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April 5, 2018

Via: Electronic Mail

Public Utility Commission of Oregon
Filing Center
P.O. Box 1088
Salem OR 97308-1088

Re: UM 1916 PGE Reply Comments

Portland General Electric Company (PGE) submits its reply comments to Staff of the Public Utility Commission of Oregon (OPUC) and Alliance of Western Energy Consumers (AWEC) regarding PGE's 2018 Renewable Portfolio Implementation Plan for the Years 2019 through 2023 (2018 RPIP).

Respectfully submitted this 5th day of April 2018,

A handwritten signature in blue ink that reads "Alex Tooman for". The signature is written in a cursive, flowing style.

Stefan Brown
Manager Regulatory Affairs

SB/np

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1916

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

PGE 2018 Revised Renewable Portfolio
Implementation Plan for the Years 2019-2023

**Reply Comments of Portland
General Electric Company**

1 Introduction

2 Portland General Electric Company (PGE) submits its reply comments to Staff of the
3 Public Utility Commission of Oregon (OPUC) and Industrial Customers of Northwest
4 Utilities (ICNU)¹ regarding PGE's 2018 Renewable Portfolio Implementation Plan for
5 the years 2019 through 2023 (2018 RPIP). PGE addresses each party's comments in
6 separate sections below.

7 The purpose of Oregon Administrative Rules (OAR) Chapter 860 Division 83 is
8 to implement the requirements of Oregon's renewable portfolio standards (RPS), codified
9 in ORS 469A.005 through ORS 469A.210. In particular, the rules direct utilities to file
10 implementation plans and to track the incremental costs of complying with the RPS.
11 Specifically, ORS 469A.100 contains a cost of compliance limit that, if reached, exempts
12 the utility from the requirement to comply with the annual targets set forth in ORS
13 469A.052.

¹ The Industrial Customers of Northwest Utilities has changed its name to Alliance of Western Energy Consumers (AWEC).

1 **PGE Reply Comments to OPUC Staff**

2 Compliance Strategy

3 OPUC Staff stated that PGE provided limited narrative which in turn did not
4 articulate a robust compliance strategy.

5 PGE agrees that a more complete narrative would better explain our
6 comprehensive compliance strategy. The current format of the report limits the
7 information provided and does not allow the opportunity for robust discussion. This
8 issue will be taken up in the RPS rulemaking, Docket No. AR 610 (RPS rulemaking), that
9 will be opened soon to address several issues related to RPS compliance.

10 Banked Renewable Energy Credit (REC) Strategy

11 OPUC Staff provided comments on PGE's plan to use bundled "5-year RECs" to
12 meet compliance needs over the next five years. OPUC Staff finds PGE's strategy
13 consistent with the requirements of OAR 860-083-0400, but notes that questions remain
14 around a long-term cost and risk optimized compliance strategy, rather than a year-by-
15 year cost and risk optimized strategy.

16 It is important that PGE be able to assess the market and the financial feasibility
17 of using unbundled RECs in any particular year. PGE believes that, on a long-term basis,
18 prescribed reliance on an illiquid unbundled REC marketplace is not a prudent RPS
19 compliance strategy.

20 Unbundled RECs

21 OPUC Staff recognized PGE complied with the basic requirements outlined in
22 OAR 860-083-0400. However, OPUC Staff noted PGE did not include the use of
23 unbundled RECs in its [reference case] 2019-2023 compliance strategy, yet has relied on

1 the use of the maximum allotted amount of unbundled RECs for compliance in all prior
2 years. OPUC Staff notes that this type of overarching RPS compliance issue is best
3 addressed comprehensively in the RPS rulemaking.

4 Consistent with the condition set forth in OPUC Order No. 14-265 in UM 1683,
5 PGE did provide a scenario under the reference case, in Attachment B, in which the full
6 20% unbundled RECs are used. PGE strongly asserts that it is both strategically
7 detrimental and highly hypothetical to forecast REC prices and purchases. The market
8 for RECs remains illiquid and fragmented. PGE expects increasing uncertainty in REC
9 markets due to increasing RPS requirements in states across the Western Electricity
10 Coordinating Council (WECC) region. In addition, proposing a mandated forecast and
11 use of unbundled RECs will likely impact the market price for those RECs. PGE agrees
12 that the RPS rulemaking is the appropriate forum to address the concerns raised.

13 Tax Impacts

14 OPUC Staff requested that PGE discuss any potential changes to its incremental
15 compliance cost resulting from changes in federal tax legislation² (tax reform).

16 This request is problematic for a couple of reasons. First, PGE does not have an
17 approved Revenue Requirement that appropriately incorporates the *net effect* of the tax
18 reform. PGE has recently submitted a General Rate Case (GRC) filing, Docket No. UE
19 335, in which we request prices be adjusted to yield \$85.9 million of additional revenues,
20 which represents a 4.8% increase overall for cost of service customers and direct access
21 customers beginning January 1, 2019. Our GRC includes an analysis of the various
22 elements affected by the tax reform and the net impact. A simplified analysis that does

² An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018. Public Law Number 115-97.

1 not include all of the impacts of the tax reform would not provide an accurate assessment
2 of the impacts. Secondly, it is a significant undertaking to model each facility's levelized
3 cost and the underlying tax assumption for each facility. It is further complicated for
4 existing assets as we use a composite tax rate, and ensuring we are updating all the
5 assumptions contained in the calculations that are impacted by the tax reform would
6 require significant modification of our models and would entail a significant amount of
7 time.

8 Incremental cost calculation

9 OPUC Staff express a concern regarding the calculation of the incremental cost of
10 bundled RECs as prescribed by OR 860-083-0100 at the time of retirement, rather than
11 the year the megawatt-hour was generated. OPUC Staff acknowledges this methodology
12 is compliant with the rules, but creates a disconnect between the time customers incur
13 costs and the time the costs are calculated for compliance making it more difficult to
14 assess whether a utility has exceeded the four percent threshold. OPUC Staff also notes
15 overall gaps in the RPIP format that include: the five year time horizon limits conveyance
16 of a long-term compliance strategy, frequency of filing and REC Bank strategy
17 management. OPUC Staff believes addressing these concerns is critical to providing
18 accurate and meaningful RPS compliance cost estimates and is best addressed in the RPS
19 rulemaking.

20 PGE agrees that the RPS rulemaking is the appropriate forum to address the
21 concerns raised.

1 **PGE Reply Comments to ICNU**

2 Incremental Cost of Compliance

3 ICNU has previously identified a number of concerns in Docket Nos. UM 1755
4 and UM 1788, regarding how PGE calculates its incremental cost of compliance, and
5 contends these issues remain outstanding. ICNU intends to pursue its concerns in the
6 RPS rulemaking.

7 PGE looks forward to exploring these issues with OPUC Staff and other parties in
8 the RPS rulemaking.

9 **Conclusion**

10 PGE concurs it has met the requirements of OAR 860-083-0400 and its 2018
11 Implementation Plan is consistent with the requirements of OAR 860-083-0100, which
12 specifies how incremental cost is calculated. PGE looks forward to continued work with
13 Staff and other Parties in the RPS rulemaking, as we plan to meet Oregon's future RPS
14 requirements.

/s/ Stefan Brown
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