

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue  
Implementation and Administration of California  
Renewables Portfolio Standard Program.

Rulemaking 11-05-005  
(Filed May 5, 2011)

**COMMENTS OF PACIFICORP (U 901-E) ON REVISED STAFF PROPOSAL AND  
UPDATED ALTERNATIVE PROPOSALS FOR A METHODOLOGY TO IMPLEMENT  
PROCUREMENT EXPENDITURE LIMITATIONS FOR THE RENEWABLES  
PORTFOLIO STANDARD**

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Pursuant to the February 20, 2014 *Administrative Law Judge's Ruling Requesting Comments on Revised Staff Proposal and Updated Alternative Proposals for a Methodology to Implement Procurement Expenditure Limitations for the Renewables Portfolio Standard Program* (ALJ Ruling), and the February 28, 2014 ruling revising the filing schedule,<sup>1</sup> PacifiCorp (PacifiCorp or Company) provides the following comments on the Revised Staff Proposal (Proposal) and alternate proposals (Alternate Proposals) for a procurement expenditure limitation (PEL) for the renewables portfolio standard (RPS) program.

**I. Introduction and Background**

PacifiCorp is a multi-jurisdictional utility (MJU) serving more than 1.7 million customers in six western states (California, Idaho, Oregon, Utah, Washington, and Wyoming) and operates its own balancing authority which encompasses its six-state service territory. PacifiCorp serves approximately 45,000 customers in Del Norte, Modoc, Shasta, and Siskiyou counties in northern California. These customers currently comprise approximately 1.5 percent of PacifiCorp's total

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<sup>1</sup> *Administrative Law Judge's Ruling Revising Schedule For Filing And Service Of Revised Staff Proposal And Alternative Proposals For A Methodology To Implement Procurement Expenditure Limitations For*

retail sales. PacifiCorp is uniquely situated in comparison to the other investor-owned utilities (IOUs) in California because it has load-service obligations in six states, multi-state procurement planning, and generation and cost allocation considerations.

Additionally, as provided by statute, PacifiCorp is subject to different requirements than other IOUs. Pursuant to Section 399.17(b) of the Public Utilities Code, PacifiCorp is not subject to the procurement content limitations of Section 399.16.<sup>2</sup> Accordingly, based on the Company's 2013 Integrated Resource Plan (IRP), PacifiCorp has no plans to add any new renewable generation to meet California's RPS requirements through 2024, but instead plans at this time to use PacifiCorp's existing renewable resource portfolio supplemented with unbundled renewable energy credits (RECs) to meet its California RPS procurement obligations.<sup>3</sup> Furthermore, PacifiCorp files its comprehensive IRP, and supplements thereto, in lieu of an RPS procurement plan. In addition, PacifiCorp is not subject to the same contract approval process used by other California IOUs and is not currently subject to the least-cost best-fit determination

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*The Renewables Portfolio Standard Program* (February 28, 2014) at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M088/K489/88489409.PDF>.

<sup>2</sup> See, D.11-12-052, p. 63 (PacifiCorp is “not subject to the requirements and limitations [on] the use of procurement in each portfolio content category.”); see also, D.11-12-052, Ordering Paragraph 16.

<sup>3</sup> See, PacifiCorp's 2013 IRP, filed on April 30, 2013, pp. 10-11, 14, 53, 187 (FN 66 “Given the relatively small size of the California RPS compliance need [in comparison to PacifiCorp's overall, multi-state requirements] and no restrictions that limit the use of unbundled RECs, it is assumed that California RPS compliance obligations are met with unbundled REC purchases.”), and 245, available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M075/K392/75392032.PDF>; see also, PacifiCorp's May 30, 2013 Integrated Resource Plan On-Year Supplement, pp. 4 and 6, and Attachment A, pp. 3-5, available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M076/K386/76386663.PDF>; see also, PacifiCorp's November 25, 2013 Final and Amended 2013 Integrated Resource Plan On-Year Supplement, Attachment A, pp. 4-7, available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M084/K331/84331889.PDF>; see also, D.13-11-024, pp. 54-55.

methodology or the renewable net short (RNS) calculation methodology<sup>4</sup> used by other California IOUs.

Pursuant to the explicit statutory authority in Section 399.17 of the Public Utilities Code, and in light of the differences between PacifiCorp and other California IOUs, at this time there is no need to adopt a PEL for PacifiCorp. As unbundled RECs are significantly cheaper than bundled renewable products, PacifiCorp's renewable procurement should not result in disproportionate rate impacts for its customers. Accordingly, under the current proposals, and in comparison to California's largest IOUs that cannot utilize unbundled RECs in the same manner as PacifiCorp, PacifiCorp does not anticipate that it would reach its PEL or that the California Public Utilities Commission (Commission) would determine that additional procurement of unbundled RECs would cause a disproportionate rate impact or result in more than a *de minimis* increase in rates.

Moreover, because PacifiCorp operates differently than California's other IOUs, many of the inputs and assumptions used in the PEL proposals do not apply to PacifiCorp. Therefore, it would require significant administrative efforts on the part of the Commission and PacifiCorp to develop a PEL that would, in all likelihood, never be applied. For this reason, the Commission should exempt PacifiCorp from developing and implementing a PEL. PacifiCorp will continue to monitor renewable procurement efforts and, if it appears that renewable procurement has the potential to cause a disproportionate rate impact, PacifiCorp could then submit a Tier 3 advice

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<sup>4</sup> The August 2, 2012 Administrative Law Judge's Ruling (1) Adopting Renewable Net Short Calculation Methodology (2) Incorporating the Attached Methodology into the Record, and (3) Extending the Date for Filing Updates to 2012 Procurement Plans, available at <http://docs.cpuc.ca.gov/PublishedDocs/EFILE/RULINGS/171999.PDF>, adopted the RNS calculation methodology, but did not require PacifiCorp to update its IRP or IRP supplement to include the adopted RNS calculation. *See also*, the March 12, 2014 Comments of PacifiCorp on Staff Proposal for Revising

letter to the Commission to initiate the implementation of a PEL for PacifiCorp. For these reasons, PacifiCorp’s comments focus on highlighting for the Commission the unique characteristics of PacifiCorp that warrant an exemption from the PEL rather than addressing specific questions raised in the ALJ Ruling.

## **II. Comments**

### **A. The Commission Should Exempt PacifiCorp From Adopting a PEL at This Time.**

PacifiCorp has the ability to meet its California RPS compliance obligation with relatively low-cost unbundled RECs. Moreover, as outlined in the Company’s 2013 IRP, PacifiCorp has no plans to add any new renewable generation that could be used to meet California’s RPS requirements until 2024. Consequently, establishing a PEL for PacifiCorp would not limit procurement of high cost renewable resources, which is a fundamental purpose of a PEL. The Public Utilities Code provides that the PEL must prevent “disproportionate rate impacts” and that an “electrical corporation may refrain from entering into new contracts or constructing facilities beyond the quantity that can be procured within the limitation, unless eligible renewable energy resources can be procured without exceeding a de minimis increase in rates.”<sup>5</sup> At this time, PacifiCorp has no need or plan to procure additional renewable resources to meet its California RPS procurement obligations, and instead will satisfy its procurement targets using a combination of existing renewable resources in its portfolio and unbundled REC

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the Methodology Used to Calculate the Renewable Net Short for Procurement to Meet the California Renewables Portfolio Standard.

<sup>5</sup> Pub. Util. Code §§ 399.15(d)(1) and 399.15(f).

purchases. Based on PacifiCorp’s ability to meet its RPS targets using low cost<sup>6</sup> unbundled RECs, and the fact that PacifiCorp has no plans to procure additional renewable resources to meet its California RPS procurement obligations, any PEL methodology applied consistently across California’s IOUs is unlikely to be triggered by PacifiCorp.

For example, the Proposal requires an IOU to undertake additional procurement “unless incremental RPS procurement is available that has a positive net market value.”<sup>7</sup> The Joint Parties<sup>8</sup> propose that the “de minimis” benchmark be set so that an IOU “need not continue procurement of RPS-eligible resources unless such resources can be procured at a price at or below the Non-Renewable [generation-related rate] GRR.”<sup>9</sup> Under either of these proposals, as well as the other Alternate Proposals, PacifiCorp’s procurement is highly unlikely to be found to cause disproportionate rate impacts. Even assuming a PEL is adopted for PacifiCorp under the current proposals and further assuming that PacifiCorp reached its PEL, additional procurement of unbundled RECs would be unlikely to exceed the “de minimis” threshold. Given the likelihood that PacifiCorp will not reach any established PEL and, even if PacifiCorp did reach a PEL, additional renewable procurement would likely not exceed a de minimis threshold, the best approach at this time is to minimize the administrative burdens associated with developing and implementing a PEL for PacifiCorp by exempting PacifiCorp from adopting a PEL.

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<sup>6</sup> PacifiCorp uses the term “low cost” because unbundled RECs should be less expensive than bundled renewable products.

<sup>7</sup> ALJ Ruling, p. 25. Although the net market value is only applicable to California’s three largest IOUs (as described more fully below), PacifiCorp is confident that any similar methodology applied to it would result in a determination that PacifiCorp’s procurement of unbundled RECs has a positive net market value.

<sup>8</sup> The Joint Parties consist of Southern California Edison Company, the California Large Energy Consumers Association, the Energy Producers and Users Coalition, and the California Manufacturers and Technology Association.

<sup>9</sup> Joint Parties’ Proposal, p. 11.

**1. Monitoring of Expenditures to Prevent Disproportionate Rate Impacts – Tier 3 Advice Letter Process to Implement and Adopt a PEL if Necessary.**

Although PacifiCorp does not anticipate ever needing a PEL under the current RPS requirements, if there are significant changes in the RPS market or to existing requirements, PacifiCorp wishes to ensure that its renewable procurement will not result in disproportionate rate impacts to its customers. To ensure this, PacifiCorp will continue to monitor its renewable procurement and, if it appears that renewable procurement has the potential to cause a disproportionate rate impact—for example, if the cost of unbundled RECs dramatically increases relative to current prices or if the current RPS requirements change significantly—PacifiCorp would then submit a Tier 3 advice letter to the Commission to initiate the implementation of a PEL for PacifiCorp. At that time, the Commission could develop and adopt the PEL proposal for PacifiCorp, or it could decide to revise an existing PEL for another IOU and tailor the PEL methodology to account for PacifiCorp’s unique characteristics and requirements.

**B. If PacifiCorp is Required to Adopt a PEL, the PEL Must be Tailored to Reflect PacifiCorp’s Unique Characteristics.**

The current PEL proposals, both the Proposal and the Alternate Proposals, are tailored to California’s three largest IOUs. Accordingly, the proposals all anticipate procurement expenditures associated with bundled renewable products. However, PacifiCorp is not subject to the portfolio content limitations of the RPS program, and may accordingly satisfy its RPS procurement obligations using unbundled RECs. To account for this difference, assuming the Commission determines that it must implement and adopt a PEL for PacifiCorp, any adopted proposal for PacifiCorp must reflect the Company’s ability to meet RPS procurement targets using unbundled RECs.



### **1. Inputs and Assumptions in the Current Proposals Must be Revised to Account for PacifiCorp's Unique Characteristics.**

The Proposal and the Alternate Proposals rely upon inputs and assumptions that, in many instances, do not exist or are not computed or used by PacifiCorp. For example, PacifiCorp is not required to calculate and does not provide renewable procurement expenditure forecasts in an RPS Procurement Plan. As an MJU, PacifiCorp does not assign specific resources to California, but rather allocates generation resource costs between its multi-state service territories. Further, PacifiCorp does not calculate revenue requirement for renewable resources separately from non-renewable resources and to do so would be a significant undertaking. Accordingly, unlike the other California IOUs that have a clear distinction between their renewable generation revenue requirement and non-renewable generation revenue requirement, a new methodology would need to be developed by PacifiCorp to estimate these amounts to meet its California obligations.<sup>10</sup>

The Proposal and other Alternate Proposals also rely upon the renewable net short (RNS), which is used to forecast incremental procurement expenditures.<sup>11</sup> However, historically, the Commission has deferred to PacifiCorp's internal determination of potential renewable procurement shortfalls as calculated in its IRP, and the Commission has not required PacifiCorp to utilize the RNS calculation methodology adopted by the Commission.<sup>12</sup> The Proposal

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<sup>10</sup> Though, presumably, PacifiCorp's estimate of unbundled REC purchases could be tracked relatively simply.

<sup>11</sup> Proposal, p. 15. *See also* Joint Parties' Proposal, p. 4; Revised Proposal of the California Wind Energy Association (CalWEA Proposal), p. 5; Large Users' Proposal, p. 4.

<sup>12</sup> The August 2, 2012 Administrative Law Judge's Ruling (1) Adopting Renewable Net Short Calculation Methodology (2) Incorporating the Attached Methodology into the Record, and (3) Extending the Date for Filing Updates to 2012 Procurement Plans, available at <http://docs.cpuc.ca.gov/PublishedDocs/EFILE/RULINGS/171999.PDF>, adopted the RNS calculation methodology, but did not require PacifiCorp to update its IRP or IRP supplement to include the adopted RNS calculation. *See also* the March 12, 2014 Comments of PacifiCorp on Staff Proposal for Revising the Methodology Used to Calculate the Renewable Net Short for Procurement to Meet the California Renewables Portfolio Standard.

similarly relies upon the RPS Calculator.<sup>13</sup> However, the RPS Calculator was developed in the LTPP proceeding and does not apply to PacifiCorp.<sup>14</sup>

Furthermore, the Proposal states that the “IOUs utilize a standardized method to determine the net market value (NMV) of an RPS procurement contract using least-cost, best-fit criteria.”<sup>15</sup> As described above, PacifiCorp is not subject to the least-cost best-fit determination methodology, and likewise does not calculate the NMV of RPS procurement, using a standardized method or otherwise. Accordingly, these inputs could not be used to implement and adopt a PEL for PacifiCorp.

Based on PacifiCorp’s unique status as California’s only MJU, the Commission’s historic deferral to PacifiCorp’s internal planning and IRP processes, and the fact that many inputs and assumptions used in the Proposal and Alternate Proposals do not exist for or apply to PacifiCorp, if the Commission adopts a PEL for PacifiCorp, the PEL must be modified from other proposals to account for these differences.

## **2. Any PEL Adopted for PacifiCorp Should Include an Assumption for Unbundled REC Procurement.**

Although PacifiCorp believes it would be most efficient and economical to simply exempt PacifiCorp from adopting a PEL, should the Commission adopt a PEL for PacifiCorp, that PEL should include an assumption for the price of unbundled RECs. Based on PacifiCorp’s ability and plans to meet its RPS procurement obligations largely with unbundled RECs, any PEL adopted for PacifiCorp should consider the cost of unbundled RECs used to meet

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<sup>13</sup> Proposal, p. 19.

<sup>14</sup> Consistent with Public Utilities Code Section 454.5(i), PacifiCorp does not participate in the LTPP proceedings and is not required to submit procurement plans. (*See*, D.03-07-011, exempting PacifiCorp from the filing of procurement plans in the LTPP.)

<sup>15</sup> Proposal, p. 25.

PacifiCorp's RPS procurement quantity requirement (PQR). For example, one cost component of PacifiCorp's PEL could be based on the cost of an unbundled REC, which should be based on the average price paid for unbundled RECs in California, as determined by the Commission using publicly available data. Because the portfolio content limitations applicable to most retail sellers will reduce the quantity of unbundled RECs that may be used to satisfy RPS procurement targets, the laws of economics dictate that the decreased demand for unbundled RECs will reduce the price for unbundled RECs. Accordingly, if a PEL is adopted for PacifiCorp, it should consider the costs of unbundled RECs as recommended herein as part of the PEL methodology.

### **III. Conclusion**

PacifiCorp appreciates this opportunity to provide its comments on the PEL Proposal and Alternate Proposals. For the reasons stated above, the Commission should not require PacifiCorp to adopt a PEL as PacifiCorp's ability to utilize unbundled REC procurement ensures that PacifiCorp's renewable procurement is unlikely to result in disproportionate rate impacts. If, however, a PEL is adopted for PacifiCorp, the PEL should recognize the unique characteristics of PacifiCorp and should include an assumption based on the price of unbundled RECs.

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Respectfully submitted,

/s/

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## VERIFICATION

I am the attorney for PacifiCorp and am authorized to make this verification on its behalf. PacifiCorp is absent from the County of Sacramento, California, where I have my office, and I make this verification for that reason. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 19, 2014 at Sacramento, California.

/s/

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