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May 16, 2018

Via e-mail
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Public Utility Commission of Oregon
201 High Street, S.E., Suite 100
P.O. Box 1088
Salem, OR 97308-1088

Attn: Filing Center

RE: UM 1728 Portland General Electric Company's Reply Comments

Portland General Electric Company (PGE) respectfully submits these comments in reply to comments filed in Docket No. UM 1728 on May 11, 2018, by the Community Renewable Energy Association (CREA) and the Renewable Energy Coalition (Coalition), together, the Joint QF Parties. PGE respectfully requests that the Commission reject the Joint QF Parties' request to change PGE's renewable deficiency period to 2021, and instead approve a renewable deficiency period of 2025. This would be consistent with Commission orders in PGE's 2016 IRP revised renewable action plan, PGE's 2016 IRP update, and PGE's May 1, 2018 avoided cost filing.

Thank you for your assistance in this matter. If you have any questions or require further information please call me at (503) 464-8954.

Please direct all formal correspondence or requests to pge.opuc.filings@pgn.com.

Sincerely,

Robert Macfarlane

Robert Macfarlane
Interim Manager, Pricing and Tariffs

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1728

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application to Update Schedule 201 Qualifying Facility Information	**REPLY COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY**

Portland General Electric Company (PGE) respectfully submits these comments in reply to comments filed in Docket No. UM 1728 on May 11, 2018, by the Community Renewable Energy Association (CREA) and the Renewable Energy Coalition (Coalition), together, the Joint QF Parties. PGE respectfully requests that the Commission reject the Joint QF Parties' request to change PGE's renewable deficiency period to 2021, and instead approve a renewable deficiency period of 2025. This would be consistent with Commission orders in PGE's 2016 IRP revised renewable action plan, PGE's 2016 IRP update, and PGE's May 1, 2018 avoided cost filing.

I. INTRODUCTION

The Joint QF Parties request that the Commission require PGE to revise its renewable avoided cost fixed prices filed on May 1, 2018, to reflect a renewable resource deficiency date of 2021 rather than PGE's renewable resource deficiency date of 2025, claiming that 2021 is consistent with PGE's recently acknowledged renewable resource actions in Docket No. LC 66. The Joint QF Parties claim that PGE should use a 2021 renewable deficiency date and sell the QF-generated renewable energy certificates (RECs) for the benefit of customers between 2021 and 2025 and that this will help meet Oregon's goal to procure 8% of aggregate capacity from small scale renewables by 2025[1].

The Joint QF Parties' proposal is inconsistent with PGE's renewable resource acquisition plan as acknowledged in Docket No. LC 66. PGE's renewable acquisition plan targets the procurement of 100 MWa of renewable resources by 2025. PGE's 2018 Renewable RFP allows PGE to evaluate the economic opportunity to take advantage of the expiring Production Tax Credit (PTC) by issuing an expedient request for proposal. If renewable resources are procured, RECs generated will not contribute toward RPS compliance until 2025. For these reasons, PGE's resource deficiency periods are properly aligned. PGE's nonrenewable deficiency period begins in 2021 and PGE's renewable deficiency period begins 2025, consistent with PGE's action plan.

II. RESPONSE COMMENTS

A. PGE's Renewable Resource Plan

PGE filed a revised renewable action plan on November 9, 2017. The near-term renewable resource procurement is designed to meet PGE's 2025 RPS compliance glide path target and to capture the expiring PTC by issuing an RFP in early 2018.

The Commission acknowledged PGE's revised renewable action plan at its December 17, 2017 public meeting, as memorialized in Commission Order No. 18-044.[2] PGE's revised renewable action plan is to issue an RFP for approximately 100 MWa of RPS eligible renewable

[1] ORS 469A.210 (setting goal for community-based renewable energy projects and stating that by "2025, at least eight percent of the aggregate electrical capacity of all electric companies that make sales to 25,000 or more retail electric customers in this state must be composed of electricity generated by ... [s]mall-scale renewable projects with a generating capacity of 20 megawatts or less ... or [f]acilities that generate electricity using biomass that also generate energy for a secondary purpose.").

[2] *In the Matter of Portland Gen. elec. Co., 2016 Integrated Resource Plan*, Docket No. LC 66, Order No. 18-044 (Feb. 2, 2018) (memorializing December 13, 2017 decision acknowledging PGE's revised renewable action plan to issue a RFP for new renewable energy resources of approximately 100 MWa).

resources that contribute toward the company's energy and capacity needs by 2021. The acknowledged plan includes two additional elements: (1) a cost-containment screen within the RFP, and (2) a commitment to return the value of RECs procured before 2025 to customers.

PGE's cost-containment screen requires any added resource to be cost effective under Reference Case conditions considering only the resource's forecasted energy and capacity values. The result is that the renewable resource pricing will not include 'above market' real-levelized forecasted costs for acquiring the RECs. PGE expects that only competitive resources will pass the proposed cost-containment screen.

PGE plans to further reduce the costs associated with the renewable resource acquisition by returning to customers the value of RECs procured prior to 2025. Whether the RECs are sold in the wholesale market or sold to voluntary individual subscribers of a green tariff, none of the RECs generated prior to 2025 will be used to comply with PGE's RPS.

B. PGE's Renewable Resource Deficiency Period is 2025; PGE's Non-renewable Resource Deficiency Period is 2021

As discussed above, the RECs from the proposed renewable resource will not be used to comply with PGE's RPS prior to 2025. PGE's customers will not pay for a renewable resource starting in 2021. For purposes of RPS compliance, the resource will not be considered renewable until 2025 and RECs generated starting in 2025 will be used to satisfy RPS on behalf of PGE's customers. PGE's deficiency periods outlined in its May 1, 2018 application appropriately recognize the action PGE is taking. The non-renewable deficiency period for avoided cost purposes is 2021 consistent with the forecasted capacity deficit. The renewable deficiency period is 2025, consistent with the planned acquisition of energy, capacity, and RECs used to satisfy RPS for PGE's customers.[3]

C. The May 1 Filing Provided Updates to All Inputs

The Joint QF Parties allege that PGE is only updating elements of the IRP update that reduce avoided cost rates, most significantly the updated capital costs of a major wind facility.[4] This is incorrect. The Joint QF Parties offer no evidence that PGE selected only inputs that decreased avoided cost prices. The one input they do attack, the renewable resource deficiency period, was the result of a Commission decision on December 17, 2017 in the revised renewable action plan.

In fact, PGE updates all of the inputs into the avoided cost calculations for both the renewable and non-renewable avoided costs. PGE doesn't cherry pick inputs in order to decrease avoided cost prices while ignoring inputs that increase avoided cost prices. For example, fixed gas transportation, SCCT operations and maintenance (O&M), and SCCT overnight capital cost all increase from the current avoided cost prices. These inputs impact the capacity value included in both renewable and non-renewable avoided cost prices. PGE included all relevant changes in its May 1, 2018 avoided cost filing.

D. A 2021 Deficiency Period Would Need to Consider PTCs and Appropriate Costs

The Joint Parties proposal mistakenly suggests applying 2025 avoided cost assumptions for a 2021 deficiency period. While PGE firmly maintains the need for a 2025 renewable

[3] A QF is only entitled to sell to PGE at renewable avoided cost rates if the QF generates RECs that PGE can use to satisfy its RPS obligations. *See, In the Matter of Public Utility Commission of Oregon Investigation into Resource Sufficiency Pursuant to Order No. 06-538*, Docket No. 1396, Order No. 11-505 at 4 (Dec. 13, 2011). Under the renewable action plan acknowledged by the Commission in Order No. 18-044, PGE will not receive RECs for purposes of satisfying its RPS obligations until 2025 (prior to 2025, the RECs will be sold for the benefit of customers). In effect, the renewable action plan approved by the Commission in the updated IRP does not recognize the need for, nor the acquisition of, a renewable resource that will satisfy PGE's RPS obligations until 2025.

[4] Docket No. UM 1728, Joint QF Parties' Comments at 1 (May 11, 2018).

deficiency period, any attempt to advance the deficiency period must include contemporaneous updates to the avoided cost resources. Notably, avoided cost renewable resources in a 2025 deficiency period do not include PTCs. In addition, the forecasted overnight capital cost of a renewable resource is lower in 2025 than in 2021. If the Commission chooses to implement a 2021 deficiency date for avoided cost purposes, PTCs would need to be included at the 100% level based on safe harbor provisions, and the renewable resource overnight capital cost would need to reflect the declining cost curve profiled in PGE's most recent supply side study. The inclusion of PTCs would lower the renewable avoided cost, and a higher overnight capital cost would increase the renewable avoided cost. While PGE does not support a 2021 deficiency period, PGE notes that making the changes outlined above considers all of the necessary changes to a 2021 deficiency period and doesn't only include items that reduce avoided costs.

E. Renewable Sufficiency/Deficiency Period Updates

In its April 6, 2018 Reply Comments associated with the acknowledged 2016 IRP update[5], PGE stated, "PGE currently expects the next adjustment to the Company's resource sufficiency period to occur at the conclusion of the upcoming Renewables Request for Proposals (RFP)." Parties had the opportunity to refute the 2025 presumption when the Commission approved PGE's revised renewable action plan on December 17, 2017 and when the Commission acknowledged PGE's 2016 IRP update on April 24, 2018. No parties suggested an alternative resource deficiency date in either of those cases.

PGE also intends to update the costs associated with the renewable resource avoided costs at the conclusion of the Renewables RFP based on the winning bid, just as it did when the bid for the Carty Generating Station was awarded.

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[5] Docket No. LC 66, PGE's Reply Comments at 5 (Apr. 6, 2018).

F. Small Scale Renewables Provision of SB 1547

The Joint QF Parties claim that a 2025 deficiency period will somehow harm the provision from Oregon's RPS that, by 2025, at least 8% of the aggregate electric capacity of all utilities with more than 25,000 customers in Oregon must be from renewable plants 20 MW or less or biomass that also generate thermal energy for a secondary purpose.[6] The Joint QF Parties also claim that PURPA is the only policy the Commission implements that accomplishes the 8% goal.[7] First, the Commission does not set avoided cost prices based on an assumed level of QF activity. It bases avoided cost prices on the costs the utility avoids. Second, the provision does not require each individual utility to reach 8%; it is an aggregate goal for the state. Third, PGE is well situated to meaningfully contribute to that goal. Last, the Joint QF Parties are wrong in their assertion that PURPA is the only policy driving community-based renewable facility development. Community solar alone (capped at 3 MW) is meant to provide 160 MW of capacity. PGE itself has several renewable projects under 20 MW. Both PGE's Solar Payment Option and net metering provide capacity that help the state achieve the 8% goal.

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[6] Docket No. UM 1728, Joint QF Parties' Comments at 14 (May 11, 2018).
[7] *Id.* at 3.

III. CONCLUSION

PGE requests that the Commission expediently approve the May 1, 2018 avoided cost prices with a 2025 deficiency period as filed. PGE presented a clear record for a 2025 deficiency period in both the Commission-acknowledged 2016 IRP and the Commission-acknowledged 2016 IRP update.

DATED this 16 day of May, 2018.

Respectfully submitted,

PORTLAND GENERAL ELECTRIC COMPANY

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