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July 26, 2019

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Public Utility Commission of Oregon
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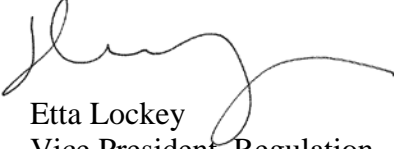
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RE: UM 1953—PacifiCorp's Opening Testimony

PacifiCorp d/b/a Pacific Power hereby submits for filing the Opening Testimony of Etta Lockey.

Please direct any informal correspondence and questions regarding this filing to Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,



Etta Lockey
Vice President, Regulation

Enclosure

Docket No. UM 1953
Exhibit PAC/100
Witness: Etta Lockey

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

PACIFICORP

Opening Testimony of Etta Lockey

July 2019

OPENING TESTIMONY OF ETTA LOCKEY

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1 **Q. Please state your name, business address, and present position with PacifiCorp**
2 **d/b/a Pacific Power.**

3 A. My name is Etta Lockey. My business address is 825 NE Multnomah Street, Suite
4 2000, Portland, Oregon 97232. My title is Vice President, Regulation, Pacific Power.

5 **I. PURPOSE AND SUMMARY OF TESTIMONY**

6 **Q. What is the purpose of your testimony?**

7 A. My testimony replies to the initial testimony of Mr. Brett Sims and Mr. Jay Tinker on
8 behalf of Portland General Electric (PGE) filed on June 14, 2019, in phase two of
9 docket UM 1953 (PGE/500). Specifically, my testimony responds to PGE's proposed
10 conditions for a voluntary renewable energy tariff (VRET) and applicability of the
11 Public Utility Commission of Oregon's (Commission) competitive bidding rules.

12 **Q. Are you responding to other issues in Messrs. Sims and Tinker's testimony?**

13 A. No. The other issues raised in this phase of the proceeding are specific to PGE's
14 VRET. The discussion surrounding potential modifications to the Commission's nine
15 conditions used to determine whether utility-proposed VRET programs are in the
16 public interest and applicability of the competitive bidding rules may have
17 implications to PacifiCorp if or when it proposes a VRET.

18 **II. VRET GUIDELINES**

19 **Q. Is now the right time to revisit the applicability of the original nine conditions**
20 **identified in Order No. 16-251?**

21 A. Yes. As the Commission found in Order No. 19-075, "[w]e see a need to assess
22 changes in Oregon's competitive electricity supply market and in the renewable
23 energy development marketplace since 2016 as part of a reconsideration of the nine

1 conditions.”¹ The energy landscape in Oregon has continued to evolve since the
2 Commission issued Order No. 16-251. Since that time, the Commission has
3 established a New Load Direct Access Program, the Commission has approved
4 PGE’s Green Energy Affinity Rider (GEAR) program, and several customers have
5 successfully taken advantage of PacifiCorp’s Schedule 272, Renewable Energy Rider
6 Optional Bulk Purchase Option,² to offset their energy supply with unbundled
7 renewable energy certificates. The conditions established in Order No. 16-251 were
8 intended to protect against direct competition between a VRET and retail direct
9 access, but, as the GEAR program demonstrates, VRET can be complementary to the
10 options already available to the utility’s retail customers and do not erode the
11 competitive market place.

12 **Q. Do you agree with the Commission that different terms and conditions should**
13 **apply to VRETs and Direct Access?**³

14 A. Yes. These are completely different consumer options. VRET offerings are typically
15 designed as a premium retail service product and are explicitly related to renewable
16 energy, whereas Direct Access is not limited to specific resource types.⁴ Potential
17 VRET customers are customers that are not seeking an alternative energy supplier,
18 but instead want to drive the incremental addition of renewable generation while
19 remaining a cost-of-service customer.

¹ In the matter of Portland General Electric Company, Investigation into Proposed Green Tariff, Order No. 19-075 (March 5, 2019).

² Schedule 272 is not a VRET, but it is an example of customers meeting their own energy goals in partnership with the utility without shifting costs to other customers.

³ Order No. 19-075 at p. 8.

⁴ Energy Service Suppliers are, however, required to comply with Oregon’s renewable portfolio standard and New Load Direct Access requires that energy contracts comply with the requirements of SB 1547 regarding coal-fired generation.

1 **Q. Would a utility-offered VRET disrupt the competitive marketplace?**

2 A. Not if it is structured properly. I agree with Messrs. Simms and Tinker that if a utility
3 were to use its regulatory monopoly status to undercut the competitive market
4 through subsidization of VRET offerings it could disrupt the competitive
5 marketplace.⁵ I also agree that such activity would likely violate the requirements of
6 House Bill 4126.⁶

7 **Q. Do you agree with PGE's proposed revisions to the Commission's conditions used**
8 **to determine whether a proposed VRET is in the public interest?**

9 A. Yes, with the caveat the Condition 4 is specific to PGE. Condition 1 is unchanged
10 from the condition in Commission Order No. 16-251. Conditions 2 and 3 include
11 only slight modifications to clarify the intent. I agree with those modifications. A
12 VRET offering should be limited to bundled renewable energy credit products and
13 generation resources supporting the program should be new or expanded to support
14 the incrementalism sought by participating customers.

15 **Q. Does PGE's proposed Condition 5 (a revision to the Order No. 16-251 Condition**
16 **7) to remove the requirement that the utility share some of the return with other**
17 **utility customers for any ratepayer-funded asset used to assist the VRET**
18 **offering support the public interest?**

19 A. Yes. Customer demand for a VRET option is based on a desire to increase the
20 amount of renewable generation on the utility's system. Only those customers
21 participating in a VRET offering should pay for incremental resources to meet their
22 individual sustainability or environmental leadership goals. The intention of VRET

⁵ PGE/500 at 24:1-8.

⁶ Id.

1 design is to insulate non-participants from program costs. Costs associated with the
2 use of other utility-owned assets should be passed through to the VRET participant.
3 PGE's GEAR program requires the participating customer to pay the cost-of-service
4 rate and the GEAR program rider.

5 The requirement in Order No. 16-251 Condition 7 that the utility share some
6 of its return on utility assets used to provide service under a VRET creates a
7 disincentive for the utility to develop a VRET. A simple requirement that VRET
8 participants pay the full cost to serve, while holding other cost-of-service customers
9 harmless, is more appropriate and supports the public interest in developing
10 additional renewable generation to serve retail customers in Oregon.

11 **Q. Will PGE's proposed Condition 6 (a revision to the Order No. 16-251 Condition**
12 **8) add clarity to the development of VRET programs?**

13 A. I believe so, yes. I agree with Messrs. Sims and Tinker that ancillary costs and
14 existing assets are funded through the VRET subscribing customer's continued
15 payment of a cost-of-service retail rate.

16 **Q. PGE is proposing that the Commission remove original Conditions 5 and 6 of**
17 **the original nine conditions established in Order No. 16-251. Do you agree with**
18 **that proposal?**

19 A. Yes. Condition 5 in Order No. 16-251 requires that any VRET program be
20 sufficiently differentiated from existing direct access programs. This condition is
21 unnecessary because cost-of-service based retail service is inherently different from
22 Direct Access. The intent behind a VRET is to have the flexibility to provide cost-of-

1 service customers an option that allows those customers to drive the incremental
2 addition of renewable resource to the grid.

3 Condition 6 in Order No. 16-251 is unnecessary because it appears to
4 contradict the entire basis of the VRET and conflicts with Condition 5. Direct Access
5 allows the consumer to opt out of retail service from the utility and select its own
6 provider. A VRET customer, on the other hand, remains a full cost-of-service
7 customer.

8 **III. COMPETITIVE BIDDING RULES**

9 **Q. PGE requests a waiver for the Commission's competitive bidding rules, do you**
10 **support PGE's request?**

11 A. PGE's request should be evaluated in light of the specific structure of its GEAR
12 program. That being said, I believe that, for a voluntary customer option that holds
13 non-participating customers harmless, there is no basis for the additional costs
14 associated with the competitive bidding rules. One example is the requirement to
15 retain an independent evaluator, which would unnecessarily add costs to participating
16 customers and potentially restrict participation. I agree with Messrs. Sims and Tinker
17 that the voluntary nature of the program and shareholder risk will act as a check on
18 the procurement process.⁷ Absent the possibility of a waiver, a VRET program may
19 lack the flexibility to meet customer needs.

⁷ PGE/500 at 31:8-16.

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IV. PROGRAM RISK

Q. PGE states that managing risk via its risk adjustment fee in conjunction with the terms and conditions of any power purchase agreement under the GEAR program is essential for a successful VRET program that prevents cost-shifting. Do you agree?

A. Yes. For a VRET to be sustainable risks have to be managed. Improper pricing will either shift costs to other cost-of-service customers or shareholders. Proper structuring of the program will prevent any cost-shifting of other cost-of-service customers. However, if shareholders have to bear too much risk, a VRET program may be discontinued. The particular risks faced by the utility may depend on program design, whether the resource is procured from a third-party or utility-owned, customer participation and load variability, and market dynamics, among others. The option for a risk adjustment fee, tailored to the specific program design will be essential to the success of any VRET.

V. OTHER ISSUES

Q. Do you have an opinion on the other issues raised in Messrs. Sims and Tinker’s opening testimony?

A. Messrs. Sims and Tinker address several other issues, including the GEAR program cap and design, transmission requirements for GEAR participants choosing a customer supply option, and resource planning interactions with PGE’s integrated resource planning process. These issues are generally specific to PGE or PGE’s GEAR program. I am not in a position to opine on those issues.

VI. CONCLUSION

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2 **Q. Please summarize the recommendations in your testimony.**

3 A. I recommend the Commission adopt PGE’s proposed revisions to the Commission’s
4 conditions to determine whether a VRET is in the public interest and allow for
5 flexibility in the application of its competitive bidding rules for incremental resources
6 to support a VRET program. These modifications will support the public interest by
7 reducing the cost for participation in a VRET programs while protecting other cost-
8 of-service customers.

9 **Q. Does this conclude your opening testimony?**

10 A. Yes.