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December 19, 2017

Public Utility Commission of Oregon
201 High St. SE, Ste. 100
P.O. Box 1088
Salem, OR 97308-1088

Attn: OPUC Filing Center

Re: UM 1837 - Investigation into the Treatment of New Facility Direct Access Load.

Portland General Electric Company (PGE) respectfully submits these reply comments to the opening comments of parties in this proceeding.

If you have any questions or require further information, please call Teresa Griffels at (503) 464-7802. Please direct all formal correspondence, questions, or requests to the following email address: pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in purple ink that reads "Jay Tinker". The signature is written in a cursive, flowing style.

Jay Tinker
Director, Regulatory Affairs

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1837

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

Investigation into the Treatment of New
Facility Direct Access Load.

**REPLY COMMENTS OF
PORTLAND GENERAL
ELECTRIC COMPANY**

Portland General Electric Company (PGE) respectfully submits these reply comments to the opening comments of parties in this proceeding. Provided PGE's proposed criteria, discussed in these comments, are met, PGE encourages the PUC to exercise its discretion to allow different transition adjustments for new customer load. Our comments are organized by the following topics: 1) new customer load at a new site¹, 2) transition adjustments for new load, 3) impacts on cost-of-service (COS) customers, 4) renewable² energy, 5) provider of last resort (POLR), 6) and participation cap. Before responding to the parties' specific proposals, PGE reiterates its perspectives on these six items:

1. New customer load at a new site - New loads must be large (10 aMW) and discrete enough that they are not embedded within the normal utility load planning process and must be at a new site. Whether defined new customer loads have been planned for by the utility should be a case by case determination.

¹ Commission Order 17-171, in adopting Staff's recommendation directed the scope to focus on the appropriate treatment of direct access transition adjustments for new customer load at a new site.

² In using the term "renewable," we mean that one hundred percent of electricity used is from renewable energy resources that are naturally replenished on a human timescale or are biogenic in nature (i.e. wind, solar, hydro, geothermal, waste methane, biomass, and ocean/wave technology).

2. Transition adjustments for new load – PGE, PacifiCorp, and most other participants in this docket concluded that, subject to appropriate program parameters, the Commission could approve a different level of transition adjustments for new customer load.³
3. Impacts on COS customers - The new large load customer should be required to declare their intent to receive energy at COS prices or to opt-out of COS for direct access⁴ (DA) at the time the customer provides load planning information to the utility for distribution infrastructure. If the customer later determines they wish to be served by PGE at COS pricing, the customer would be subject to the same provisions as any other DA customer, and be required to provide the applicable notice—currently three years— before receiving COS pricing from PGE.
4. Renewable energy – Require that new large load customers receiving reduced transition adjustments be served with renewable energy. Ancillary services that provide load shaping services, reactive power services, voltage control services and energy balancing services, may be generated by a resource that is not carbon free if unbundled renewable energy certificates, equivalent to the amount of electricity necessary for ancillary services are retired by or on behalf of the customer receiving the electricity.
5. Provider of Last Resort – An appropriate system reliability charge should be established to compensate COS customers for increased risk of emergency

³ Joint Utilities' Opening Brief at 6.

⁴ For purposes of this document the term direct access only applies to the 5-year term direct access program and may also be referred to as a long-term direct access or permanent opt-out and may include customers purchasing energy from an energy service supplier (ESS) or from PGE at market-based pricing.

curtailment from customers on direct access given the utility's required role as provider of last resort.

6. Participation cap – Include the new large load as part of PGE's current DA participation cap.

New Customer Load at a New Site

One of the more challenging issues in this investigation is what would constitute new customer load that is eligible for this option, should it be offered. From the first set of comments submitted, parties generally agree that “new customer load” must be of significant size so that it is not included in the utility's normal planning process. A common theme throughout the comments is recognition that “new customer load” encompasses two general categories: new customers entering the service area and existing customers with new or expanding facilities. Parties present a number of scenarios which illustrate the importance of clear eligibility requirements with respect to both what constitutes “new customer load,” and the magnitude of the load, such that it falls outside the utility's normal planning process.

We begin with a discussion of size threshold. ICNU and PacifiCorp propose that, to qualify for different transition adjustments, the new customer load should be 10 aMW or greater since this is “large enough to exclude normal variations and minor increases in customers loads that would otherwise be captured within a utility's system planning.”⁵ NIPPC recommends “...the load must be at least the greater of 10 aMW or 20 percent above the highest two-month period of use during the prior three years.”⁶ Vitesse agrees that the load size must be of a magnitude the utility has not planned for and noted the “...threshold would be above 1.5MW and

⁵ ICNU Opening Comments at 3.

⁶ NIPPC Opening Comments at 6.

below 15 MW” (based on load planning examples provided by PacifiCorp). PGE agrees that the 10 aMW is likely a sufficient size to be outside the normal load planning process. PGE finds Staff’s proposal of 1 aMW size threshold to be too low. A higher threshold allows for a clearer boundary with respect to what is truly incremental new load.

PGE does not agree with ICNU’s proposed “...*rebuttable* presumption that the utility has not planned for this load increase and, consequently, has not incurred costs to serve that increase.”⁷ Whether the utility has planned for the load is a matter of fact, and should be evaluated on a case by case basis. The appropriate definition of new load size and criteria could make this case by case determination easier. ICNU’s suggested two-step process for determining eligibility has merit. The process would both require sufficient documentation to demonstrate the customer will consume the threshold amount and then later review the customer’s actual consumption for compliance. It is unclear what would happen if the prospective look demonstrates the load is eligible but the later review shows that the load was not eligible; with the customer claiming a longer ramp-up time. Would the customer return to cost of service? Would the customer be on the market based option? Would standard transition adjustments be applied? Should there be a penalty? While PGE does not have a recommendation to resolve this issue, we concur that there must be rigor around any eligibility requirements and clarity regarding process in the event of non- compliance.

Another issue raised, primarily by CUB is the issue of gaming and the definition of new customer load. CUB raises concerns that if participation hinged on being a new customer, then defining and determining new customer become vital to prevent gaming⁸ For these reasons,

⁷ ICNU Opening Comments at 4-5.

⁸ CUB Opening Comments at 1-3.

PGE agrees with Staff that a metric should err on the side of being too stringent⁹ as it relates to defining new customer load. PGE concurs with Staff that, at a minimum, the definition of “new customer load” should include “investment in new assets, at a new location...”¹⁰

Transition Adjustments for New Load

All parties, with the exception of CUB, agree that the Commission has the authority to allow a different level of transition adjustments for new customer load, and that the Commission should exercise this authority. CUB believes the Commission does not have legal authority to discriminate between new and current utility customers. CUB, however, does acknowledge that if it is determined that the Commission does have this authority then it may be possible to allow for reduced transition adjustments for qualifying customer loads.¹¹ PGE agrees that the Commission has the authority to allow different transition adjustments, and this authority should be exercised only for large new customer load at a new site that purchases renewable energy.

Impacts on Cost-of-Service (COS) Customers

In establishing direct access, Senate Bill 1149 directed the Commission to balance the development of a competitive market and unwarranted cost shifts to COS customers. The Commission’s historical decisions, including the current cap on direct access and required customer return notification, should be interpreted as balancing these competing objectives. CUB recognizes that “because it is unlikely that we can fully insulate cost-of-service customers from the costs associated with new direct access, it should be limited to circumstances where the direct access is consistent with Oregon forward-looking energy policy.”¹² PGE agrees.

⁹ Staff Opening Comments at 12.

¹⁰ Id.

¹¹ CUB Opening Comments at 1.

¹² CUB Opening Comments at 7.

Parties generally agree that requiring new large load customers to make a binding declarations of their energy purchasing intent early in the planning process is critical to reducing cost shifts. Most parties also agree that this can occur in conjunction with existing utility distribution planning processes. Without this binding commitment, new large load customer could delay notification of new load and compromise distribution planning and the utility's ability to meet the customer's needs. With regard to the appropriate amount of notice for the binding energy purchase commitment, Calpine's six month suggestion¹³ is inadequate. Distribution planning for a minimum 10 aMW load takes more than six months. We would have to study this issue to recommend a specific timeframe.

Parties also generally concur that once the new large load customer declares its intent to opt-out of COS for DA, the customer should be subject to the same return provisions as other DA customers, which is three years for PGE.

Renewable Power

Senate Bill 979 (SB 979), which is the genesis of this docket focused on two key issues: different transition adjustments for new load and renewable energy. During the bill's consideration in committee,¹⁴ Committee Chair, Senator Lee Beyer noted that the Commission may be better suited to consider these issues. In addition, he affirmed his belief that the utilities should be able to compete for this load.

“Oregon has set clear goals to reduce carbon emissions,” CUB notes. “This program should be in that context and should only be considered for new load that is helping to meet

¹³ Calpine Opening Comments at 7.

¹⁴ The Senate Committee on Business and Transportation held a hearing on April 3, 2017 on SB 979 to receive public input.

Oregon’s carbon reduction goals.”¹⁵ PGE agrees. We are diligently working to meet customers’ demand for cleaner energy. While Staff recognizes that customers desire green energy options and could meet their needs if this option were premised on purchasing renewable energy, Staff expressed concern about direct access principles of promoting competition and customer choice. To PGE, if this option were created, the market would respond to meet customer needs, increasing competition. As a green energy provider, we want to compete. As PacifiCorp noted, prohibiting utilities from competing for new customer load would actually provide ESSs with a competitive advantage by entirely eliminating a market participant.¹⁶

PGE urges the Commission to only consider a different level of transition adjustments for large new customer load at a new site that purchases renewable energy. If, however, an offer of direct access with different transition adjustments for new customer load at a new site is just another means for customers to purchase non-renewable energy and does not advance the state’s renewable energy policies, then it is more appropriate to consider the offering and transition adjustment question through the upcoming investigatory process associated with SB 978¹⁷ rather than this docket.

Provider of Last Resort (POLR)

PGE is concerned that if the amount of long-term DA load becomes too large, PGE may conceivably be unable to perform its emergency default provider-of-last-resort function. Hence, we are recommending that the new large load with reduced transition adjustments be subject to the existing cap on long-term direct access. Absent this docket, the new large load would be

¹⁵ CUB Opening Comments at 7.

¹⁶ PacifiCorp Opening Comments at 9.

¹⁷ Oregon Legislature Senate Bill 978 – Requires Public Utility Commission to establish public process for purpose of investigating how industry trends, technologies and policy drivers in electricity sector might impact existing regulatory system and incentives currently employed by Commission.

subject to this cap. Should this long-term direct access cap be expanded through means such as new large load, it is likely that PGE's load planning process as presented in PGE's Integrated Resource Plans (IRP) will need to be reexamined. Per OPUC IRP Guidelines¹⁸, PGE does not plan for long-term direct access load on either an energy or a capacity basis. However, if the amount of emergency default capacity that PGE is required to provide grows, PGE is uncertain that it will be able to meet the emergency need through market purchases made in an emergency situation. In asserting this, we are concerned that an event that causes an Energy Service Supplier to default on its supply obligation to direct access customers, thereby causing the direct access customers to require emergency default service from PGE, could be so serious that market purchases are not available to meet the increased demand and PGE may have to curtail all customers. This suggests that PGE will need to develop a form of a reliability charge applicable to long-term direct access customers and plan for this capacity need in future IRPs. The resulting reliability charges to long-term direct access customers would be passed through to COS customers as credits, in the same manner as the long-term direct access transition adjustments are passed through as credits to COS customers.

Participation Cap

CUB, PacifiCorp, and Staff all agree that there should be some type of cap on this program. Both PacifiCorp and PGE strongly believe this program should be included under existing direct access caps. "Keeping direct access programs capped limits the potential risk of cost shifting to cost of service customers from potential provider of last resort requirements."¹⁹ We agree with CUB that it is better to establish the program on a reasonable scale rather than to

¹⁸ *In the Matter of Pub. Util. Comm'n of Or. Investigation into Integrated Resource Planning*, Docket No. UM 1056, Order No. 07-002 at 19.

¹⁹ PacifiCorp Opening Comments at 8.

begin a wide open program and have to manage unintended consequences.²⁰ As noted in our opening comments; many of PGE's large, market-savvy customers who are interested in participating in direct access have already opted out of COS during one of our previous 16 offerings and room remains under the participation cap. We annually review usage for participating customers to determine the amount of room remaining under the cap. If a customer goes out of business or reduces operations, room under the cap is freed for other customers to participate. If offered, this is an untested new program and should be included under the existing cap to mitigate unforeseen challenges in planning and negative impacts on remaining customers.

Conclusion

PGE is confident that the Commission could design a program that allows a different level of transition adjustments for certain new customers without substantially impacting COS customers. In summary, PGE recommends the following:

- A different level of transition adjustments should apply only to new customer load at a new site.
- The new customer load should be large enough (10 aMW) that it wasn't embedded within the normal utility load planning process, subject to factual confirmation that planning has not included the load.
- These new large customers should be required to provide an early, binding energy purchase declaration and be subject to the same return notification provision as any other DA customer to receive COS pricing from PGE.
- The different level of transition adjustments should apply only if the new large customer is served with renewable energy.

²⁰ CUB Opening Comments at 6.

- To compensate COS customers for increased risk of emergency curtailment, an appropriate system reliability charge should be established.
- This program should be subject to the current DA participation cap.

PGE appreciates the opportunity to submit these comments.

DATED this 19th day of December, 2017.

Respectfully submitted,

PORTLAND GENERAL ELECTRIC COMPANY

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