

From: SCHWARTZ Lisa
Sent: Wednesday, March 05, 2008 4:34 PM
Subject: AR 518 RULEMAKING TO IMPLEMENT SB 838 - RENEWABLE PORTFOLIO STANDARD

Attachments: Staff ACP Questions 3-5-08.doc

I. Alternative Compliance Rate

Staff requested that comments be circulated by March 14th on PacifiCorp's proposed options for determining the alternative compliance rate for electric companies. Attached are initial questions from staff for discussion at the March 17th workshop.

PacifiCorp's proposed options for determining the alternative compliance rate begin on page 4 of the document listed under the Feb. 25th workshop at: http://www.puc.state.or.us/PUC/Senate_Bill_838.shtml

Staff proposes another concept for consideration: 110 percent of the annual delivered costs of resources included in the electric company's most recent Renewable Adjustment Clause. An open question is whether annual costs would be based on levelized costs or first-year costs.

The Commission also must establish alternative compliance rates for electricity service suppliers (ESSs). As PacifiCorp notes, a threshold issue is whether a separate rate will be established for each ESS and electric company.

II. Annual Revenue Requirement

1. Staff is still reviewing PacifiCorp's proposed definition of annual revenue requirement. At this time, however, we believe the following amendment is needed (in caps):

Annual revenue requirement means the total revenue the commission authorizes a utility an opportunity to recover in Oregon rates pursuant to a general rate proceeding, including any BASE RATE adjustments relating to automatic adjustment clauses, and excluding amounts identified in Section 12(3).

2. For clarity, staff requests that PGE and PacifiCorp bring to the March 17th workshop a list of adjustments they consider to be base rate adjustments.

3. The Commission must establish by July 1, 2008, the methodology for determining the annual revenue requirement of an electric company for purposes of the Section 12 cost off-ramp. Staff would like to discuss at the workshop whether, in lieu of filing a rule by mid-March to establish the method, parties could agree that the Commission initially adopt the method at a regular public meeting prior to July 1st. Staff would file a rule establishing the method later this year, when staff files other related rules in AR 518.

Staff is considering this process for the following reasons:

a) We have much work remaining before we are ready to propose comprehensive rules to implement Section 12.

b) The Commission may later have to tweak any methodology it adopts before July 1st to accommodate the comprehensive rules.

c) We likely will have no other proposed SB 838 rules ready to file by mid-April, and we already completed a phase I in AR 518 (rules related to the public purpose charge). How many phases do we want?

III. Cost Off-Ramp

Reminder: PacifiCorp plans to send to the AR 518 service list a refined proposal for the Section 12 cost off-ramp by March 14th. Staff requests that any other proposals also be circulated by that date. We will discuss PacifiCorp's refined proposal, and any other proposals, at the March 17th workshop.

Workshop information at: http://www.puc.state.or.us/PUC/Senate_Bill_838.shtml. Please contact Diane Davis (diane.davis@state.or.us) by close of business on March 12th if you want to participate by phone so that we have adequate time to arrange for a dial-in number.

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Staff ACP
Questions 3-5-08.doc

Staff Questions
PacifiCorp's Options for Alternative Compliance Rate (Section 20)

1. What is the "Commission-determined market price referent for qualifying electricity" under Calculation Method A? If it ultimately is based on the cost of a natural-gas fired plant, for example, staff does not believe this method would comply with the statute. Section 20(2) states in part that the rate shall be "...based on the cost of qualifying electricity, contracts that the electric company or electricity service supplier has acquired for future delivery of qualifying electricity and the number of unbundled renewable energy certificates that the company or supplier anticipates using in the compliance year to meet the renewable portfolio standard applicable to the company or supplier."
2. How would either Calculation Method B or C, on its own, address the requirement cited above to consider *both* the cost of qualifying electricity and unbundled renewable energy certificates?
3. How would Calculation Method B or C achieve PacifiCorp's proposed purpose in part to use "publicly-available information," given the confidential nature of RFP results?
4. What is meant by issuing an RFP "within one year of the compliance year" under Calculation Methods B and C? Section 20a states, "The Public Utility Commission shall establish initial alternative compliance rates as required by section 20 of this 2007 Act no later than July 1, 2009." It does not appear that the proposed timing of the RFPs would allow for compliance with this section.
5. Regarding Calculation Method C, what is the assumed term (i.e., number of years) of the contract that would be requested for unbundled renewable energy certificates?
6. Under each Calculation Method, how does the selected metric – i.e., 110% of the market price referent for qualifying electricity (Method A), weighted mean of bids from a renewable resources RFP (Method B), or mean of bids received for an RFP for unbundled renewable energy certificates (Method C) – "provide an adequate incentive for the electric company or electricity service supplier to purchase or generate qualifying electricity in lieu of using alternative compliance payments to meet the renewable portfolio standard..." as required under Section 20(2)?
7. Under Calculation Method B, what happens when a utility does not need to issue an annual RFP for qualifying electricity?