

ITEM NO. CA1

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 19, 2015

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ Upon  
Commission Approval

DATE: May 12, 2015

TO: Public Utility Commission

FROM: Brittany Andrus *sa*

THROUGH: Jason Eisdorfer *JE* and Aster Adams *AA*

SUBJECT: PACIFIC POWER: (Docket No. UM 1020) Request for Proposal for Retail Marketing Services and Renewable Energy Certificates for Two Oregon Voluntary Renewable Energy Options.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Pacific Power's (Company) Request for Proposals (RFP) for Retail Marketing Services and Renewable Energy Certificates (RECs) for its two voluntary renewables Portfolio Options programs.

**ISSUE:**

On April 21, 2015, Pacific Power filed the proposed RFP for marketing services and RECs for its voluntary renewable power program, created pursuant to ORS 757.603, for its residential and small nonresidential customers. The contract period is January 1, 2016 through December 31, 2018. The marketing and REC supply services described in the RFP support the voluntary renewables options available in Pacific Power's Schedules 211 and 212. Schedule 211 offers a usage-based renewable option, and Schedule 212 offers a fixed renewable option in 100 kWh blocks. Both schedules are implemented under the Company's Blue Sky program.

This RFP is a continuation of the regular process initiated in 2001, in Order No. 01-470. Pacific Power's most recently-authorized voluntary renewables program RFP for the period 2013 through 2015 was approved in Order No. 12-201.

## **Applicable Rules and Orders**

OAR 860-038-0220 sets forth the requirements for the provision of a portfolio of product and pricing options (commonly known as Portfolio Options) to residential and small non-residential customers. OAR 860-038-0220(6) specifies that "Each electric company must acquire the renewable supply resources necessary to provide the renewable energy resources product through a Commission-approved bidding process or other Commission-approved means."

Order No. 01-470 adopted a Portfolio Bid Process, which addresses the RFP content, evaluation criteria for bid proposals, and a reporting requirement for the RFP process. Order No. 01-700 revised the RFP process to add a retail marketing component. In Order No. 01-745, the Commission adopted revisions to the content requirements for bid proposals. These three orders taken together result in the following requirements:

### Content of Proposals

The RFP must contain the following requirements:

1. Submission of a marketing plan detailing specific marketing channels and partnering abilities.
2. Description of demonstrated success in marketing energy services.
3. Description of market research that supports the bidder's customer satisfaction and perceived value claims.
4. Proposals may be submitted for either the blended renewable product or the environmental product or for both.
5. Demonstration of market experience in TRCs<sup>1</sup> and energy from renewable resources, including actual penetration rates over specified periods, and client lists indicating the supply duration and amount where this information is not deemed proprietary or confidential by contracts.
6. Demonstration of knowledge of the western wholesale and retail energy market with specific emphasis on renewable portfolio options in Oregon.
7. Information regarding creditworthiness including the name of the legal entity making the proposal, two years of audited financial statements (if available), and three credit references.
8. Proposals must state the source of the TRCs, whether from contracts, market purchases, or owned or shared generation resources. The resource must be specifically identified.

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<sup>1</sup> Tradeable Renewable Certificates is another term for RECs.

9. The bidder must deliver the renewable energy or TRCs within two years of purchase of the renewable portfolio option by consumers. The companies may choose to require the bidders to deliver in one year, at their discretion.
10. Proposals must describe the contract chain used to assist in documenting reporting rights for TRCs.
11. Proposals must meet the renewable resource standards for the blended and environmental mitigation options as adopted by the Commission on March 20, 2001.
12. Proposals must contain documented reporting rights for authenticity purposes by a third party mutually agreed to by the bidder and the utility.

#### Evaluation Criteria

Bid proposals will be evaluated with consideration given in the following order:

1. Low cost.
2. Ability to meet renewable resource standards for the options as adopted by the Commission on March 20, 2001.
3. Ability to provide adequate reporting to verify TRC authenticity or certification.
4. Supplier experience in renewable energy and ability to deliver the proposed product.
5. Appeal to consumers (sources of TRCs may impact marketability of product).
6. Risks associated with the proposal, including exposure to market prices.
7. Implementation costs.

#### Reporting Requirements

Within 45 days of bidder selection, the utilities must provide the Commission with documentation of the evaluation process, scoring procedures utilized and identification of any issues that could be valuable in improving the bid process in the future.

Order No. 05-878 adopted the Staff recommendation to "Require that PGE and PacifiCorp file with the Commission upon execution any contracts or contract extensions with renewable resource tag/marketing suppliers for portfolio options pursuant to ORS 757.603(2)(a) and allow the utility to request that the document be treated as a confidential submission under ORS 192.502(4) or other specified exemption."

**DISCUSSION:**

On February 16, 2015, Pacific Power provided the initial draft RFP to the Portfolio Options Committee (POC) for review, in advance of the RFP discussion scheduled for the February 19 POC meeting. POC members provided several comments, with the most extensive discussion surrounding the change to the definition of "specified resources." The Company added language intended to protect voluntary program customers from the risk of program RECs losing value due to the upcoming implementation of rules under Section 111(d) of the Clean Air Act. However, in doing so, POC members expressed concern that this addition would add significant uncertainty to the market environment for renewable projects in the region.

On April 9, 2015, Staff met with Pacific Power by phone to further clarify the purpose of the proposed change in the specified resource language, and to discuss potential options that would ensure the quality of RECs the Company is seeking, while not unduly disrupting the region's REC market.

On April 15, 2015, Pacific Power notified Staff that they removed the proposed change to the definition of "specified resources" and reverted to the language used in the 2012 RFP. The Company determined that at this point it would rely on the Green-e certification as a requirement of the contract to address its concerns about protecting customers and ensuring the quality of the RECs.

On April 16, 2015, Pacific Power presented the final version of the RFP to the POC, noting that it now contains the 2012 language for specified resources. While the POC did not vote on a recommendation to the Commission, there was general support for the RFP as revised.

Staff notes that there have been several changes to the renewable portfolio options programs in the intervening years since the initial bid process was approved in 2001. For example, the requirements for resource content standards, the definition of "significant new" resources, and information requirements for communications with customers, have each been modified. However, the basic bidding and contracting process remains in place, and Staff will provide the requirements outlined in the 2001 and 2005 orders to POC members at the next meeting to ensure that all members have a full description.

Staff very much appreciates the flexibility demonstrated by the Company through its agreement to use the previous specified resource language. Staff reviewed the expectations for 111(d) milestones, which are that the final rule is anticipated by August

2015, and the first compliance deadline (interim compliance) will be in 2020. The contract resulting from this RFP is through 2018. Green-e certification may include only renewables that are generated in the calendar year in which the product is sold, the first three months of the following calendar year, or the last six months of the prior calendar year.<sup>2</sup> Staff concludes that under these conditions, the Green-e certification requirements will be sufficient to protect voluntary program customers in future 111(d) scenarios. Staff recommends that Pacific Power's RFP be approved.

**PROPOSED COMMISSION MOTION:**

Pacific Power's Request for Proposal for Retail Marketing Services and Renewable Energy Certificates for Two Oregon Voluntary Renewable Energy Options be approved.

CA\_UM 1020 2015 Pacific Power Renewable Program RFP.doc

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<sup>2</sup> Green-e Energy National Standard Version 2.6 Released April 16, 2015; III. Product Specifications, B. Vintage of Eligible Renewables.