	1	1	14
DSM, Class 2, OR	33	32	27	24	22	19	18	18	17	16	15	208	
DSM, Class 2, WA	8	8	8	8	8	6	7	7	8	7	6	73	
<b>DSM, Class 2 Total</b>	<b>43</b>	<b>41</b>	<b>36</b>	<b>34</b>	<b>32</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>24</b>	<b>23</b>	<b>295</b>	
FOT COB Q3	-	8	-	201	268	268	113	215	133	140	268	161	
FOT MidColumbia Q3	400	400	400	400	400	400	400	400	400	400	400	400	
FOT MidColumbia Q3 - 2	261	375	237	375	375	375	375	375	375	375	375	361	
FOT NOB Q3	100	100	100	100	100	100	100	100	100	100	100	100	
<b>Existing Plant Retirements/Conversions</b>													
	(222)	-	-	(280)	-	-	-	-	-	-	-	(387)	
<b>Annual Additions, Long Term Resources</b>													
	110	111	109	107	106	99	102	106	110	96	99		
<b>Annual Additions, Short Term Resources</b>													
	761	883	737	1,076	1,242	1,207	988	1,090	1,008	1,015	1,434		
<b>Total Annual Additions</b>													
	<b>871</b>	<b>994</b>	<b>846</b>	<b>1,183</b>	<b>1,348</b>	<b>1,306</b>	<b>1,090</b>	<b>1,196</b>	<b>1,117</b>	<b>1,111</b>	<b>1,533</b>		

1/ Front office transaction amounts reflect one-year transaction periods, are not additive, and are reported as a 10-year annual average.

## Renewable Portfolio Standard Compliance

### Oregon

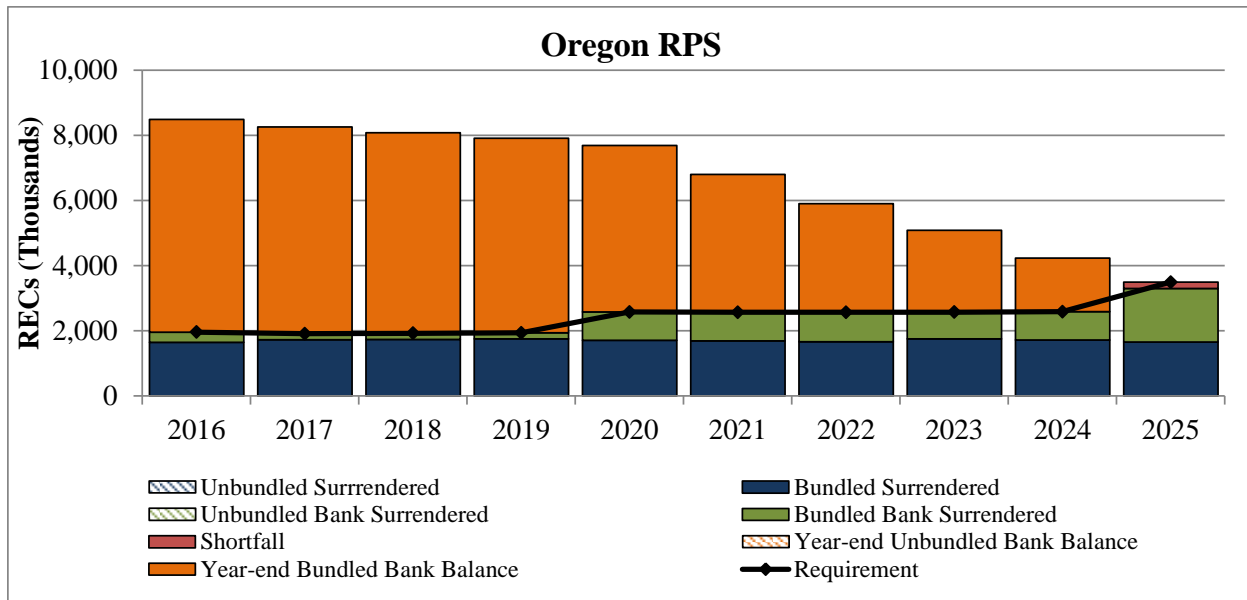
On March 8, 2016, Oregon Senate Bill 1547-B (SB 1547-B), the Clean Electricity and Coal Transition plan, was signed into law, which doubles the Oregon RPS target to 50% by 2040. Table 5.6 summarizes how the bill affects RPS targets for Oregon relative to those assumed in the 2015 IRP. In addition to revising RPS targets, SB 1547-B includes other provisions that influence how the company will plan to meet its RPS compliance requirements. One of these provisions introduces a five year banking limitation on renewable energy credits (RECs) issued after March 8, 2016. RECs issued on or before March 8, 2016 can be banked indefinitely. Another provision in SB 1547-B provides an early action incentive that allows for indefinite banking of RECs from new qualifying renewable resources that are issued over the first five years of the renewable resource's operation. New qualifying renewable resources include facilities that come online between March 8, 2016 and December 31, 2022. At the same time, SB 1547-B eliminates the requirement to surrender older vintage RECs for compliance first, prior to the surrender of newer vintage RECs.

**Table 5.6 – Oregon RPS Targets**

Year	2015 IRP	2015 IRP Update
2016	15%	15%
2020	20%	20%
2025	25%	27%
2030	25%	35%
2035	25%	45%
2040	25%	50%

Figure 5.1 shows PacifiCorp’s baseline RPS compliance position for Oregon for the front ten years of the planning horizon if no further action were taken. The baseline position indicates an initial shortfall, with the use of the existing bank, would occur in 2025.

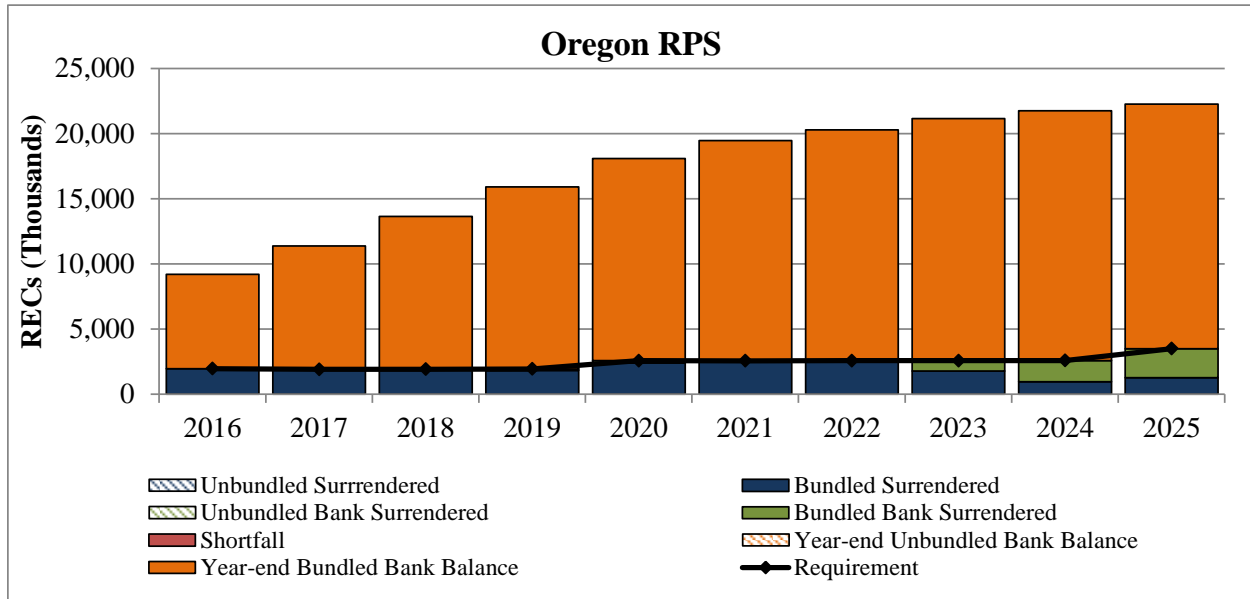
**Figure 5.1 – Baseline Oregon RPS Compliance Position**



Considering the flexible provisions in the new law, updated RPS targets, updated REC banking provisions and the market potential for RECs, PacifiCorp can meet its Oregon RPS obligations through the 20-year IRP planning horizon through a number of flexible alternatives including the purchase of eligible RECs.<sup>8</sup> Figure 5.2 shows PacifiCorp’s RPS compliance forecast for Oregon, inclusive of REC purchase volumes that contribute to meeting RPS targets through the IRP planning horizon. Over the front ten years of the planning horizon, nearly 19 million RECs are needed to build the bank, which can be used to meet RPS requirements as the target rises over time. Over this same period, PacifiCorp estimates that there will be at least 23 million RECs generated from qualifying facility projects that have power purchase agreements with PacifiCorp in which the project developers hold title to the RECs. This volume is over and above eligible RECs from other facilities in the market with whom PacifiCorp is familiar through its industry leading Blue Sky program.

<sup>8</sup> Under the Oregon RPS, RECs purchased from qualifying facility projects located in Oregon do not apply toward the 20% annual unbundled REC limit. RECs purchased from qualifying facilities in other states could be acquired as a bundled REC if the REC is purchased with the energy in the same contract.

**Figure 5.2 – Oregon RPS Compliance Position with REC Purchases**



REC purchases represent one avenue for achieving RPS compliance. PacifiCorp has also identified the potential for near-term, time-sensitive renewable resource acquisition opportunities that may reduce RPS compliance costs. The current planning environment, as fully described in Chapter 2, creates a potentially unique opportunity for the company to pursue low-cost renewable resources in the near-term as a way to reduce long-term RPS compliance costs. As discussed in Chapter 2, federal tax extender legislation passed in late 2015 retroactively and prospectively extended certain expired and expiring federal income tax deductions and credits over a multi-year phase out period. The most time-sensitive of these income tax credits is the federal production tax credit (PTC) for wind resources. To take advantage of the full PTC, currently set at 2.3 cents per kilowatt-hour, growing at inflation, for the first ten years of operation, a wind facility must commence construction by January 1, 2017. Under Internal Revenue Service (IRS) guidance, projects can demonstrate they have commenced construction by either starting work of a significant physical nature or by paying or incurring at least five percent of the total cost of the facility by January 1, 2017.

The PTC equates to over 3.7 cents per kilowatt-hour when grossed up by PacifiCorp’s marginal tax rate. Consequently, the after-tax cost of a wind project that is eligible for 100% of the PTC is reduced by over \$37/MWh growing at inflation for the first ten years. For a 100 MW wind facility operating at a 29% capacity factor, this equates to over \$102 million over ten years—after-tax cost savings that are passed through to customers. If the up-front capital cost for this wind facility is \$180 million (about \$1,800/kW), then the PTCs received through the first ten years of operation cover 57% of the initial capital investment. If the project operates at a 35% capacity factor, the PTC savings increase to nearly \$124 million, representing about 69% of the initial capital investment. If a wind facility is unable to demonstrate it has commenced construction by January 1, 2017 but can commence construction by January 1, 2018, then the PTC is reduced by 20%. This one year delay would reduce PTC savings by between \$20 million (29% capacity factor) to \$25 million (35% capacity factor) for a 100 MW project.

In addition to the time-sensitive opportunity to take full advantage of PTC benefits, SB 1547-B also includes an opportunity to lower RPS compliance costs through the near-term acquisition of



renewable resources since RECs issued during the first five years of a new renewable facilities' operation can be banked indefinitely. RECs generated during this time period will allow PacifiCorp to build a bank of RECs that are not subject to a five year banking limit. Growing the bank now will allow the company to defer future RPS compliance needs, when cost savings from tax incentives will no longer be available.

Near-term renewable resource procurement also provides value to customers because new renewable resources provide incremental energy and capacity that can also reduce system emissions. This additional energy and capacity will immediately offset fuel costs, purchased power and associated emissions. It will also offset the need for replacement resources as existing generating assets retire and reduce the Company's risk associated with the future greenhouse gas regulations. Procurement of renewable resources can further enable access to high quality renewable resource sites, which can provide future repowering and/or redevelopment value. With increased state RPS targets (i.e., Oregon and California targets now reach 50%) and the anticipated need to reduce greenhouse gas emissions through both state and federal policies such as the Clean Power Plan, demand for renewable resources is expected to grow and place upward pressure on future renewable resource costs, particularly if incremental transmission infrastructure is needed. Therefore, the acquisition of renewable resources now has the potential to optimally position the company and its Oregon customers in the face of increased and expanded carbon regulation.

To fully evaluate Oregon RPS compliance alternatives that consider potential near-term, time-sensitive resource procurement opportunities, PacifiCorp intends to issue requests for proposals (RFPs) seeking both REC purchase and resource procurement alternatives. Resource proposals will be evaluated concurrent with REC proposals to comprehensively assess RPS compliance alternatives, considering both cost and risk metrics. Because proposals for new wind facilities must be able to demonstrate that they initiated construction by January 1, 2017 to take full advantage of PTC cost savings, PacifiCorp intends to issue this RFP in spring 2016 to complete the RFP evaluation, selection and contracting process by fall 2016. This schedule provides the best opportunity for customers to benefit from potentially cost effective wind and solar proposals that can take full advantage of the PTC and ITC.

Notwithstanding the near-term renewable resource value incentives and opportunities, PacifiCorp will also consider longer term opportunities to take advantage of retiring coal facilities on its network that will free up transmission in renewable resource rich areas and provide access to low cost resources which today are constrained by lack of transmission.

## Washington

Figure 5.3 shows PacifiCorp's baseline RPS compliance position for Washington for the front ten years of the planning horizon, prior to procuring incremental unbundled RECs. This baseline position incorporates PacifiCorp's most recent procurement of unbundled RECs for Washington's RPS. The baseline position indicates a potential shortfall in 2018 if no further action were taken.

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1050**

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**ICNU/303**

**STAFF RESPONSES TO ICNU DATA REQUESTS**

**May 12, 2016**



# Oregon

Kate Brown, Governor

## Public Utility Commission

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**Consumer Services**

1-800-522-2404

Local: 503-378-6600

**Administrative Services**

503-373-7394

April 11, 2016

RE: Docket No. UM 1050

Staff Response to ICNU's 7<sup>th</sup> Set of Data Request 7.1 to 7.10.

Filed April 4, 2016, due April 11, 2016.

### ICNU Data Request 7.1:

7.1 Refer to Staff's Response to ICNU Data Request 4.2 to Staff. When Staff was asked whether it agreed that potential impacts of House Bill ("HB") 4036 are relevant to the 2017 Protocol, Staff responded in the negative, stating that "House Bill 4036 is not currently law and any consideration of it at this point is mere speculation." Given the passage of Senate Bill ("SB") 1547 and in light of ICNU Data Request 6.6 to Staff, does Staff continue to maintain that consideration of the potential impacts of HB 4036 and SB 1547 in this proceeding, including SB 1547 § 18, are "mere speculation"? In formulating a response, please consider ICNU Data Request 7.6 to Staff and Staff's response to that request.

### Staff Response to ICNU Data Request 7.1:

7.1 SB 1547 is now law and its provisions are no longer speculation. See Staff's response to ICNU Data Request 4.2 to Staff and ICNU Data Request 7.10 to Staff

ICNU Data Request 7.2:

- 7.2 Refer to 3:2-8. Does Staff consider the unilateral action of the Utah Commission, in reducing costs to Utah customers by changing a multi-state allocation method, to have produced an equitable outcome for Oregon customers? If no, would Staff agree that a decision by the Oregon Commission to modify the 2017 Protocol's Oregon Equalization Adjustment could restore equity to Oregon customers?

Staff Response to ICNU Data Request 7.2:

- 7.2 The action of the Utah Commission relates to rates paid by Utah customers. The OPUC is not bound to remedy any allocation shortfall caused by the action of the Utah Commission. This action has not affected the equity of PacifiCorp's Oregon cost allocations. Staff/100 Kaufman/12 lines 13 through 15 states that the Equalization adjustment should not be viewed as a remedy to the Utah Commission's choice to allocate costs using the rolled in method. Staff also believes that PacifiCorp shareholders are responsible absorbing any allocation shortfall resulting from multistate allocations. See Staff/100 Kaufman/12 at lines 6 through 12. Staff's testimony demonstrates that the 2017 Protocol, when evaluated as a whole, provides a financial benefit to Oregon customers.

ICNU Data Request 7.3:

- 7.3 Refer to 3:21-22. When Staff testifies that states have both adopted prior protocols *and* “implement[ed] them in different ways,” would this include conditional approvals, e.g., protocols approved, but only subject to specified conditions? If no, please explain why Staff disagrees with the Company’s response to ICNU Data Request 19.2, wherein the Company affirmed that state commissions have conditionally approved prior protocols. If yes, please indicate whether Staff would like to revise its response to ICNU Data Request 6.5 to Staff, which asked for confirmation that the Utah Commission approved the 2010 Protocol subject to specific conditions.

Staff Response to ICNU Data Request 7.3:

- 7.3 Yes. Staff agrees that the Utah PSC approved the 2010 protocol subject to provisions. Staff’s response to ICNU Data Request 6.5 indicates disagreement with the Utah PSC’s position that the Rolled-In method achieves appropriate inter-jurisdictional cost allocation.

ICNU Data Request 7.10:

- 7.10 Refer to 14:15-16. Would Staff agree that the “equity of the Equalization Adjustment” will be affected by the amount of incremental revenues the Company receives in connection with its ability to forecast production tax credits outside of a general rate case proceeding, pursuant to SB 1547? If no, please explain why Staff would not consider the Company’s alleged “allocation shortfall,” which Staff believes to be related to the Equalization Adjustment (Staff/100, Kaufman/11:5-10), to be equitably offset by incremental revenues received through legislation passed *after* the 2017 Protocol was signed. In other words, since the equity of the Equalization Adjustment was determined by 2017 Protocol signatories prior to the Company’s newfound ability to recover forecast production tax credit revenues, should the impact of SB 1547 be considered relative to the continuing equity of the Equalization Adjustment?

Staff Response to ICNU Data Request 7.10:

- 7.10 The allocation shortfall exists independent of the forecast of PTCs or any remedy of PTC forecast error. The referenced testimony does not evaluate the equity of the Equalization Adjustment against the allocation shortfall. As such, the recovery of production tax credit revenues, and the application of such recovery to PacifiCorp’s allocation shortfall is not relevant to Staff’s analysis of the Equalization Adjustment.

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**ICNU/304**

**STAFF MOTION AND COMMENTS FILINGS, UM 1754 AND UM 1755 (April 2016)**

**May 12, 2016**

1                                   **BEFORE THE PUBLIC UTILITY COMMISSION**

2   **OF OREGON**

3   UM 1754

4 In the Matter of

5 PACIFICORP, dba PACIFIC POWER,

6  
7 2017-2021 Renewable Portfolio Standard  
8 Implementation Plan.

UNOPPOSED MOTION FOR COMMISSION  
ORDER ACKNOWLEDGING PACIFICORP'S  
CURRENTLY-FILED IMPLEMENTATION PLAN  
WITH CONDITIONS AND CLOSING DOCKET

9           Pursuant to OAR 860-001-0390, Staff of the Public Utility Commission of Oregon (Staff)  
10 requests the Commission to immediately acknowledge PacifiCorp's (PacifiCorp or Company)  
11 2016 Renewable Portfolio Implementation Plan (RPIP) with conditions as more fully described  
12 below. Staff is authorized to state that all active parties to this docket either support this Motion  
13 or do not oppose it.

14           At its core, this Motion is presented in order to allow sufficient time for PacifiCorp to re-  
15 work its RPIP so that it includes an analysis about the impact of Senate Bill (SB) 1547 upon its  
16 RPIP. PacifiCorp agreed to provide such an analysis but the Company also stated it would take  
17 several months to complete. After discussions, PacifiCorp agreed to Staff's request that it use its  
18 "best efforts" to submit as complete and thorough analysis as is possible by July 15, 2016.  
19 Having reached this agreement, the parties recognize and acknowledge that the July 2016 filing  
20 date will not allow PacifiCorp an opportunity to include the results of its recently-issued Request  
21 for Proposal (RFP) for Renewable Resources when its new RPIP is filed in July 2016.

22           As brief background, PacifiCorp filed its 2016 RPIP on December 29, 2015. ORS  
23 469A.075(3) requires the Commission to acknowledge the RPIP "no later than six months after  
24 the plan is filed with the Commission." The statute further allows the Commission to  
25 acknowledge the RPIP subject to conditions. After discussion, the parties agreed that, in light of  
26 the time constraints set by ORS 469A.075(3), the best procedural path is for the Commission to



1 acknowledge PacifiCorp's 2016 RPIP with conditions. The conditions would include the  
2 following:

3 The Commission acknowledges PacifiCorp's 2016 RPIP accompanied with a finding that  
4 the RPIP is insufficient in light of the passage of SB 1547. The Commission would further  
5 require PacifiCorp to file a new RPIP no later than July 15, 2016 (July RPIP). The July RPIP  
6 would be considered an entirely new filing. The July RPIP filing would include a complete  
7 analysis of SB 1547 which addresses, at a minimum, the matters set forth in Attachment A to this  
8 Motion. In its Order, the Commission would then close Docket UM 1754. The Commission's  
9 Order would not address or represent a decision on any of the issues raised by Staff and the  
10 intervenors in their comments submitted in UM 1754. Those issues would be considered  
11 preserved for further resolution in the RPIP proceeding that commences with PacifiCorp's July  
12 RPIP filing.

13 DATED this 20<sup>th</sup> day of April, 2016.

14 Respectfully submitted,

15 ELLEN F. ROSENBLUM  
16 Attorney General

17 

18 Michael T. Weirich, #82425  
19 Assistant Attorney General  
20 Of Attorneys for Staff of the Public Utility  
21 Commission of Oregon  
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ATTACHMENT A

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2 In addition to a providing quantitative analysis to meet 2016 Renewable Portfolio  
3 Implementation Plan (RPIP) requirements, PacifiCorp should provide a complete and thorough  
4 narrative describing its plan to satisfy the Renewable Portfolio Standard (RPS) compliance  
5 requirements of SB 1547 from 2017 through 2040.

6 At a minimum, the July RPIP should include:

- 7 1. A discussion of the differences between SB 838 (i.e. ORS 469A.005 to ORS  
8 469A.210) and SB 1547, with supporting analysis demonstrating the impacts of those  
9 differences on utility planning and operations decisions 2017-2040.
- 10 2. An analysis of these aspects of SB 1547: its elimination of the “first in, first out”  
11 requirement, its creation of unlimited Renewable Energy Credit (REC) life status for  
12 the first five years of new resources acquired between 2016-2022, its shortening of  
13 the standard REC life, and the steep compliance rate increase between 2025 and  
14 2030. In particular, the analysis should address how these aspects of SB 1547 affect  
15 how the utility plans to optimize the mix of compliance RECs for least cost and  
16 lowest risk.
- 17 3. A discussion of how the timing of new renewable resource acquisitions impact long  
18 term cost of compliance with the RPS to ratepayers with supporting analysis  
19 demonstrating these differences in timing. Under what conditions does the least  
20 cost/lowest risk strategy to satisfy the RPS compliance requirements of SB 1547 from  
21 2017 through 2040 lead to new resource acquisition prior to a physical need and how  
22 will the utility evaluate this decision? PacifiCorp should provide a “tipping-point”  
23 analysis that depicts when physical resource acquisition is more cost effective than  
24 buying unbundled RECs.
- 25 4. A discussion of how key market assumptions impact the relative range of risk and  
26 uncertainty related to cost over the compliance horizon. Load growth, hydroelectric

1 generation, project cost, natural gas and electricity market prices are some examples  
2 of key assumptions to be assessed in this discussion.

- 3 5. Throughout the analysis, PacifiCorp should provide methodologies and assumptions  
4 used to support the RPIP along with a narrative describing the reasoning behind the  
5 selection of those methodologies and assumptions.

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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1755

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

2016 Renewable Portfolio Implementation  
Plan.

Staff's Supplemental Comments

**Introduction**

Staff of the Public Utility Commission of Oregon (Staff) presents its Supplemental Comments in response to Portland General Electric's (PGE or Company) Supplemental Attachment A, which the Company filed on February 16, 2016. PGE filed its Supplemental Attachment A in order to provide additional information and context resulting from, at the time, the likely passage of HB 4036 upon its 2016 Renewable Portfolio Standard Implementation Plan (RPIP) filed December 31, 2015.<sup>1</sup>

PGE filed its Supplemental Attachment A on the same date that Staff and the Industrial Customers of Northwest Utilities filed their Initial Comments. The Administrative Law Judge granted Staff's motion that created an additional round of comments to allow the parties time to analyze the additional information provided in PGE's Supplemental Attachment A.

**Discussion**

Staff recognizes PGE for providing this update. Comments are focused on the deficiencies of this update related to full RPIP response requirements but the initiative shown by the company in providing an update is appreciated.

Staff first raises an overarching substantive and procedural concern arising from OAR 860-083-0400(4), which states:

*If there are material differences in the planned actions in section (2) of this rule from the action plan in the most recently filed or updated integrated resource plan by the electric Company, or if conditions have materially changed from the conditions assumed in such filing, the company must provide sufficient documentation to demonstrate how the implementation plan appropriately balances risks and expected costs as required by the integrated resource planning guidelines in 1.b and c. of the Commission Order No. 07-047 and*

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<sup>1</sup> HB 4036 was ultimately rolled into what is now known as SB 1547.

UM 1755 – PGE’s Supplemental Attachment A  
April 14, 2016  
Page 2

subsequent guidelines related to implementation plans set forth by the Commission. (*Emphasis added*)

Further, OAR 860-083-0400(5) provides, in relevant part:

*Under the following circumstances, the electric company must, for the applicable compliance year, provide sufficient documentation or citations to demonstrate how the implementation plan appropriately balances risks and expected costs as required by the integrated resource planning guidelines in 1.b. and c. of Commission Order No. 07-047 and subsequent guidelines related to implementation plans set forth by the Commission:*

(b) The company plans, for reasons other than to meet unanticipated contingencies that arise during a compliance year, to use any of the following compliance methods:

(A) Unbundled renewable energy certificates.

(*Emphasis added*)

PGE’s Supplemental Attachment A indicates the Company intends to install and have operational by 2020 a “Generic RPS Resource” with an estimated capacity of 95 MWA.<sup>2</sup> Neither in PGE’s 2013 Integrated Resource Plan (IRP) nor in its 2013 IRP Update does the Company discuss a resource addition in 2020 or demonstrate a resource need in 2020.<sup>3</sup> Though the Renewable Energy Credits (RECs) generated from this new qualifying resource will not be used for compliance purposes during the five-year implementation period, PGE is nonetheless required to calculate the incremental costs of the RECs generated in the RPIP planning period.<sup>4</sup> Therefore, Staff finds that this forecasted resource addition qualifies the Supplemental Attachment A for the scrutiny necessitated by OAR 860-083-0400(4).

Furthermore, in adhering to the thresholds described in OAR 860-083-0400(4), Staff finds that “conditions have materially changed” due to the passage of SB 1547, further necessitating the need for “sufficient documentation” that demonstrates balancing of risks and expected costs. Staff understands PGE’s 2013 IRP Update, the filing in which the most relevant contextual information can be found at the time of this writing,

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<sup>2</sup> PGE’s 2016 Renewable Portfolio Standard Implementation Plan Supplemental Attachment A, at page 2.

<sup>3</sup> LC 56; PGE’s 2013 IRP Update, at page 7, states “Based on the results of a cost and risk analysis, PGE concludes a physical renewable resource addition in 2024, balanced by reliance on banked RECs through 2023, enables the Company to delay costs of physical compliance in 2020. This strategy provides a hedge against factors that pose future costs or compliance risks for PGE.”

<sup>4</sup> OAR 860-083-0400(2)(d); PGE fulfills this requirement with Tab 2 of their Supplemental Attachment A, at page 2.

UM 1755 – PGE’s Supplemental Attachment A  
April 14, 2016  
Page 3

preceded the passage of SB 1547.<sup>5</sup> Nonetheless, the Commission’s relevant rules set the expectations high for supporting documentation according to the referenced IRP guidelines.

With that being said, Staff finds PGE’s supplied information, both in its Supplemental Attachment A and in the accompanying work papers, to be *insufficient* in demonstrating how the Company’s proposed compliance plan under the SB 1547 paradigm “appropriately balances risks and expected costs.” As such, Staff concludes that PGE’s Supplemental Attachment A is non-compliant with OAR 860-083-0400(4) and (5). In particular, Staff finds that PGE’s Supplemental Attachment A fails to address the following two IRP planning requirements under Guideline 1:

1. The utility should explain in its plan how its resource choices appropriately balance cost and risk, and
2. The utility should identify in its plan any additional sources of risk and uncertainty.<sup>6</sup>

SB 1547 fundamentally changes how Oregon investor-owned utilities comply with the state’s Renewable Portfolio Standard (RPS). SB 1547’s doubling of the RPS compliance to 50 percent by 2040 and its staggered increases leading up to that level alone introduce new challenges and risks. Further, SB 1547’s elimination of the “first in, first out” (FIFO) requirement, creation of unlimited-life RECs, and an incentive to secure physical compliance prior to 2023, are all new factors in complying with the RPS which engender both risk-adding and risk-averting aspects of RPS compliance. No better is this new complexity exemplified than in Tabs 2 and 3 of PGE’s Supplemental Attachment A. Tab 2 shows a 95 Mwa generic RPS resource coming online and generating RECs in 2020 and 2021, while Tab 3 shows that PGE will not use any RECs generated from this generic renewable resource during the five-year compliance period despite PGE now utilizing a same-year physical compliance strategy.

Without any supporting context or justification, Supplemental Attachment A fails to demonstrate why this resource should be developed at that particular point in time. Below Staff identifies other aspects of the Company’s Supplemental Attachment A that support its position that the filing is insufficient and non-compliant with OAR 860-083-0400(4) and (5) and warrants further action mandated by the Commission.

### Unbundled RECs

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<sup>5</sup> PGE’s 2016 IRP update will not be filed until September, 2016.

<sup>6</sup> Commission’s Adopted IRP Guidelines, at page 1, Appendix A, Order No. 07-047, Docket No. UM 1056, January 8, 2007.

UM 1755 – PGE’s Supplemental Attachment A  
April 14, 2016  
Page 4

Unlike previous RPIPs and PGE’s intended RPS compliance strategy described in both the Company’s 2013 IRP Update and in its 2016 RPIP, the Company’s Supplemental Attachment A indicates that it will meet 20 percent of the RPS target load with unbundled RECs as limited by statute.<sup>7</sup>

Staff would expect the Company to supply supporting evidence and reasoning that demonstrate how this new RPS-compliance strategy fulfills the requirements of OAR 860-083-0400(5), which in turn references IRP guidelines 1.b and c, in particular how maximizing use of unbundled RECs best manages risk and cost for ratepayers.

Supplemental Attachment A contains quantitative data that shows how PGE pivots compliance methods under the SB 1547 paradigm, but does not provide any sort of reasoning or explanation to support risk and cost optimization in both the short-term and long-term, the latter of which is imperative with the new unlimited-life RECs. Without the documentation or citations as required by the rule, Staff finds that the Company’s Supplemental Attachment A is non-compliant with OAR 860-083-0400(5).

### Sensitivity Analysis

PGE analyzed SB 1547 changes under only the “Base Case” sensitivity, which uses the reference gas prices from the 2013 IRP Update as well as CO2 prices that begin in 2020. PGE did not conduct any RPS compliance analysis under the three other sensitivities found in the 2016 RPIP filing.<sup>8</sup>

Staff expressed in its Initial Comments the belief that the “reference gas, no carbon external price sensitivity” was the more relevant sensitivity to consider because of the current state, regional and federal CO2-price landscape, i.e., there is very little possibility of a carbon external price being enacted in the future. High gas price sensitivities would also have been helpful, but Staff’s pressing concern lies with the absence of a scenario that considers no carbon external price due to the fact that the incremental cost increases substantially as demonstrated in PGE’s 2016 RPIP.<sup>9</sup> Without the analysis that shows the effects of no carbon external price, Staff cannot recommend the Commission accept the results of the Supplemental Attachment A.

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<sup>7</sup> ORS 469A.145.

<sup>8</sup> The other three sensitivities are: 1) Reference gas prices, no CO2 price; 2) High gas prices, CO2 price; and 3) High Gas prices, no CO2 price.

<sup>9</sup> “Tab 1 – Incremental Cost Summary,” at page 1, Attachment A, PGE’s 2016 Renewable Portfolio Standard Implementation Plan, Docket No. UM 1755, December 31, 2016.

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1050**

In the Matter of )  
 )  
PACIFICORP, dba PACIFIC POWER, )  
 )  
Petition for Approval of the 2017 PacifiCorp )  
Inter-Jurisdictional Allocation Protocol. )

**ICNU/305**

***THE OREGONIAN/OREGONLIVE, STATE UTILITY REGULATORS WERE  
SILENCED BY GOVERNOR ON BIG ENERGY BILL (February 17, 2016)***

**May 12, 2016**



## State utility regulators were silenced by governor on big energy bill



A bill moving through the Legislature would force Oregon's biggest utilities to abandon coal-fired plants by 2030 and move to 50 percent renewable power by 2040. (Jamie Francis/Staff, 2013)



By [Ted Sickinger](#) | [The Oregonian/OregonLive](#)  
[Email the author](#) | [Follow on Twitter](#)

on February 17, 2016 at 6:00 AM, updated February 22, 2016 at 4:25 PM

State utility regulators say they were shut out when it came time to craft one of the most **far-reaching pieces of energy legislation** the state has ever seen.

And when members of the Oregon Public Utility Commission tried to voice their concerns publicly, the governor's office muzzled them, according to internal emails and texts obtained by The Oregonian/Oregon Live through a public records request.

The candid communications between commissioners, their staff and the governor's office provide an inside view of why regulators think the anti-coal, pro-renewable energy bill sailing through a short session of the Legislature is a sweet deal for utilities, bad for consumers and ineffective for the environment.

They indicate that the polite conversations about the bill taking place in public hearings belied strong concerns beneath the surface. And they suggest that while Gov. Kate Brown may be taking no public position on the bill, her staff has worked behind the scenes to ease its passage.

"This bill is absolute crap... a shell game that will result in no actual emissions reductions and higher rates for Oregon customers," John Savage, the longest-serving PUC commissioner, told a fellow utility regulator from Montana in a Jan. 6 email. "And then the utilities get to stuff our decisions they didn't like down our throats."

He added in a followup: "And the governor's office thinks we have the gall to even critique the

### WATCHDOG

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damn thing and are questioning who we are and what we do."

The governor's office said Tuesday that the PUC was initially urged to wait for an actual bill draft before commenting, but then encouraged to **actively engage in the public process**.

There is little record of that encouragement in the emails, however, and little evidence the commission received the message.

**House Bill 4036**, which backers have dubbed the Clean Electricity and Coal Transition Plan, passed out of the Oregon House Monday on a 39 to 20 vote, and is now headed for the Senate.

The legislation's main provisions would have the ratepayers of the state's two largest utilities, Portland General Electric and Pacific Power, stop paying for electricity generated at out-of-state coal-fired power plants by 2030. It would also mandate that utilities serve half their customers' demand with renewable energy by 2040.

The bill would effectively have Oregon ratepayers abandon coal plants they helped pay for — some before the end of their useful lives — then ensure utilities don't replace coal with natural gas. The overriding aim is to reduce the state's greenhouse gas emissions.

The bill was crafted in closed-door meetings between utilities, environmental groups and renewable-energy advocates. Those discussions came after environmental groups failed to move a "Coal To Clean" bill through the Legislature in 2015, then started gathering signatures to put their agenda on the ballot this November. Utilities say they entered the discussions to craft a more flexible and affordable compromise to the ballot measures, which environmental groups have agreed to drop if HB 4036 passes.

The discussions gathered momentum last November. And while the commission wasn't a party to them, it quickly got wind of the substance. Commission chair Susan Ackerman told her chief policy adviser, Jason Eisdorfer, in a Dec. 1 email that she "hated everything about both the ballot measures and what I am hearing about the discussions the utilities are having" with the environmental groups.

The commission wasn't the only player shut out. Consumer-owned utilities, independent power producers and industrial ratepayers weren't at the table, either. The state's main residential ratepayer advocate, the Citizen's Utility Board, was invited and signed off on the deal, an endorsement the bill's backers have loudly touted.

But the board's close ties with environmental and renewable groups, and its routine support of their agenda, has many questioning its ability to serve as an independent arbiter. Ackerman told Eisdorfer that because of the "financial heft" of those groups, she "did not think CUB was in a position to represent consumers."

Ackerman hoped the utility commission could play that role, and that the governor would publicly insist on an inclusionary process to craft an emissions-reduction plan for the 2017 Legislature. She asked for a 15-minute meeting with the governor in early December, and the commissioners started circulating talking points for such a meeting.

Chief among them: That the plan "could be very expensive to consumers," but do little to reduce global-warming emissions because the out-of-state coal plants would continue running, while Oregon ratepayers would be forced to buy more expensive replacement power.

The talking points said ratepayers deserved more emissions-reductions bang for their buck, and suggested the more sustainable and cost effective policy would be a **carbon tax or carbon cap-and-trade plan** — an approach Oregon utilities don't support.

"Just accepting what the utilities and the (environmental groups) negotiate is very seductive. But it is not the right policy and not in the public interest," the memo said.

Ackerman repeated her request for a meeting with the governor in mid-December, but didn't get one. Instead, she and Eisdorfer met Dec. 16 with the governor's energy policy advisor, Ruchi Sadhir, and chief of staff, Kristen Leonard. At that meeting, they reiterated their concerns.

The following week, the commission met with the parties to the negotiations and learned the full extent of the deal. They were shocked to learn that it included what they felt was a goody bag of pro-utility provisions that "would virtually eliminate any potential competition from consumer-owned utilities and competitive energy service suppliers," and change or revisit policies set by the commission, "to the potential detriment of customers."

"We have to talk," Eisdorfer wrote to Sadhir on the day of the meeting. "Things went from bad to worse. Met with group today and it did not go well at all. A letter is coming from the chair."

State utility regulators were silenced by governor on big energy bill | Or... [http://www.oregonlive.com/politics/index.ssf/2016/02/state\\_utility\\_regul...](http://www.oregonlive.com/politics/index.ssf/2016/02/state_utility_regul...)

The letter, however, was never sent. Sadhir asked Ackerman to hold off sending anything until Leonard, the chief of staff, could talk to her. And, Ackerman said, Leonard was not returning her calls and emails.

Meanwhile, Ackerman asked Bob Jenks, the executive director of CUB, why he thought the legislation was in the public interest.

Jenks responded with the lengthy email Dec. 30 describing the legislation as the lesser of two evils compared to the ballot measure. He said it would settle the anti-coal issue – a sentiment that polls well in Oregon – freeing the Legislature to adopt a broader carbon-emissions policy in the future.

But he had reservations about the 50 percent renewables mandate, as it might encourage utilities to build expensive renewable resources they didn't need while ignoring available opportunities to purchase hydropower under long-term contracts.

Jenks said leaders of the environmental and climate groups weren't able to separate good ideas from bad, and "the utilities are willing to accept unhelpful ideas" as long as they can lock in rate impacts. Ultimately, he said CUB was able to fend off a series of bad policy proposals and end up with a relatively clean bill that gave the public what it wanted while minimizing harmful consequences.

"I may feel this is in the public interest and is better than the likely alternative," Jenks wrote, "but I don't feel good about it, and I really hate the process that led to this. CUB's role in the process is open to criticism. We need to examine it ourselves and we will."

Lacking traction with the governor's office, commissioners and their staff dove into their own analysis of the proposed bill language, a copy of which they received Jan. 4. "We need to present our own list of fixes that we can offer the legislature," Ackerman told Savage and Eisdorfer.

The commission staff rushed to develop a point-by-point matrix describing the bill's main provisions, the way it changed current policy law or policy and specific problems and potential fixes they perceived.

Two days later, when supporters issued a press release describing their historic agreement, the commission was ready to publicly outline its own position. Ackerman e-mailed a list of talking points to the third commissioner, Stephen Bloom, and he cautioned that she might get some pushback from the governor's office.

"They don't get to tell us what to say," she retorted. But when she emailed the same list to the governor's office, the response was quick:

"Please hold off providing comment until we discuss further here," Sadhir replied. "Thanks!"

Savage was livid. "Well, it looks like we're going to be silenced on the whole thing," he wrote in an email to a former PUC commissioner. "I put together a list of talking points for a talk with the Oregonian but we were told we couldn't talk."

"We are getting steam rolled," Bloom later told Eisdorfer.

In the end, the Public Utility Commission provided no public comment. Ackerman told The Oregonian/OregonLive on Jan. 6 that she didn't have permission from the governor's office to speak about the bill.

The governor's office declined to address questions at the time about the PUC's enforced silence. Brown's office, though, issued a statement that said charting a course to greenhouse gas reductions would require compromise. "Let's do it in the Oregon way, by working together," it said.

Sadhir wrote back to Ackerman later that evening, however. She said the governor's office wanted to "continue to encourage agency expertise to inform the legislative process in coordination with our office ... to provide executive branch perspective on bills." But she said the bill was only a proposal for which the bill hadn't been released, and more discussion was warranted.

"Thank you for your early perspectives on this proposal's written provisions... The concerns you raise are appreciated and should be analyzed further."

Ackerman forwarded the email to the commissioners and Eisdorfer, saying she knew Sadhir was only doing her job. "But this is quite a load of (expletive)," she wrote. "An email made for FOIA request and CYA."

Indeed, the governor's office, when asked this week about its seemingly consistent efforts to downplay and silence the PUC's concerns, referred to exactly this email.

State utility regulators were silenced by governor on big energy bill | Or... [http://www.oregonlive.com/politics/index.ssf/2016/02/state\\_utility\\_regul...](http://www.oregonlive.com/politics/index.ssf/2016/02/state_utility_regul...)

"As the records indicate, an initial request to wait for an actual bill draft was followed shortly thereafter by encouragement to actively engage in the public process, which the PUC clearly did without any objection from the Governor's Office."

The commission did eventually hold its own, hurried-up public meeting on Jan. 29 to grill the utilities on the plan's specifics. That was five days before the beginning of the legislative session, however, and the utilities had not responded to the detailed information requests issued by the commission. In the end, the hearing was largely a walk through of the high-level power points the utilities' lobbyists had prepared for the occasion.

A similar script played out when Eisdorfer testified for the PUC at the crowded public hearings on the bill in the House Committee on Energy and the Environment. He started out by noting that the PUC didn't support or oppose the bill. He offered specific input on weaknesses in the legislation, which was sometimes over the head of the committee members. And it had little impact on the bill.

"This is complicated stuff and we were left out of the process on purpose," Eisdorfer said last week. It involves "significant changes changes to regulatory construct in Oregon, and they never ultimately bothered to talk to us."

It's unclear whether the PUC's concerns will hold more sway in the Senate, where the co-sponsor of the bill and chair of the committee where it will be heard is Sen. Lee Beyer, D-Springfield, the former chair of the Oregon Public Utility Commission.

— Ted Sickinger

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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1050**

In the Matter of )  
)  
PACIFICORP, dba PACIFIC POWER, )  
)  
Petition for Approval of the 2017 PacifiCorp )  
Inter-Jurisdictional Allocation Protocol. )

**ICNU/306**

**CUB RESPONSES TO ICNU DATA REQUESTS**

**May 12, 2016**

particular the potential expansion of existing and/or the creation of new PacifiCorp rate adjustment mechanisms, are relevant to consideration of the Oregon Parties' agreement to the referenced 2017 Protocol terms.

**CUB's Response to ICNU Data Request 1.3:**

CUB objects to this request to the extent that it is not relevant and otherwise not reasonably calculated to lead to the discovery of admissible evidence. Under the 2017 Protocol, with or without HB 4036, the Commission can change existing rate adjustment mechanisms or create new ones.

**ICNU Data Request 1.4:**

Please refer to the Company's Petition for Approval of the 2017 Inter-Jurisdictional Allocation Protocol at ¶ 12. Does CUB agree that MSP parties "reached an agreement-in-principle that led to the final 2017 Protocol" in November 2015? If no, please identify the month in which CUB believes such an agreement-in-principle was reached.

**CUB's Response to ICNU Data Request 1.4:**

There were several meetings concerning MSP throughout the year. CUB's calendar does not indicate at which one an agreement-in-principle was reached. We have no reason to believe the Company is wrong, but cannot confirm that it is correct.

**ICNU Data Request 1.5:**

In reaching an agreement-in-principle that led to the final 2017 Protocol in November 2015, did CUB discuss, with the Company or any other MSP parties, potential impacts of HB 4036, particularly in relation to Oregon-specific terms in Exhibit PAC/101, Dalley/15:12-18:3? If yes, please identify any applicable parties and provide a narrative summary of any such discussions.

**CUB's Response to ICNU Data Request 1.5:**

CUB objects to this request to the extent that it is not relevant and otherwise not reasonably calculated to lead to the discovery of admissible evidence. There were no discussions of HB 4036 relative to the 2017 Protocol.

**ICNU Data Request 1.6:**

Please refer to Exhibit PAC/101, Dalley/16:20-17:15. Does CUB agree that future Oregon rates could be higher through application of the 2017 Protocol ECD caps, in comparison to the current protocol methodology which does not cap the ECD value for Oregon?

**CUB's Response to ICNU Data Request 1.6:**

Yes.

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1050**

In the Matter of )  
)  
PACIFICORP, dba PACIFIC POWER, )  
)  
Petition for Approval of the 2017 PacifiCorp )  
Inter-Jurisdictional Allocation Protocol. )

**ICNU/307**

**CUB QUARTERLY NEWSLETTER, *THE BEAR FACTS* (Winter 2016)**

**May 12, 2016**

Citizens' Utility  
Board of Oregon

610 SW Broadway  
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Portland, OR  
97205

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oregoncub.org



# The Bear Facts

QUARTERLY NEWSLETTER OF THE  
CITIZENS' UTILITY BOARD OF OREGON

WINTER 2016

## CUB Mission:

*As directed by Oregon voters in 1984, the Citizens' Utility Board of Oregon (CUB) represents the interests of Oregon's residential utility customers before administrative, judicial, and legislative bodies.*

## INSIDE THIS ISSUE:

- Letter from Bob Jenks 1
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## Ch, Ch, Changes... Bittersweet, Visionary, and Historic

Nothing will remain the way it was...seems to be CUB's tagline for 2016. While it is certainly accurate to say that change brings opportunity, our most recent changes are also bittersweet. I am, on one hand, thrilled that two of our exceptional staff members, Policy Director Jeff Bissonnette and Staff Attorney Sommer Templet have moved on to great new positions in their respective fields, and on the other hand sad to lose these great professionals and colleagues. We will miss Jeff and Sommer and sincerely wish them both the best in their future endeavors. (See page 5.)

And part of this moving forward is interviewing prospective candidates. I look forward to introducing them to you in this newsletter in May. It is refreshing to know that there are many qualified, talented people who would love to work for CUB. CUB is clearly seen as a place where someone can have a real impact on public policy.

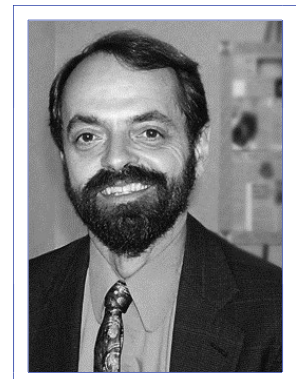
One of the biggest changes that we are immersed in right now is not just a change for CUB but for all Oregonians. The Clean Electricity and Coal Transition Plan (HB 4036) will transition Oregon customers of PGE and PacifiCorp off of coal-fire generated electricity by 2035 and increase the renewable portfolio standard to 50% by 2040. We believe that this is one of the most important policy decisions of our time, and will **protect Oregonians from future costs associated with carbon regulation** while also reducing carbon emissions. (See pages 3 & 4.)

And speaking of change, you can see we are sprucing up our newsletter, our logo and our look; we expect that this process will continue through 2016. We are also looking for new ways to work in the area of telecom public policy with a view toward a telecom policy conference and an updated CUB Connects program (see page 2). No matter what changes we make in the office or in Oregon, there is one thing that remains the same: our commitment to do **what is best for our members**, and all utility ratepayers in Oregon.

So, I hope you will read on and see all the great things we are doing on your behalf. Whether telecom, electricity, or gas, we are keeping watch. And don't forget, in between newsletters you can always find out what's new at [www.oregoncub.org](http://www.oregoncub.org), on Facebook under the name Citizens' Utility Board of Oregon, and on Twitter @OregonCUB.

Sincerely,

Bob Jenks  
Executive Director  
Citizens' Utility  
Board of Oregon





## Building Our Commitment to Digital Inclusion A Telecom Program Update



*CUB tabled and presented workshops at the City of Portland's annual Fix-It Fair series in winter 2016.*

Toward the end of 2015, we reported on how important the last year was for CUB's consumer advocacy and education work around Oregon telecommunication services. Because, in a world where reliable and affordable access to phone and internet service is as essential to daily life as adjusting a thermostat, turning a tap, or flipping a switch – our accomplishments in this area bear repeating.

While 2015 was all about strengthening our work helping consumers navigate constantly evolving risks and opportunities, our goal for 2016 is to build out the program even further. To this end, our first and perhaps most important step this year was to commit additional staff time. Samuel Pastrick, who'd previously worked full-time with CUB's Development and Communications team, is now splitting his time to address consumer issues as they relate to both state-level and nationwide telecom policy and regulation.

More specifically, Sam will continue the consumer workshop series that began in 2015. The goal is to share up-to-date and accurate information with participants to help them to choose the combination of services that meet their specific household needs.

So far in 2016, CUB has held workshops at City of Portland events like Fix-it-Fairs, and in partnership with community organizations like Free Geek. Free Geek workshops will continue once monthly at their Southeast Portland headquarters, with the next on Saturday, February 27 from 11:00am-12:00pm.

In other previously reported news, CUB's initial participation on the City Office for Community Technology-led effort to devise a Digital Equity Action Plan (DEAP) for Multnomah County wrapped up at the end of December. With an overarching goal to "ensure digital inclusion for all those who desire it", the DEAP will offer a strategic framework within which community stakeholders can partner on solving important

issues such as gaps in capacity, access, and affordability to broadband internet service. Work on the DEAP continues through the Portland-based Digital Inclusion Network (DIN), which CUB is pleased to have recently joined.

CUB's role in efforts such as the Multnomah County DEAP is hugely important in that we observe the process through a more global lens. Our primary objective as always is to remain accountable to and representative of not only our members, but also telecom consumers across Oregon.

***Even with Net Neutrality enforced, the question remains: How will policy makers and regulators keep pace with technology while not hanging consumers out to dry?***

Looking ahead, CUB's telecom consumer advocacy and education work may be more important than ever. As we reported last year, the FCC reclassified broadband from an "information" service to a "telecommunication" service under Title II of the Communications Act, allowing the agency to enforce Net Neutrality. This is a positive sign and major step forward for service equity in the internet age. At the same time though, sweeping technological advances continue to outpace the creation of fair regulatory infrastructure.

Even with Net Neutrality enforced, the question remains: How will policy makers and regulators keep pace with technology while not hanging consumers out to dry? For now, the answer is anyone's guess. What CUB can promise is that we will stay on the front lines of these issues, working to protect the interest of consumers across Oregon. We expect that 2016 will be an exciting year; and we will continue to report on developments as they unfold. Stay tuned.

## HB 4036: Clean Electricity and Coal Transition Plan

### Crafting and Passing Legislation “The Oregon Way”

Recently, CUB has been actively involved in crafting and working to pass Oregon’s Clean Electricity and Coal Transition Plan (HB 4036). We wrote this piece with the hope that it will help you understand HB 4036 and why CUB believes it is the right policy for Oregon. By the time you read this story you can visit [oregoncub.org](http://oregoncub.org) and read about its outcome.

#### About HB 4036:

In a nutshell, HB 4036 requires PGE and Pacific Power **only** to eliminate all coal generated power from their electric mix used to serve Oregon Customers, and increases renewables in that mix up to 50%. The current RPS, put into law in 2007, already requires that 25% of all new energy be produced through renewables and efficiency by 2025. This plan builds on current law, increasing the

**Some Background:** During the 2015 legislative session, it became clear that the Clean Energy Bill of 2015 was unlikely to pass and so a coalition called Renew Oregon was formed. This coalition includes both individuals and organizations. When the legislation failed, Renew Oregon submitted the appropriate paperwork to put a coal transition initiative on the 2016 ballot.

Last fall, Oregon’s two major utilities, PGE and Pacific Power, approached Renew Oregon to ask if they would consider developing a mutually beneficial plan to take to the Legislature during

the short session. The coalition agreed. Those who put the ballot measure together, along with PGE and Pacific Power also came together around the HB 4036 agreement.

CUB was the “cotton pin” in these negotiations, helping the utilities to see the “enviros” perspective, and the enviros to understand the challenges faced by the utilities, while also making it clear to both parties the paramount need for reasonable prices and reliability for consumers.

Representatives from this group met together for the equivalent of two full work weeks – 80 hours. During this thoughtful, thorough, and intense process, we listened to one another and asked a lot of questions. The conversations were sometimes tense and the agreements often fragile. It was a process of “Getting to Yes”, and ultimately became about what was best for long-term Oregon energy policy, and therefore Oregonians.



## HB 4036 *(Continued from page 3)*

**Divesting from Coal Will Help Reduce Oregon's Carbon Footprint:** Let's be clear, coal is an old, dirty technology that requires ongoing capital investment in expensive pollution controls. CUB passionately believes that reducing Oregon's use of coal *is the single most important action* that Oregon can do to *protect ratepayers from future costs* while also *reducing carbon emissions*.

It stands to reason that by reducing the need for coal-generated fuel, you reduce the carbon impact...period. The fact that there will then be more investment renewable investments suggests that it is probable for renewables to serve both Oregon and other states, effectively curtailing coal-fired electricity regardless of which state.

*Reducing Oregon's use of coal is the single most important action that Oregon can do to protect ratepayers from future costs.*

serves Oregon with a 24% coal mix both believe that this plan reduces real carbon emissions through 2040 by 30 million metric tons. To get the same carbon reduction in the transportation sector we would need to take 6.4 million cars off the road for a full year..

### **Investing In Renewable Technology Makes**

**Economic Sense:** While the cost of coal continues to rise, renewable generation has gone down. In fact, since 2009, the price of wind has fallen by more than two thirds, and in the past five years alone, rooftop solar prices have dropped around 80%. It is probable that these trends will continue.

Analyses completed by PGE, Pacific Power, and an independent firm, Fink Energy, found that between now and 2040, the risk is small. Pacific Power said that relative to current Oregon policy, HB 4036 results in an average annual cost increase of less than 1 percent between now and 2030. PGE anticipates no more than about 1.5 percent. Remember, PGE and Pacific Power are businesses, and as such they exist to turn a profit; one way or the other, they will invest in new infrastructure in the next 25 years. So if they say they can pursue clean energy rather than retrofitting coal

plants or building gas-fueled electric plants, they will have done their homework to ensure it is possible.



### **The Oregon Way:**

In closing, we want to remark on what an extraordinary “coming together” this experience has been and continues to be. Even as we write this newsletter, we are working very hard, in tandem with the enviros and the utilities, to see this bill passed. It has been said that we are doing it “The Oregon Way”, which is to say we are working together, despite our differences, towards a common goal. Every day, CUB staff are realizing the historic nature of this moment. We are grateful for the opportunity to work on your behalf.

By the time you get this newsletter, we will know the outcome of our hard work. If HB 4036 passes, we will celebrate a profound and hard earned victory. But if not, then we will work to support a ballot measure to achieve the same milestones as HB 4036, but on a faster track. It is important that we clearly state our support of the ballot measure because our analysis tells us that divesting from coal and investing in clean, renewable energy is, without question, the best policy for ratepayers.

## **Want to Get Our Calls to Action?**

***Share your email with us!***

*Use the enclosed envelope or go to*

*[www.oregoncub.org](http://www.oregoncub.org)*

*to share your email address.*

*Then when we have calls to action*

*you can get involved!*

## Riding Off Into the Sun...

**Page 5**

*a farewell message from Jeff Bissonnette*

I've had some tough assignments during my time at CUB. But this one is really hard.

Sum up 17.5 years in 400 words. OK, here we go.

Little did I know, walking into CUB's office on June 15, 1998, that I would get a front row seat to watch Oregon history get made. I probably should have known. After all, I had seen history happen 14 years before as a young college freshman when, against every conceivable political calculation, I saw Oregon voters approve Ballot Measure 3 to create CUB in the first place. It was the first time that anyone in state history had spent \$1 million on a ballot measure (that would be the utilities trying to defeat CUB; the pro-CUB campaign spent \$40,000).

CUB has a way of beating the odds. No one would have expected CUB to beat US West and win big rebates for customers. No one would have expected CUB to collect 70,000 signatures in 75 days to force Portland General Electric to agree to stop collecting profits on the closed Trojan nuclear power plant. No one would have expected CUB to lead the way in developing an approach to electricity restructuring that has served as the basis of Oregon energy policy for the last 15 years. No one would have expected

CUB to lead negotiations that led to an agreement to close Oregon's only coal plant.

CUB provided the inspiration for an 18-year-old college student to realize that people, working together, can beat the odds. That inspiration has guided my life since. It's that inspiration that I'll carry with me, because CUB has demonstrated time and again that it's true.

CUB has a lot of history yet to make. I know this because CUB will continue beating the odds and continue to defy expectations. For my part, I'm going to take the inspiration CUB gave me over 30 years ago, and re-enforced again and again for the last 17-plus years, to join the solar industry – more folks who know a little something about beating the odds.

It's kind of a cliché to say but it has been a privilege to be part of CUB's successes over the years. But I'll take that privilege and work every day to beat the odds and exceed expectations to build on those successes. I hope you do too. CUB deserves nothing less.



*After 17.5 years of invaluable service on the CUB staff, Jeff has moved on to become the Executive Director of Oregon Solar Energy Industries Association.*



## Season's Change

### CUB Bids a Fond Farewell to Staff Attorney Sommer Moser

Sommer Moser, CUB's Staff Attorney and Chief Legal Counsel, leaves CUB this month after more than five years. Sommer started her time at CUB as a Legal Extern in May of 2011, and later joined the staff as a full-time attorney. For the past year, she has expertly led CUB in all legal proceedings in front of the Oregon Public Utility Commission (PUC) around a number of crucial dockets, resulting in millions of dollars in savings for Oregon ratepayers. While all of us are sad to see her go, we can happily report a few things:

First, she is not going far. Sommer will soon join the Oregon Department of Justice (DOJ) as an Assistant Attorney General assigned to the PUC. Her keen legal expertise and ethics concerning Oregon energy regulatory policy, and extensive experience protecting ratepayer interests, will uniquely inform her new role at the DOJ. They are lucky to have her.

Second, we will know and feel her impact. Sommer did some incredible work in her time with CUB. Not only did she courageously represent our membership (as well as all Oregon customers), the respect among her peers and coworkers is universal. It really is an understatement to say that she will be sorely missed.



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of Oregon**

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## **Support a Coal-Free Oregon & Other Critical Policies: Join the 2016 Anniversary Club**



CUB has advocated for Oregon ratepayers since 1984. And in celebration of our 30<sup>th</sup> anniversary, we launched a new campaign last year called the Anniversary Club, asking our members to give \$100 or more to help us gear up for what we knew would be a tough road ahead...

Proposed House Bill 4036 – The Clean Electricity and Coal Transition Plan – is the fruit of many months of labor. CUB worked with a diverse coalition of utility and environmental stakeholders to develop this next generation of energy policy for Oregon. **See our insert (pages 3 & 4) for more info.**

Because of our having a seat at the table, your interests as a ratepayer remain at the heart of this plan. But were it not for you, and other members like you, we would not have a seat at all. So by joining CUB, you inform our work and enlist our expertise to go to battle on your behalf.

By joining the 2016 Anniversary Club, you show your support for HB 4036 – important policy that benefits Oregon ratepayers by moving us away from coal, and toward affordable, reliable, and clean energy. Please make your gift of \$100 or more and help us to build a clean and coal-free Oregon!