

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 66

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,2016 Integrated Resource Plan.

ORDER

DISPOSITION: 2016 IRP REVISED RENEWABLE ACTION PLAN
ACKNOWLEDGED WITH CONDITIONS

This order memorializes our decision made at the December 13, 2017 Public Meeting concerning Portland General Electric Company's (PGE) revised renewable action plan, which was filed as an addendum to its 2016 Integrated Resource Plan (IRP). We acknowledge PGE's revised action item to issue a Request for Proposals (RFP) for new renewable energy resources of approximately 100 MWa, with the following conditions

1. Providing updated information: PGE will provide updates to its energy, capacity, and Renewable Portfolio Standard (RPS) needs within the RFP docket. PGE will update assumptions for qualifying facilities (QF) completion rates and unbundled Renewable Energy Credits (RECs) and incorporate those assumptions in the RFP analysis as sensitivities.
2. Use of glide path analysis in future IRPs and Renewable Portfolio Standard Implementation Plans (RPIPs): PGE will develop a glide path analysis for use in future IRPs and RPIPs.
3. Montana wind and Columbia Gorge wind questions: PGE will address RFP design and scoring elements relevant to Montana wind resources in the bidder and stakeholder workshops it conducts as part of the RFP public process.

4. Cost containment mechanism: The RFP will include a full description of the cost containment mechanism.
5. Delivering value from incremental RECs to customers: Staff may request that we open a docket on mechanisms for delivering value from incremental RECs to customers in a public meeting at a later date.

I. PGE's 2016 IRP ADDENDUM

A. Process

In Order No. 17-386, we acknowledged all action items in PGE's 2016 IRP except for PGE's action item to issue a RFP for 175 average megawatts (MWa) of new renewable energy resources. We encouraged PGE to work with Staff and other parties to prepare and file a revised action plan regarding renewable resource procurement. Following our order, PGE engaged with stakeholders over a three-month period and addressed concerns raised, including long-term uncertainties, incrementalism, near-term cost impacts, and overall cost effectiveness. Following those discussions, on November 9, 2017, PGE filed a revised renewable action plan with its proposal to conduct a RFP for approximately 100 MWa of RPS eligible resources with a cost-containment screen and a proposal to return the value of RECs procured before 2025 to customers.

The following parties filed comments on PGE's revised renewable action plan: the Industrial Customers of Northwest Utilities (ICNU), National Grid, Renewable Northwest (RNW), Northwest and Intermountain Power Producers Coalition (NIPPC), and Commission Staff. PGE filed reply comments. We addressed PGE's revised renewable action plan at our December 13, 2017 Special Public Meeting.

B. Revised Renewable Action Plan

1. Renewable RFP Action Item

PGE's revised renewable action plan is a proposal to issue a RFP for approximately 100 MWa of RPS eligible resources that contribute to meeting the company's energy and capacity needs by 2021. PGE's proposal includes two additional elements: a cost-containment screen within the RFP and a commitment to return the value of RECs procured before 2025 to customers. PGE aims to issue the RFP in early 2018 to ensure that projects that have already qualified for the federal production tax credit (PTC) are able to participate.

PGE's RFP will incorporate a cost-containment screen, requiring that procured resources have forecasted value to customers that exceeds forecasted costs. For inclusion in the short list, this screen would require that the real-levelized cost of a bid must not exceed the forecasted real-levelized energy and capacity value of the bid under reference case conditions. PGE states that multiple resources in the region could likely meet this threshold. This screen will help PGE to ensure that procured resources are cost effective for customers but, as PGE notes, is not intended as an affirmative indication that a resource is prudent or should necessarily be procured.

Finally, to further reduce the costs associated with near-term renewables, PGE commits to return to customers the value associated with RECs procured prior to 2025 through this revised renewable action plan. PGE states that it may sell RECs to the wholesale market through a reverse-RFP, sell RECs to retail subscribers of a green tariff, or evaluate future alternative policy compliance value. PGE explains that REC sales may provide a valuable credit to PGE's broader cost-of-service customer base that would reduce near-term power costs.

2. *PGE's Rationale and Order No. 17-386 Factors*

PGE addresses the factors we listed in its 2016 IRP order and describes how its action item: (1) addresses a near-term capacity and energy need, (2) is an incremental action that is grounded in a longer-term glide path to 2040 RPS compliance, (3) the role of QFs in needs assessment and RPS compliance, and (4) cost impacts.

PGE states that a renewable procurement target of 100 MWa aligns with its near-term (by 2021) energy and capacity needs that remain after the company's bilateral negotiation process. PGE provides a snapshot of its current-term and mid-term resource needs growing into the early 2020s. PGE also explains how it accounts for the capacity contribution of different renewable resources, and how an individual resource capacity determination will allow PGE to differentiate resources that provide diversity benefits to its portfolio.

PGE produced several glide paths as guidance for how near-term renewables procurement would fit within a longer-range RPS strategy to comply with Oregon's 50 percent RPS target in 2040. PGE concludes that resources from a 100 MWa RFP could fulfill approximately 11 percent of the incremental renewable development required to meet 2040 RPS obligations. PGE states this balances near-term and long-term risks and benefits for customers, because it puts PGE on track to meet long-term RPS targets while leaving flexibility for future renewable procurement activities.

With regard to the role PURPA QFs will play in its needs assessment and RPS compliance, PGE shows that its near-term needs snapshot is highly sensitive to the volume of QF contracts. PGE explains that its base assumption has been 100 percent success rate for QF contracts, and it conducted illustrative snapshot sensitivities showing how a 75 percent and 50 percent QF success rate increases the company's levels of resource need.

Finally, PGE states that its revised renewable action plan balances both net present value of revenue requirement (NPVRR) savings and near-term cost impacts. PGE compared two strategies that are both consistent with the blended glide path: one in which 100 MWa are procured by 2021 and one in which 100 MWa are not procured until 2025. This analysis identified that PGE's revised plan has an estimated NPVRR benefit of \$121 million under reference case assumptions. PGE also estimates hypothetical cost impacts of approximately one percent of the revenue requirement between 2021 and 2024.

C. Party Comments

Staff recommends acknowledging PGE's action item, subject to conditions. Staff's conditions include PGE providing updated information on its capacity, energy, and RPS needs based on updated inputs for QF contracts, bilateral negotiations, RPS compliance with 20 percent unbundled RECs, and tax changes. Staff requests ongoing use of the glide path analysis. Staff suggests additional work to address deliverability and other acquisition issues around Montana wind. Staff recommends the RFP include a full description of the cost containment mechanism. Finally, Staff believes a docket should be opened to determine a specific mechanism for delivering value from incremental RECs to customers.

NWEC, RNW, and NIPPC also support acknowledgment of PGE's revised renewable action item.

ICNU recommends we not acknowledge PGE's revised renewable action item because it is more prudent to wait to procure new resources when there is a more compelling showing of need. As an alternative, ICNU recommends we acknowledge the issuance of an RFP, but to decline to acknowledge a particular amount, the cost-containment screen, or any resource acquisition.

National Grid asks us to impose conditions that consider the increased need for grid-scale energy storage projects to aid in integration of renewable energy projects. National Grid states that PGE should more fully evaluate grid-scale energy storage in its next IRP.

II. DISCUSSION

We acknowledge PGE's action item to issue a RFP for approximately 100 MWa of renewable resources that meet PGE's energy and capacity needs by 2021 with conditions.

PGE's initial filing included two additional elements—the cost containment screen and returning the value of RECs to customers. Staff's comments requested five conditions, and PGE responded to these in its reply comments.¹ At the public meeting, we adopted the conditions as clarified by PGE's reply comments and informed by our discussion. We discuss our rationale for acknowledging PGE's renewable action item, and briefly address each of the five proposed conditions.

For the first condition, PGE will provide updates to its energy, capacity, and RPS needs within the RFP docket. PGE will incorporate updated assumptions around QF project completion rates and unbundled RECs as sensitivities in the RFP, but not as updates to the 2016 IRP reference case assumptions.

This condition directs PGE to continue to evaluate changes in circumstances, with updated analysis occurring throughout its RFP process and prior to moving forward. We will not revisit the assumptions from the 2016 IRP that we have already acknowledged, but will continue to engage with PGE, Staff, and stakeholders on any potential changes to PGE's energy or capacity needs going forward. Allowing PGE to modify levels of bilateral negotiations, 20 percent unbundled RECs used for RPS compliance, a different QF forecast, or a tax law change, and incorporate that information in sensitivities ensures that the analysis can be completed quickly as the RFP moves forward.

For the second condition, PGE will use a glide path analysis in future IRPs and subsequent RPIPs. The glide path analysis has been a helpful foundation upon which to build and further refine an understanding of the pacing of PGE's procurement plans, showing a forecast of the company's long-term compliance strategy and the incremental steps to get there.

For the third condition, PGE will address RFP design and scoring elements relevant to Montana wind resources in the bidder and stakeholder workshops it conducts as part of the RFP public process. This condition ensures that stakeholders will together discuss options for structuring the RFP deliverability requirement so that Montana wind may potentially be able to participate in the RFP.

¹ PGE Reply Comments at 2-3 (Dec 8, 2017).

For the fourth condition, the cost containment screen, we require that it be described and included in the RFP. The concept for a cost containment screen assures us that procurement following from the RFP will be limited to high value resources.

Last, for PGE's pledge to return the value of RECs to customers, Staff may request that we open a docket to address this issue at a public meeting, if necessary to allow parties and the Commission to fully consider potential mechanisms.

We acknowledge this revised renewable action plan with the conditions listed above. In our review of PGE's 2016 IRP, we expressed concerns with how utilities characterize need and assess risk of procurement timing and resource size, but recognized the potential value of time-limited opportunities for PTC benefits.² We therefore invited PGE in this IRP to make a greater showing of how a proposed resource action aligns with needs, mitigates short-term rate impacts, and maintains long-term optionality. PGE responded with a revised filing with a new "glide path" analysis. Staff and many stakeholders largely agree that PGE's glide path is a good foundational analysis that allows us to conclude that a 100 MWa RFP lines up fairly well with PGE's need.

The conditions we incorporate ensure that our acknowledgment here is not an open-ended support of a RFP of a certain size resource. While much depends on the ultimate scoring and price of proposals bid into the RFP, the conditions added here ensure that PGE's process should help identify high-value resources that align with the company's plans to secure energy and capacity needs. As part of its RFP process, PGE will update its assumptions (condition one) and use a cost containment screen (condition four), thus ensuring that PGE's RFP incorporates the most up-to-date conditions, including PTC availability, results of PGE's bilateral negotiations, and tax impacts. Ultimately, even as the conditions adopted here provide a level of confidence in the RFP process, the fundamental principle remains that, regardless of acknowledgment, any resource investment decisions ultimately rest firmly with the company.³

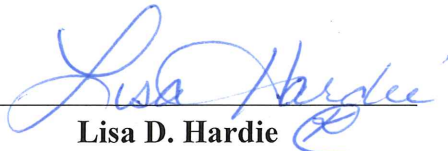
² Order No. 17-386 at 14-16 (Oct 9, 2017).

³ See *In the Matter of the Investigation into Least-Cost Planning for Resource Acquisitions by Energy Utilities in Oregon*, Docket No. UM 180, Order No. 89-507 at 6 (Apr 20, 1989) (explaining, "The Commission does not intend to usurp the role of utility decision-maker. Utility management will retain full responsibility for making decisions and for accepting the consequences of the decisions. Thus, the utilities will retain their autonomy while having the benefit of the information and opinion contributed by the public and the Commission * * *").

III. ORDER

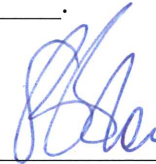
IT IS ORDERED that the Revised Renewable Action Plan filed by Portland General Electric Company is acknowledged with conditions consistent with the terms of our decision.

Made, entered, and effective FEB 02 2018.



Lisa D. Hardie

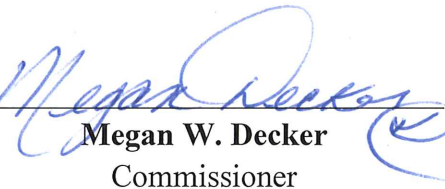
Chair



Stephen M. Bloom

Commissioner





Megan W. Decker

Commissioner