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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of PacifiCorp's 2015 Integrated Resource Plan	DOCKET NO. 15-035-04
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COMMENTS OF UTAH CLEAN ENERGY ON THE 2015 IRP UPDATE

Utah Clean Energy is grateful for opportunity to participate in the Integrated Resource Plan (IRP) public process and to submit comments in response to PacifiCorp's 2015 IRP Update. One March 31, 2015 PacifiCorp filed the 2015 IRP, which was acknowledged by the Commission in an Order dated January 8, 2016. On March 31, 2016 PacifiCorp filed its Update to the 2015 IRP. On April 7, 2016 the Commission issued a Notice of Filing and Comment Period asking interested parties to submit their comments on PacifiCorp's 2015 IRP Update by June 29, 2016. Utah Clean Energy is hereby submitting its comments on the treatment of Renewable Energy Certificates in Oregon in 2015 IRP Update. Utah Clean Energy's comments are limited to the Oregon REC issue. Our silence on other issues should not be construed as tacit endorsement of anything else mentioned in the 2015 IRP Update.

COMMENTS ON THE 2015 IRP UPDATE – OREGON REC ISSUE

The 2015 IRP Update mentions that PacifiCorp can meet its Oregon RPS obligations, through the 20-year planning horizon, through a number of flexible alternatives, including the purchase of eligible RECs, due to updated RPS targets and REC banking provisions.¹ PacifiCorp explains:

On March 8, 2016, Oregon Senate Bill 1547-B (SB 1547-B), the Clean Electricity and Coal Transition plan, was signed into law, which doubles the Oregon RPS target to 50% by 2040... In addition to revising RPS targets, SB 1547-B includes other provisions that influence how the company will plan to meet its RPS compliance requirements. One of these provisions introduces a five year banking limitation on renewable energy credits (RECs) issued after March 8, 2016. RECs issued on or before March 8, 2016 can be banked indefinitely. Another provision in SB 1547-B provides an early action incentive that allows for indefinite banking of RECs from new qualifying renewable resources that are issued over the first five years of the renewable resource's operation. New qualifying renewable resources include facilities that come online between March 8, 2016 and December 31, 2022. At the same time, SB 1547-B eliminates the requirement to surrender older vintage RECs for compliance first, prior to the surrender of newer vintage RECs.²

PacifiCorp further explains that, under the new Oregon RPS, RECs purchased from qualifying facility projects in states other than Oregon *can be acquired as bundled RECs if the RECs are purchased with the energy in the same contract.*³

This section of the IRP Update raises concerns for Utah Clean Energy. Renewable qualifying facility resources (QFs) are system resources (unless specifically designated otherwise)—that is, their costs and electrons are allocated to PacifiCorp's states based on each state's relative share of PacifiCorp's load. Thus, Utah pays for and "receives" just over 40% of the electricity generated by a QF resource, regardless of its location on PacifiCorp's system.

¹2015 IRP Update, pages 53-56.

² *Id.* at pages 53-54.

³ *Id.* at page 54, footnote 8.

Oregon pays for and “receives” about 25% of the electricity from a QF resource. On the other hand, a bundled REC is one where the renewable energy attribute associated with renewable energy generation is sold “bundled” with the electricity. In other words, in a bundled REC transaction the MWh of renewable attributes accompany, on a one-for-one basis, the MWh of electricity; the renewable attribute and the electricity are not severable.

Based on the Company’s Update, it appears that PacifiCorp plans to acquire so-called “bundled RECs,” on behalf of Oregon, *from out of state QFs*, by purchasing the RECs and electricity in the same contract. This raises a perplexing scenario: if only 25% of the electricity from a QF serves Oregon customers and the other 75% serves the rest of the territory, how does Oregon acquire 100% of the renewable attributes associated with that QF generation as a bundled product when 75% of the “bundled RECs” being acquired for Oregon will not, in fact, be bundled to any electricity?

According to the Company, the only requirement (in Oregon) for complying with this unorthodox definition of “bundled REC” is that PacifiCorp must acquire the RECs from the QF in the same contract as the electricity.⁴ However, it appears that PacifiCorp has not acquired any of the RECs associated with energy from executed QF contracts despite counting those RECs as “bankable”:

Over the front ten years of the planning horizon, nearly 19 million RECs are needed to build the bank, which can be used to meet RPS requirements as the target rises over time. Over this same period, PacifiCorp estimates that there will be at least 23 million RECs generated from qualifying facility projects *that have power purchase agreements with PacifiCorp in which the project developers hold title to the RECs.*⁵

⁴ *Id.*

⁵ *Id.* at page 54 (emphasis added).

PacifiCorp's 2015 IRP Update raises several questions with regard to RPS compliance and proper REC accounting, including the following. 1) How do you define "bundled REC," and how can you make that definition consistent, for cost allocation purposes, across PacifiCorp's service territory? 2) How does PacifiCorp plan to comply with Oregon's bundled REC requirement (even assuming a convoluted or inconsistent definition of bundled REC) if the renewable QFs have contractually retained the renewable attributes associated with QF electricity generation? For now, given that QFs are system resources, PacifiCorp's plan to "bundle" RECs to electricity that does not serve Oregon customers is not an appropriate or intellectually defensible way of allocating costs.

We recommend that the Commission direct the Company to provide a comprehensible rationale behind the treatment of RECs for Oregon RPS compliance. We also recommend that the Commission direct the Company to address this issue in a public forum before incorporating this compliance assumption in future IRP modeling.

Respectfully submitted this 29th day of June, 2016.

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