BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 399

In the Matter of PACIFICORP, dba, PACIFIC POWER, Request for General Revision.	)))))))	TESTIMONY OF THE OREGON CITIZENS' UTILITY BOARD IN SUPPORT OF THE FOURTH PARTIAL STIPULATION

I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is William Gehrke. I am a Senior Economist employed by Oregon Citizens' Utility Board (CUB). My business address is 610 SW Broadway, Ste. 400 Portland, Oregon 97205.

Q. Please describe your educational background and work experience.

A. My witness qualification statement is found in exhibit CUB/101.

Q. What is the purpose of your testimony?

A. This testimony in Support of the Fourth Partial Stipulation provides context for CUB's support in order to aid the Public Utility Commission of Oregon (Commission) in its decision-making process. The Fourth Partial Stipulation resolves issues around PacifiCorp's (PAC or the Company) proposed Accelerated Commitment Tariff (ACT) (a.k.a. Voluntary Renewable Energy Tariff (VRET)) in its Docket No. UE 399 general rate case proceeding.

Q. Please explain at a high level why CUB chose to become a signatory to the Fourth Partial Stipulation?

A. CUB's concerns regarding expansion of the proposed VRET program's cap are well-documented on the record.[1] CUB's primary interest is that PacifiCorp's VRET program does not result in undue cost increases to cost of service customers and that unwarranted cost shifting does not occur between program participants and non-participants. However, on balance, CUB found that the terms embedded in the Fourth Partial Stipulation represent a reasonable resolution of the issues related to PacifiCorp's VRET. While CUB remains concerned about the potential to expand the cap, the criteria for cap expansion—alongside the ability for the Commission or interested stakeholders to raise currently unforeseen criteria—assuaged CUB's concerns to the extent we felt that entering into the stipulation was reasonable.[2] However, CUB was wary of entering into a stipulation that would limit the Commission's ability to review applications to expand the cap to a predetermined set of criteria.

Q. If CUB was wary of agreeing to predetermined criteria for the Commission to examine when considering whether to expand the cap on a case-by-case basis, why did CUB agree to such terms?

A. CUB is sensitive to the interests of individual customers who wish to procure renewable energy attributes for their electricity consumption. CUB supported the VRET program in opening testimony in this proceeding, and is grateful to all parties

[1] *See generally* UE 399 – CUB/400/Gehrke.
[2] UE 399 – Fourth Partial Stipulation at ¶ 9.

to the Fourth Partial Stipulation to work in good faith to get to the agreed-upon terms. However, as mentioned, CUB did not want any process to potentially expand the 175 average megawatt (aMW) VRET cap to potentially limit the Commission's review of such applications in any way. To CUB, if the VRET stipulation had included a predetermined set of criteria for the Commission to consider, applications to potentially expand the cap could simply "check each box" to demonstrate compliance. Such a scenario could arguably shift the burden of proving that cap expansion is warranted from the applicant to a party seeking to oppose the cap expansion. Rather than including a limited set of criteria for the Commission to consider, it was incredibly important to CUB to include a catch all provision. This provision can be found in Paragraph 9(d) of the Stipulation, "Other criteria as determined by the Commission or raised by stakeholders to demonstrate good cause."

Q. What is the effect of this criterion?

A. CUB believes this specific criterion enables the Commission to exercise its broad authority to determine whether a request to expand the cap is in the public interest. Stakeholders can also raise other issues that may be relevant to a request to expand the cap, which is important because all issues affecting a future request to expand the cap cannot be known at this time. Further, crediting and charges associated with VRET programs may need to be updated in the future, and this criterion provides flexibility for the Commission to consider these factors when examining a request to expand the VRET cap.

Q. Why did CUB support the potential future expansion of the VRET on a case-by-case basis?

A. Again, CUB is sensitive to the demands of customers seeking to enroll in a VRET program. However, future risks associated with VRET program expansion vary with location, type of resource, prevailing resource mix, and other factors. Therefore, CUB was unwilling to agree to expand the program in this proceeding without knowing the specific set of risks that may exist in the future. For example, Oregon's energy policy landscape has changed dramatically with the passage of HB 2021. Now that Oregon utilities must procure resources to comply with this emissions-based standard, it is important that any future VRET expansion application further the emissions reduction goals articulated in HB 2021. This is a marked change from previous state mandates such as the SB 1547 Renewable Portfolio Standard, which requires that a percentage of overall energy consumption be met with renewable energy. By retaining important customer protections and enabling the Commission to exercise its discretion to consider various factors, CUB believes the agreed-upon structure for potential VRET program expansion is reasonable.

Q. Why is it important that future VRET resources and applications to expand the cap consider HB 2021's mandates?

A. PacifiCorp has not yet conducted extensive resource planning around HB 2021 and the resources it will drive on the Company's system. This planning must take place in the Company's existing Integrated Resource Planning process, in which PAC creates a least cost, least risk electric generation portfolio for its customers. The portfolio is evaluated with stochastic variables, such as forward fuel prices and wholesale energy prices. The quantity and type of electric generating are acquired to meet state policy and future energy and capacity needs. Resources are acquired under the prudence standard, and resources are acquired as ratepayer assets. Ratepayers take the risk on the future performance over the life of the electric generating resource and gradually payoff the investment at cost. Costs associated with resources acquired under traditional planning processes are borne by the system, not by individual states.

Q. How is VRET resource procurement different?

A. VRET procurements are not driven by system need, but are driven by the desires of individual customer preference. Further, under the terms of the prevailing 2020 Multi-State Protocol, costs associated with resources procured under the VRET program are situs-assigned to Oregon. This greatly increases the cost and risk associated with new resources for Oregon customers because the cost of VRET resources will be entirely borne by Oregon, rather than shared across PAC's system. Further, Oregon's primary wholesale energy hub is located at the Mid-C. Oregon lies between three states (Washington, California, and Idaho). Washington has passed CETA, which requires WA utilities' electricity to be emissions free by 2045. California has passed SB 100, which has similar goals. Idaho Power, Idaho's largest utility, has committed to be 100% renewable by 2045. It remains to be seen how emissions free procurement driven by state policies will impact future wholesale prices and market sales.

Q. How else does VRET resource procurement increase risk to Oregon customers?

A. VRET procurement has risk for cost-of-service customers. Committing to renewable resources prematurely could prevent the acquisition of more advantageous resources that become available due to new transmission, changes in market prices, changes in tax incentives, or advances in electric technology. CUB would like to note that all cost of service customers are paying for the energy and capacity credits associated with VRET programs, and there is a risk associated with the forecasted benefits of these projects over their useful life.[3]

Q. Does this conclude your testimony?

A. Yes.

[3] *See in re Portland General Electric Company, Investigation into Proposed Green Tariff*, OPUC Docket No. UM 1953, Order No. 21-091 at 14 (Mar. 29, 2021) ("Our key concern is that these resources still lock in an energy price for cost-of-service customers for many years into the future. In the PGE VRET design, that energy price is set by the bill credit rate paid to participating customers, a rate set according to a long-term forecast of energy market prices that, like any long-term energy market price forecast, may be wrong.").