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Public Utility Commission of Oregon
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Via: email

Filing Center,

Portland General Electric Company (PGE) respectfully submits these comments in advance of the Commissioner workshop scheduled for April 23, 2018. We understand that following the Commissioner workshop, Commission Staff will draft proposed rules to commence the formal rulemaking process. These comments are intended to inform Commissioners and Staff prior to rules being drafted. A threshold issue for the rulemaking is determination of what would be contained in the rules and what would be left to the utility tariff filing process.

PGE looks forward to continued work with the Parties in the New Load Direct Access AR 614. Should you have any questions or comments regarding this filing, please contact me at (503) 464-8954.

Please direct all formal correspondence and requests to the following email address pge.opuc.filing@pgn.com

Sincerely,

Robert Macfarlane

Robert Macfarlane
Interim Manager, Pricing and Tariffs

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON.

AR 614

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Rulemaking: New Load Direct Access	**COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY**

Portland General Electric Company (PGE) respectfully submits these comments in advance of the Commissioner workshop scheduled for April 23, 2018. We understand that following the Commissioner workshop, Commission Staff will draft proposed rules to commence the formal rulemaking process. These comments are intended to inform Commissioners and Staff prior to rules being drafted. A threshold issue for the rulemaking is determination of what would be contained in the rules and what would be left to the utility tariff filing process.

Introduction

In establishing rules for a New Load Direct Access program (NLDA), it is imperative to balance the development of a competitive market and unwarranted cost shifts to Cost-of-Service (COS) customers.[1] The Public Utility Commission of Oregon (Commission) should adopt specific definitions for NLDA and establish sufficiently stringent program parameters and

[1] Senate Bill 1149 (Chapter 865 Oregon Laws 1999), Section 8 directs the Public Utility Commission to ensure that direct access programs not cause unwarranted cost shifting to other retail customers of the electric company.

eligibility criteria in its Oregon Administrative Rules (OAR). The program areas best addressed in OARs include:

- Definition of new customer load
- Threshold size eligibility requirement
- Early and binding notice and commitment provisions

Additionally, utilities should adopt reasonable conditions in utility filed tariffs (tariff) that detail program offerings and prevent circumvention of the eligibility criteria. The program areas best addressed in a company tariff include:

- Verification and validation customer meets threshold size eligibility
- Participation cap
- Notice to return to COS
- Provider of last resort

Beginning in 2021 Oregon SB 1547 requires Electricity Service Suppliers (ESS) to meet Oregon Renewable Portfolio Standards (RPS), consistent with the requirements imposed on utilities. SB 1547 increased the RPS to 50% in 2040. This increase is staged at 20% in 2020, 27% at 2025, 35% at 2030, 45% at 2035 and 50% at 2040. ESS's will be required to meet increasing standards with a minimum of 80% bundled renewable energy and Renewable Energy Certificates(RECs) and a maximum of 20% RECs. Given these requirements PGE no longer suggests energy deliveries should be restricted to renewable energy only.

Our comments are organized by the following topics: 1) definition of new customer load, 2) threshold size eligibility requirement, 3) transition adjustments, 4) notice and commitment provisions, 5) program participation cap, 6) Provider of Last Resort (POLR), 7) energy deliveries and 8) utility participation. Below we offer PGE's summary perspectives on these eight items with a more full discussion following.

1. Definition of new customer load –The definition of new customer load should be limited to new customers locating in the utility's service area who meet the threshold size eligibility requirement.
2. Threshold size eligibility requirement –New customer load must be large enough, 10 MWa, and discrete enough that it would not be embedded within the load forecast used in the integrated resource planning (IRP) process. It is the determination that the large new load is atypical, that warrants different transition adjustment treatment.
3. Transition adjustments –Subject to appropriate NLDA program parameters, a different level of transition adjustment for new customer load may be suitable, as long as it can be demonstrated these new customer loads do not impose the same risks on other COS customers as a customer who elects the standard long term direct access[2] (DA) program.
4. Notice and commitment provisions - The new customer load should be required to declare their binding intent to receive energy at COS prices or to opt-out of COS for DA at the time load planning information is provided to the utility for

[2] 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

distribution infrastructure and Open Access Transmission Tariff (OATT) transmission service request. This would put the company on notice not to plan for the customer's load (from a generation perspective) and prevent giving the new load customer a free option by shifting the risk onto existing COS customers. If the customer later determines they wish return to COS pricing, the new load customer would be subject to the same notice and return provisions under the current DA program.

5. Program participation cap – Include the NLDA as part of PGE's current DA participation cap of 300 MWa.
6. Provider of Last Resort –An appropriate system reliability charge should be established to compensate COS customers for their increased risk of emergency curtailment should direct access load suddenly or abruptly return to cost of service and there not be sufficient energy or available capacity to meet loads.
7. Energy deliveries– To the extent NLDA expands beyond renewable energy[3] options, additional OARs should be adopted to ensure equitable transaction requirements for utilities and ESS. The OARs should contain specific ESS transaction requirements including: the firmness of the power supply, the firmness of the transmission, demonstration of resource adequacy, and demonstration of long-term planning.
8. Utility participation- Utility participation in NLDA should not be prohibited.

[3] 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 biogenetic in nature (i.e. wind, solar, hydro, geothermal, waste methane, biomass, and ocean/wave technology).

New Customer Load

The definition of eligible new customer load should be limited to new customers entering the service area who meet the threshold size eligibility requirement. The distinction between new customer load and existing customer load growth (which is included in PGE's planning) is necessary and appropriate. The different treatment for new customer load must account for and balance the potential to result in unwarranted cost shifting and ensure the utility's remaining COS customers are not otherwise harmed.

If the definition of eligible new load encompasses load growth for existing customers, the definition must require the customer to demonstrate investment in new assets at a new location, be separately metered and meet threshold size eligibility requirement. While it might be reasonable for a new load to be physically nearby to an existing facility, an eligible load must represent a new, separately metered site. A precise eligibility definition should be included in an OAR and should capture a thorough examination of possible scenarios to prevent future "gaming" – i.e. to prevent using rules intended to protect the system to instead manipulate the system to receive a biased outcome.

Threshold Size Eligibility Requirement

The establishment of a threshold size eligibility requirement is of critical importance in this rulemaking and should be included in an OAR.

The goal of PGE's planning process is to appropriately capture both load growth (new customers and growth of existing customers) and load decreases (closures and decreases of load for existing customers) at a net level. In any given year, variance from a point estimate forecast is to be expected, either above or below. It is imperative that the threshold size established for NLDA eligibility is large enough to exclude increases in customers' loads that would otherwise be captured within the utility's system planning process. As such, a 10 MWa threshold size for a new customer load, coupled with verification and validation process defined by the utility, is a minimum size to be considered incremental to the growth that is forecasted in PGE's normal load planning process. The verification and validation process should be outlined in the utility's tariff to determine eligibility for NLDA, and should require both sufficient documentation to demonstrate the customer will consume the threshold amount and a subsequent review of the customers' consumption for compliance.

A lower size threshold increases risk to the COS customer. Across business cycles, customers can be expected to start up and to shut down businesses. This is a long term phenomena and is embedded within the econometric foundations of PGE's regression based forecasting model. An inadequate threshold leaves the COS customers paying additional system costs as businesses exit, but do not see reduced costs as businesses enter, which is inconsistent with the regulatory principles of system planning – to ensure costs are borne appropriately across customer classes.

Transition Adjustments for New Customer Load

PGE believes, subject to appropriate program parameters (i.e. definition of new customer load, threshold size eligibility and verification and validation), a different level of transition adjustment for new load direct access customers is appropriate, as long as it can be demonstrated these new customer loads do not impose the same risks as the existing DA customer. Otherwise, the DA transition adjustment should also be applied to NLDA customers. The NLDA transition adjustment should be contained in the utility's tariff.

Notice and Commitment Provisions

The customer applying for NLDA should be required to make a binding declaration of their intent. This declaration should be required early in the planning process to minimize cost shifts. This requirement for an early and binding notification should be included in the OARs. Notification to PGE would then mean that PGE does not plan for the energy needs associated with the customer's new or expanded load. PGE is concerned that customers could delay notification of new load for distribution purposes in order to preserve the option to choose DA or COS. Rather than allowing the customer to wait until energization to determine whether to receive energy at COS prices or opt-out of COS for DA, the customer should be required to declare their intent at the time the customer provides load planning information for distribution purposes. This would allow PGE to either include or exclude the load from the planning process as appropriate. Currently, as a condition of choosing DA, the customer waives the right, granted under state law, to receive electricity at COS pricing. Since the Commission allows these customers to waive their right to COS pricing, it follows that new customer load at a new site should be required to waive that same right at the time the customer notifies PGE that they will opt for DA. This notice can be provided in conjunction with existing utility distribution planning and OATT prescribed transmission service request processes. Within the OATT there are predefined timelines the transmission provider follows in processing requests for transmission service, including but not limited to, modifications required on the distribution system to connect a new customer. Thus the early and binding notice and commitment must be tied to existing processes otherwise, a new customer load could delay notification and compromise distribution and transmission planning and the utility's ability to meet the customer's needs.

Once the customer applying for NLDA declares their intent to opt-out of COS, they should be subject to the same return provisions as the current DA program, which is currently three years for PGE. The return provisions are included in the utility tariff.

Program Participation Cap

This program should be included under the existing DA cap of 300 MWa and the tariff discussion of the cap expanded to include NLDA. Many of PGE's large customers who are interested in participating in DA have already opted out of COS during one of our previous 16 offerings and room remains under the participation cap. SB 1149 directs the Commission to balance the development of a competitive market while avoiding undue cost shifts to COS customers. The Commission's historical decisions, including the current cap on DA, should be interpreted as balancing these competing objectives.

The current cap of 300 MWa equates to approximately 15% of PGE's total load (calendar year 2016), adopting a separate cap of 300 MWa, as suggested by Commission staff at the March 1, 2018 workshop, for new customer load would mean that potentially 30% of PGE's total load could opt out of COS. Across the nation, establishment of program cap relative to a percent of load is a standard; Michigan's program is capped at 10% for each utility's prior years' load, PG&E is capped at 11.2% and SCE is capped at 13.9%. Consistent with OAR 860-038-0260(6) it states, "…the electric company must standardize its direct access tariffs and contracts to the extent possible to conform to industry and national standards," adopting a program cap relative to a percent of load is an industry standard. PGE proposes a combined program (DA and NLDA) cap of 15% of total load. NLDA is an untested new program and should be included under the existing cap (15% of total load) to mitigate unforeseen challenges in planning, potential negative impacts on remaining customers and increased uncertainty around the utility's ability to perform provider of last resort requirements. 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. Hence, PGE recommends the new large load with appropriate transition adjustment be subject to the existing 300 MWa (15% of total load) cap on long-term DA. Absent this rulemaking, the new customer load would be subject to this cap.

Provider of Last Resort (POLR)

Should a separate cap be adopted for NLDA, the load planning process as presented in PGE's Integrated Resource Plans (IRP) may need to be reexamined. Currently, PGE does not plan for DA load on either a capacity or energy basis. If the amount of emergency default capacity that PGE is required to provide grows to 600 MWa ~30% of our total load it exacerbates the uncertainty to meet the emergency energy needs through market purchases. Should there be an event that causes an ESS to default on its supply obligation to DA customers, (this can be any reason, as there is no firmness of service requirement in the underlying power purchase agreement serving the DA customer) thereby causing the DA customers to require emergency default service from PGE, it could be serious enough that market purchases are not available to meet the increased demand and PGE may have to curtail all customers. Thus, PGE will be developing a form of reliability charge for DA customers and planning for this capacity need in future IRPs. This risk and cost shift should be addressed in an OAR that allows for a provider of last resort charge.

Energy Deliveries

To the extent NLDA expands beyond renewable energy options, additional OARs should be adopted that contain specific transaction requirements to minimize cost shifts and risks to existing COS customers: the firmness of the power supply, the firmness of the transmission, demonstration of resource adequacy and demonstration of inclusion in long-term planning consistent with the integrated resource planning process the utility would otherwise undertake. In addition, as part of the ESS certification and annual recertification, the ESS should be required to submit bi-annual Renewable Portfolio Implementation Plans and annual Renewable Portfolio Standard Compliance reports (these will likely be discussed in the upcoming Renewable Portfolio Standards, AR 610 rulemaking but at a minimum should be included in the OARs specific to annual ESS certification process).

Utility Participation

In proposing this NLDA program, utility participation should not be prohibited. It does not mean that PGE would be acting as an ESS. Allowing utility participation expands the market and provides customers with more options, thereby increasing competition. As noted in OPUC Order 17-171, Utah and New Mexico have approved similar utility participation in NLDA. The Public Service Commission of Utah approved Rocky Mountain Power's Schedule 34, which allows for special contracts with new large customers. Similarly, the Public Service Company of New Mexico has approval to offer a special service rate exclusive to new customers through Rate No. 36B.

Conclusion

PGE is confident that a NLDA program can be designed with sufficiently clear and defined parameters to protect COS customers from unwarranted cost shifting.

DATED this 18 day of April, 2018.

Respectfully submitted,

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