

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 17, 2019**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** January 1, 2020

**DATE:** December 6, 2019

**TO:** Public Utility Commission

**FROM:** Scott Gibbens

**THROUGH:** Mike Dougherty and John Crider **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. ADV 1051/Advice No. 19-28)  
2020 Annual Update Tariff Compliance Filing.

**STAFF RECOMMENDATION:**

The Public Utility Commission (Commission) should approve the compliance filing submitted by Portland General Electric (PGE) in compliance with Order No. 19-329 and allow the tariff sheets filed in Advice No. 19-28 to go into effect on January 1, 2020.

**DISCUSSION:**

Issue

Whether the Commission should approve PGE's compliance filing implementing changes to its rates approved by the Commission in Order No. 19-329.

Applicable Law

Compliance filings are not defined in statute or rule, but are a mechanism used to implement a rate change resulting from a Commission decision.<sup>1</sup>

Analysis

*Initial Filing*

On April 1, 2019, PGE filed its 2020 net variable power cost (NVPC) projection, consistent with the terms of its Schedule 125, which implements the Company's Annual

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<sup>1</sup> See Order No. 08-118.

Update Tariff (AUT). The AUT is designed to allow PGE to revise customer rates to reflect those changes in its projected NVPC resulting from new information. NVPC include wholesale power purchases and sales, fuel costs, and other costs that generally change as power output changes. The filing included direct testimony in support of the 2020 NVPC projection of \$422.0 million, or approximately \$21.47 per megawatt-hour (MWh). This would have translated to an overall rate increase of approximately \$2.93 per MWh from the final 2019 projected power costs. The primary factors responsible for the increase were an increase in Qualifying Facilities (QFs) contract costs and the expiration of federal production tax credits (PTCs) associated with phase 2 and phase 3 of PGE's Biglow Canyon Wind Farm.

Because PGE filed its 2020 NVPC nonconcurrent with a general rate revision, the Company is allowed, per Order No. 08-505, to update the following model parameters but not propose changes to their model:

- a) Forward Price Curves;
- b) Load Forecasts;
- c) Heat rates;
- d) Pacific Northwest Coordination Agreement Headwater Benefit Study;
- e) Contracts for wholesale power and power purchases and sales;
- f) Wind availability forecast;
- g) PURPA contract expenses; and
- h) Maintenance and Forced Outage rates.

#### *UE 359 Proceedings*

Following PGE's initial filing, the stipulating parties held a workshop to discuss issues and review PGE's Multi-area Optimization Network Energy Transaction power cost forecasting model (MONET) on June 4, 2019. Staff, the Oregon Citizen's Utility Board (CUB) and the Alliance of Western Energy Consumers (AWEC) filed testimony related to the AUT Issues on June 25, 2019.

On July 16, 2019, PGE filed reply testimony. On July 25, 2019, the Stipulating Parties participated in a settlement conference. On August 2, 2019, PGE filed a motion to suspend the procedural schedule related to the AUT Issues, indicating that the parties had reached an agreement in principle. The administrative law judge granted the motion.

On September 5, 2019, PGE filed a stipulation and supporting testimony joined by Staff, CUB, and AWEC. The stipulation settled all issues raised in the proceedings including:

- a) Western Energy Imbalance Market (EIM) Costs and Benefits;
- b) Inflation Rate in MONET;
- c) Forced Outage Rates;

- d) Boardman 2020 Operations;
- e) Wheatridge;
- f) QFs;
- g) Gas Optimization;
- h) Wind Capacity Factors; and
- i) California-Oregon Border Trading Margins.

The Commission issued Order No. 19-329 on October 3, 2019, adopting the AUT Issue stipulation and requiring the Utility to complete a final MONET run by November 15, 2019, to finalize estimated power cost amounts.

#### *MONET Updates*

The Annual Update Tariff process includes four periodic updates to forecasted NVPC for the following year with revisions to load forecasts, price forecasts, and contracts as they are realized. Each change in parameters produces a revised net variable power cost by updating the MONET dispatch tool and running the model again for the test year.

On July 15, 2019, PGE updated contract and electric and gas forward curves as of May 31, 2019. NVPC forecast for 2020 increased roughly \$8.5 million from the April 1, 2019, initial filing to approximately \$430.5 million. This increase was primarily due to contract updates that impact PGE's wind and coal operations in 2020.

At the time of the settlement, PGE's 2020 NVPC forecast, inclusive of the UE 359 Stipulation terms, was approximately \$395.2 million, representing a \$33.6 million increase relative to PGE's final 2019 NVPC forecast, but a \$26.8 million decrease from PGE's initial filing.

On October 1, 2019, PGE performed a MONET update based on contracts and electric and gas forward curves as of August 30, 2019. PGE's NVPC forecast for 2020 increased to approximately \$400.2 million, a decrease of roughly \$30.3 million from the July 15, 2019 update filing. This decrease was primarily due to: 1) incorporation of the September 5, 2019 NVPC Stipulation, and 2) qualifying facilities contract terminations.

On November 6, 2019, PGE updated contracts and electric and gas forward curves as of October 17, 2019. NVPC forecast for 2020 decreased to \$396.1 million, a decrease of roughly \$4 million from the October 1, 2019, update filing. This decrease was primarily due to contract updates related to qualifying facilities and other miscellaneous items.

On November 15, 2019, PGE performed the final update of its 2020 NVPC forecast. This update included 2020 electric and natural gas forward prices based on a five-day average of the forward curves on November 1, 2019, and November 4, 2019 through November 7, 2019. The final NVPC forecast totaled \$393.5 million, a reduction of approximately \$2.6 million from the November 6, 2019 update filing, which is due to the updates to electric and natural gas forward prices and QF contracts. This results in a final NVPC of roughly \$20.02 per MWh, or a decrease of \$1.45 per MWh from the initial filing and a \$1.48 per MWh increase from 2019 power costs. This equates to a roughly \$1.33 increase in the average customer's monthly bill. These changes will impact all of the roughly 900,000 Cost-of-Service customers.

*Effect of Docket No. UE 359 and Advice No. 19-28*

On November 15, 2019, PGE filed Advice No. 19-28. Staff reviewed the filing, tariff schedule, and workpapers to ensure the proposed filing is accurately calculated and consistent with Commission policy and direction.

In addition to Schedule 125, which updated NVPC, Advice No. 19-28 also updates Schedule 26 (Nonresidential Demand Response Pilot Program), removes Schedule 6 (Residential Pricing Pilot), and updates various System Usage, Distribution, and lighting fixture charges. Schedule 26, Nonresidential Demand Response Pilot Program energy prices are updated based on the 2020 forward market gas prices contained in the final UE 359 NVPC. Schedule 6, Residential Pricing Pilot is being withdrawn from the tariff in its entirety as the Pilot is no longer active. The System Usage and other various charges are reset based on new long-term direct access participation during the September 2019 enrollment window. The changes in System Usage, Distribution, and lighting fixture prices result in a decrease of approximately \$1.8 million.

In total 43 sheets are updated through Advice No. 19-28 and 10 pages are being withdrawn, a list of which can be found on the first page of the Company's application.

Staff's only further contact with the Company regarding this filing was to get the workpapers in their native format in order to ease the review process. Staff found the filed rates to be correct, fair, and in compliance with Order No. 19-329. Staff further finds that all of the revised sheets are correct.

Conclusion

Based on the review of PGE's application, Staff concludes that the proposed revisions are consistent with Order No. 19-329.

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**PROPOSED COMMISSION MOTION:**

Approve the compliance filing submitted by PGE in compliance with Order No. 19-329 and allow the tariff sheets filed in Advice No. 19-28 to go into effect on January 1, 2020.

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