

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

Docket No. ADV 386

In the Matter of

PacifiCorp,

Changes to Renewable Energy Rider
Optional Bulk Purchase Option (Schedule
272).

STAFF COMMENTS

Public Utility of Oregon Staff (“Staff”) files these comments in response to changes proposed by PacifiCorp (“Company”) to its Schedule 272 Renewable Energy Rider Optional Bulk Purchase Option as requested by the Commission during the December 6, 2016 regular public meeting.

I. BACKGROUND

On September 27, 2016, PacifiCorp filed proposed changes to its Schedule 272 Renewable Energy Rider Optional Bulk Purchase Option pursuant to ORS 757.205 and 757.210. Schedule 272 is part of the Company’s Blue Sky voluntary renewable energy offering, but is for large non-residential customers receiving delivery service. Under this voluntary tariff, customers can purchase renewable energy certificates (RECs) in blocks. A purchase under Schedule 272 is for RECs only (the customer receives PacifiCorp system power).

As initially filed, the Company proposed the following primary changes to the tariff:

1. Negotiated purchase arrangements were to be allowed for commitments of more than one year (shortened from the existing two year required commitment);
2. A customer would be allowed to specify the renewable resource or facility from which the RECs were to be purchased;
3. Changes were made to the types of resources that constitute “renewable energy.”

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4. RECs from Qualifying Facilities could be purchased.

In short, the changes in the initial filing allowed a customer to specify the renewable resource it wished to purchase RECs from, allowed for RECs to be procured from projects previously deemed ineligible (namely, RECs produced from generation in response to regulatory requirements, i.e., from qualifying facilities), and allowed for greater freedom in negotiating individual contracts with customers.

The similarity of this offering to the concepts reviewed under the Commission's docket UM 1690 (known as the "voluntary renewable energy tariff" (VRET) docket) raised concerns among some stakeholders, as well as Staff, about whether this is a fair, just and reasonable tariff, and whether any cost shifting might occur.

Due to the concerns expressed by Staff and stakeholders at the December 6, 2016 regular public meeting, the Commission requested that Staff and stakeholders convene at a workshop to discuss any outstanding issues and file comments on PacifiCorp's proposed tariff changes. PacifiCorp agreed to extend the requested effective date for Schedule 272 to allow time for a workshop and the filing of comments prior to the February 7, 2017 regular public meeting.

II. STAFF COMMENTS

Through responses to Staff information requests and the hosting of a stakeholder workshop, PacifiCorp provided all of the information requested by Staff regarding the tariff filing and also adopted revisions to the tariff language that has alleviated Staff concerns.

As mentioned above, Staff was primarily concerned with the potential for cost-shifting from customers participating in this voluntary program to general (non-participating) cost-of-service (COS) customers. Staff was also concerned with the Company's use of the term "bundled power" in the tariff, which Staff felt could be confused with the term "bundled REC" as defined in ORS 469A.005(3), and might lead to an interpretation by customers that they would not only be receiving RECs under this tariff, but bundled renewable energy as well.

Staff considered two possibilities for potential cost shifting: first, that the RECs purchased through this rider would be subsidized by COS customers; and second, that customers under this rider would be able to unfairly negotiate with the Company for a bundled (i.e., energy and REC) product that would be subsidized by COS customers.

At the stakeholder workshop, the Company made clear that neither of these subsidization scenarios exist under Schedule 272. Customers that elect this schedule remain on base schedules and pay PacifiCorp's cost-of-service like all other COS customers. The tariff language clearly states that the voluntary charge under this tariff is *in addition* to all other charges contained in the customer's standard bill. Additionally,

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the Company further clarified that negotiated REC purchase agreements under this tariff reflect the annual fixed charge to administer the program and no less than the full price of the RECs purchased on the customer's behalf. Importantly, PacifiCorp clarified that there is no energy transaction under this tariff; rather, energy is secured under the standard COS tariff and paid at the identical rates of other, non-participating customers.

At the urging of Staff, PacifiCorp removed the term "bundled power" from the tariff, alleviating stakeholder concerns that customers might think or claim that they are receiving renewable energy under this particular tariff, and also alleviating the concern that this tariff could potentially be a VRET. At the workshop it became clear that the purchase of RECs under this tariff is not adding any new incremental energy or capacity to PacifiCorp's system; rather, PacifiCorp is offering to sell the renewable attributes associated with PacifiCorp system power that are not used for RPS compliance, or alternatively, may purchase RECs from specific sources on behalf of customers.

Prior to the workshop, PacifiCorp addressed another one of Staff's concerns by reinserting the approved list of specified resources and fuel types from which RECs under Schedule 272 could be purchased, which essentially includes those resources that qualify for compliance under Oregon's Renewable Portfolio Standard.

After hosting a workshop on the tariff where stakeholders suggested additional language changes, PacifiCorp circulated the revised tariff for stakeholder input. Staff suggested the following additional changes, which PacifiCorp has adopted (see tariff filed in this docket on January 19, 2017):

1. Replaced the term "Renewable Energy" throughout Schedule 272 with "Renewable Energy Certificates" to be consistent with Oregon's definition and to eliminate confusion as to whether an energy transaction is occurring. The former language of "Renewable Energy" had previously been defined as "bundled power or [RECs]."
2. Added a clarifying sentence that individually negotiated arrangements may be available for the purchase of RECs only, not energy, by using the "Block" terminology consistently.
3. Separated out the standard "Block" offering from individually negotiated agreements to better clarify that customers entering into individually negotiated agreements are required to pay the same minimum fixed charge as customers making Block purchases, as well as the full price PacifiCorp paid for the RECs.
4. Added language that the Company will notify the Commission if REC purchases under Schedule 272 exceed 100 average megawatts.

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5. Changed the tariff language from “Offering must consist of 100% new renewable energy” to: “100% of RECs purchased under this offering must originate from New Renewable Energy resources.”
6. Added “no purchase under this tariff shall disqualify the Company’s Blue Sky program from being Green-e certified” to ensure that the other Blue Sky programs remain Green-e certified.
7. Added to the tariff that the Company will file an annual report with the Commission providing information regarding total participation in Schedule 272 and provide copies of the individually negotiated agreements from the prior calendar year. This provision was added at the request of stakeholders concerned that REC purchases under Schedule 272 may affect and/or increase the cost of RECs the Company would need to purchase for RPS compliance and therefore result in cost-shifting to COS customers.

In addition to the above changes, PacifiCorp answered questions from Staff, which did not require notation in the actual tariff language. First, PacifiCorp explained the link between Schedule 272 and its Blue Sky programs administered by the Portfolio Options Committee (POC), namely that Green-e certifies all PacifiCorp voluntary programs across all six states as a single program. In other words, Green-e does not certify each individual tariff offering in each state, but instead looks at the voluntary programs as a whole. Because Schedule 272 is currently included in Green-e’s comprehensive review of all PacifiCorp voluntary programs, Staff requested that Schedule 272 contain language indicating that a purchase under Schedule 272 will not disqualify Green-e certification of the other Blue Sky programs.

Second, PacifiCorp clarified that excess funds not used for the fixed program cost and REC block or negotiated REC purchases are used to fund the three qualifying initiatives outlined in Schedule 272 (the qualifying initiatives in Schedule 272 are identical to those contained in the other voluntary program tariffs). Specifically, the excess funds from PacifiCorp’s Oregon voluntary block purchase programs go into a single fund that the Company awards after a competitive solicitation process and final award review by the POC.

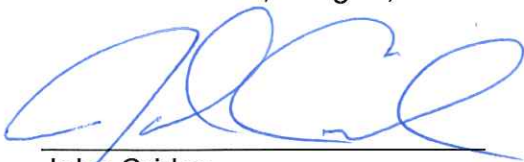
Third, as noted above, there was a request at the workshop that PacifiCorp report the prices paid for RECs acquired for Schedule 272 customers to ensure that no cost-shifting occurred through the purchase of more expensive RECs for RPS compliance. To address stakeholder concerns regarding the impacts of Schedule 272 purchases on the market for RECs, PacifiCorp has agreed to file an annual report with the Commission indicating participation levels under this Schedule, including information regarding REC purchase prices and copies of the individually negotiated arrangements.

III. CONCLUSION

After issuing information requests, holding several discussions with the Company, and attending the stakeholder workshop, Staff's concerns regarding the Company's proposed changes to the tariff language and other processes related to Schedule 272 have been alleviated. Staff has no remaining concerns with the tariff changes at this time.

This concludes Staff's Comments.

Dated at Salem, Oregon, this 24th day of January, 2017.



John Crider
Energy Resources & Planning Division