

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1934**

In the Matter of)
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)
 PORTLAND GENERAL ELECTRIC)
 COMPANY,)
)
 Application for Acknowledgment of the)
 Final Short List in 2018 Request for)
 Proposals for Renewable Resources.)
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**COMMENTS OF THE
OREGON CITIZENS' UTILITY BOARD**

October 25, 2018



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OF OREGON
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I. INTRODUCTION

The Oregon Citizens' Utility Board (CUB) hereby submits its comments regarding Portland General Electric Company's (PGE) request for acknowledgement of the final short list of bidders in its 2018 request for proposals (RFP) for renewable resources. CUB recommends acknowledgement of short list, but stresses that this RFP is intended to meet the glide path discussed in PGE's 2016 IRP Addendum. The Commission Order in the IRP Addendum was clear as to the size of the resource that was being acknowledged, "[w]e acknowledge PGE's revised action item to issue a Request for Proposals (RFP) for new renewable resources of approximately 100MWa."¹

While the sum of the resources on the short list is greater than 100MWa, CUB does not believe that there is a basis for the RFP to select resources that represent multiples of what was acknowledged. That is to say that, while "approximately 100MWa" can be construed as

¹ Order No. 18-044 at 1.

enabling the utility to go somewhat beyond 100MWa, CUB does not believe PGE has a basis to select resources that represent a significant departure from 100MWa.

II. DISCUSSION

A. *Loads, Resources, and Glide Paths*

PGE's IRP reference case shows almost no future load growth for residential customers, a little load growth for commercial load growth, and significant load growth for industrial customers.² At the same time, PGE is faced with pressure to allow more direct access for large customers, including a new load direct access (NLDA) program with limited transition charges for new load. While direct access programs currently have a cap on the amount of load that may be served, there is increasing pressure to relax these caps. To the degree that PGE is building resources to meet load, but Oregon is not committed to having that load pay for the planned resources, then other customers will be forced to bear the costs. CUB is concerned with this paradigm, and notes the interplay of proposed resource acquisition in this RFP and the existing direct access program, the NLDA program, and PGE's proposed green tariff.

At the same time, CUB recognizes that PGE will have energy needs after Boardman retires and the increased RPS will eventually lead to a need for additional resources. The solution to this dilemma in the IRP Addendum was a glide path to gradually meet the requirements of the expanded RPS. CUB continues to support this glide path as a reasonable approach to meet RPS needs in a measured manner.

B. *Market Prices and Renewables*

CUB believes there is a connection between renewable development, low market prices, and the demand for direct access (and to a lesser extent Community Choice Aggregation--CCAs). Renewable resources are generally built to serve specific load--utility projects serve

² PGE, 2016 IRP, page 101

customer loads and RPS compliance, green tariff projects serve large customers, rooftop solar serves the given building, and community solar serves the loads of subscribers. However, because of its intermittent nature, the timing of renewable generation does not meet the timing of the associated load, even though the load is expected to pay for the capital cost of the renewable resource. The consequence is that much of the renewable generation is not timed directly to load and instead is sold into the market with no need for the market to cover the capital costs of the project.

A renewable resource will dispatch into the market based on its short-term marginal cost, which, without any fuel cost, is generally zero. However, because the Production Tax Credit (PTC) is tied directly to the volume of power produced, renewables that are eligible for the PTC have a negative marginal cost. The consequence of selling power with very low marginal costs into the market is to reduce market prices. There is nothing wrong with this, as long as market prices are seen as a dispatch price associated with efficient dispatch of resources. But if market prices are perceived to represent the actual cost of power, then this could be problematic because the actual cost of power includes the fixed cost embedded in rates. Renewable resources are not being built to serve the market, they are being built to serve specific load as described above. There is no guarantee that market prices will cover the capital investment associated with renewables.

Adding the fixed costs of renewables to rates will raise rates, while at the same time the same renewable resource puts downward pressure on market prices. This disconnect between market prices and retail rates will lead to increasing pressure to allow for more direct access (and maybe CCAs) because customers will seek to capture lower market costs and avoid paying the higher rates that capture the fixed costs. By building renewables now in order to meet RPS

requirements after 2030 for a system with little load growth outside of industrial customers, PGE will see an increase retail rates, and will put downward pressure on market rates. This will put additional pressure on the system to allow industrial customers to leave the system. CUB is concerned that residential and small commercial customers will be on the hook for an overbuilt system.

PGE's IRP made the case that we should not wait to meet future RPS requirements and proposed a glide path as a way to gradually get there in a cost effective manner. CUB found this to be a reasonable approach.

C. CUB Supports Acknowledgement but Limited to Approximately 100 MWa

CUB is concerned that because the resources from this RFP are lower cost than PGE projected, PGE and other parties may look at the economic opportunity to acquire additional renewable resources well in excess of 100MWa. Without guarantees that future industrial load will materialize and will be served with these resources, CUB believes it is unwise to move away from the acknowledged glide path.

CUB supports acknowledgement of the final short list from the RFP, but does not support PGE acquiring resources substantially above the glide path amounts.

Signed this 25th of October, 2018.



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