

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1728

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Application to Update Schedule 201
Qualifying Facility Information.

THE COMMUNITY RENEWABLE
ENERGY ASSOCIATION AND THE
RENEWABLE ENERGY
COALITION'S COMMENTS ON
STAFF REPORT

The Community Renewable Energy Association (“CREA”) and the Renewable Energy Coalition (the “Coalition”) (collectively the “QF Trade Associations”) respectfully submit these comments on Staff’s Report for the public meeting on May 16, 2024, regarding Portland General Electric Company’s (“PGE”) Update to Standard Avoided Cost Schedule for Qualifying Facilities Post 2023 Integrated Resource Plan (“IRP”) Acknowledgment. Although the QF Trade Associations have not had the time or resources to fully review PGE’s rate update filing, the QF Trade Associations file these comments to express significant concern to the Public Utility Commission of Oregon (“Commission”) regarding flaws in PGE’s rate filing that are apparent from the Staff Report and which will deter small-scale renewable energy development if approved by the Commission. The QF Trade Associations appreciate Staff’s constructive engagement prior to its preparation of the Staff Report, and had hoped to identify any issues prior to Staff’s finalization of its issuance, but were unable to do so.

The QF Trade Associations recognize that larger methodological corrections to the Commission’s policies for calculating avoided cost rates are under consideration in Docket No. UM 2000 and appreciate Staff’s conclusion that PGE’s rate filing is technically compliant with the current policies to the extent that it reflects certain materials in PGE’s IRP. However, the problem, in the QF Trade Associations’ view, is that the current rate calculation policy allows each individual utility to develop its own rate inputs in its IRP—often with little to no scrutiny—and to then feed those inputs into the avoided cost rate calculation, which generates results that can be wildly inconsistent with the expected avoided costs.

In this particular instance, the QF Trade Associations highlight the following unexpected results from PGE’s avoided cost rate update:

1. **Non-Renewable Rates**: PGE’s proposed non-renewable rates are unreasonably low. According to Staff’s Report, PGE’s 15-year levelized rate for baseload non-renewable QFs is \$46.32/MWh.¹ This is supposed to be a rate generated from the next major non-renewable resource, which has traditionally been a combined cycle combustion turbine gas plant (“CCCT”) with an adjustment to calculate the capacity costs through use of capital costs of a simple cycle combustion turbine gas plant (“SCCT”). The proposed value for this rate—just \$46.32/MWh—appears to be significantly below the costs of actually developing and operating such a resource in today’s market. The comparable rates for both Idaho Power and PacifiCorp that have recently been proposed

¹ Staff Report, Docket No. UM 1728, at p. 4 (May 16, 2024).

are far higher. PacifiCorp’s proposed May 1 update rates for standard baseload non-renewable QFs escalate from \$46.67 in 2025 to \$71.63 in 2040, and Idaho Power’s proposed rates appear to be significantly higher than PacifiCorp’s proposed rates.² The QF Trade Associations understand PGE’s lower rate is likely due primarily to PGE’s low natural gas price forecast, which is Staff describes as “fall[ing] for the majority of the forecast horizon, resulting in an average decline of approximately 7.6 percent over the 2024-2040 forecast horizon compared to the Company’s 2023 annual update filing.”³ It is possible there are other factors contributing to PGE’s lower rate.

It is also interesting to compare PGE’s proposed rate to the comparable Idaho Public Utilities Commission (“IPUC”)-approved rates for Idaho Power because in Idaho the IPUC Staff controls the proxy model to eliminate the risk of self-serving gas forecasts and other adjustments in each individual utility’s IRP. Similar to the Oregon rates, the IPUC uses a CCCT proxy resource to calculate the rates. In contrast to PGE’s proposed \$46.32/MWh rate, the IPUC’s 15-year levelized IPUC rate for “other” QFs (i.e., generic baseload not falling in any other categories) is approximately \$58/MWh if online in 2024 and escalate to over \$63/MWh if online in 2028.⁴ PGE’s non-renewable rates are not

² PacifiCorp’s Avoided Cost Update, Docket No. UM 1729, Appendix 1 at Table 7a (May 14, 2024); Idaho Power’s Avoided Cost Update, Docket No. UM 1730, as Sheet 85-8 (April 30, 2024).

³ Staff Report, Docket No. UM 1728, at p. 4 (May 16, 2024).

⁴ Available at: <https://puc.idaho.gov/Fileroom/PublicFiles/electric/Idaho%20Power%20Rates%20Order%20No.%2035800%20-%20New%20Contracts.pdf>. PacifiCorp and Avista’s IPUC-approved rates are not comparable because they each have

even in the ballpark of what we generally consider to be a conservative calculation by the IPUC. The Commission should ask whether PGE can seriously build any type of new baseload resource for \$46/MWh in today’s market, and if the answer is “no” then the avoided cost rates must be increased. One option would be to require PGE to utilize a more reasonable natural gas price forecast that does not decline over the planning horizon.

2. **Renewable Rates**: The renewable rates remain unrealistically low due to unrealistic assumptions for the avoided renewable resource. Notably, PGE’s proposed baseload and wind renewable QF rates are even lower than the non-renewable rates offered for baseload and wind QFs due to the unrealistically low cost of the avoided renewable resource. Specifically, based on the renewable wind QF prices, the avoided wind resource appears to be producing a 15-year levelized rate of approximately \$30/MWh,⁵ likely due to the assumed 44% capacity factor of the avoided Gorge wind resource PGE modeled to calculate the rates. Staff explains the capacity factor increased 3.6% and overnight capital and fixed operations and maintenance expense both decreased compared to the PGE’s prior rate update.⁶ The resulting price appears to be well below market. According to PGE’s UM 2166 public compliance filing from its last request for proposals (“RFP”), the average price for bids on the final shortlist for wind and solar

significant sufficiency periods with low pricing that impacts the 15-year levelized rates.

⁵ Staff Report, Docket No. UM 1728, at p. 3 (May 16, 2024).

⁶ Staff Report, Docket No. UM 1728, at pp. 5-6 (May 16, 2024).

without storage was \$60.94/MWh.⁷ Thus, the Commission should require PGE to use more realistic assumptions for the avoided renewable resource to produce rates more in line with the costs of such resources in the market.

3. Solar-plus-Storage Rates: While the QF Trade Associations support the increased effective load carrying capability (“ELCC”) value PGE now attributes to solar QFs from 8.5% to 38%, PGE does not adjust upward the solar-plus-storage capacity factor for purposes of QF rates. Instead, the ELCC for solar-plus-storage goes from low to lower—decreasing from 49% to 43%.⁸ According to Staff’s Report, a 4-hour battery adds only 5% to the solar facility’s ELCC and less than \$1/MWh to the 15-year levelized price paid.⁹ While a solar-plus-storage QF may be better able to dispatch during all premium peak hours to capture all available capacity value, it is still difficult to imagine any QF adding batteries to its proposed facility given the very minimal incentive PGE is proposing. Notably, PGE’s proposed solar-plus-storage ELCC does not appear to be derived directly from its IRP, and it remains out of synch with those of the other two utilities. PacifiCorp is currently using a 63.4% ELCC for solar-plus-storage QFs,¹⁰ and Idaho Power is currently using a 65% ELCC for solar-plus-storage QFs.¹¹ Thus, PGE’s proposal is again significantly lower than other utilities and not an accurate reflection of

⁷ PGE’s Compliance Filing, Docket No. UM 2166 (June 30, 2023).

⁸ Staff Report, Docket No. UM 1728, at p. 5 (May 16, 2024).

⁹ Staff Report, Docket No. UM 1728, at p. 3 (May 16, 2024).

¹⁰ PacifiCorp’s Avoided Cost Update, Docket No. UM 1729, Appendix 2 at pp. 5-6 (May 14, 2024).

¹¹ Staff Report, Docket No. UM 1730, p. 3 (Sept. 14, 2023).

the full avoided costs that QFs could deliver to PGE’s system.

4. It is Unclear Whether PGE Properly Incorporated QF Assumptions as

Directed by Commission Order: In PGE’s 2023 Integrated Resource Plan (“IRP”), the Commission ordered PGE “to recalculate its IRP inputs using an assumption of 75 percent for QF renewals and the QF success rate for Schedule 202 projects.”¹² The Coalition understands Commission Staff reviewed this issue and identified no concerns. However, this week, PGE provided a data response to the Coalition that indicates that PGE believes there is only “3.6 MW of contract capacity that expires and is assumed to be renewed at a rate of 75% in or prior to the 2026 test year.”¹³ The Coalition is not entirely sure what is meant by this, but it does not appear to be correct. Even if PGE thought the 2026 test year was the only applicable IRP input, that would need correction. Staff’s Best Practices in Docket No. UM 2011 clearly calls for multiple ELCC calculations to be run, including one for “the last year of the study period.”¹⁴ Further, as noted in the UM 2011 docket, “As a condition of LC 73 IRP Update Order No. 21-129 PGE is to compute ELCC values by year for its next IRP.”¹⁵ If there is an issue here, as there appears to be, it could be affecting both the QF renewals as well as the assumed Schedule 202 success rate. The Coalition urges the Commission to scrutinize this before allowing the proposed rates to take effect.

¹² Docket No. LC 80, Commission Order No. 24-096, p. 22 (Apr. 18, 2024).

¹³ PGE Response to REC Information Request 030 (appended hereto as Attachment A).

¹⁴ Docket No. UM 2011, Order No. 22-468, Appendix A, pp. 17-19 (Dec. 1, 2022).

¹⁵ Docket No. UM 2011, Order No. 22-468, Appendix A, p. 18 n.4.

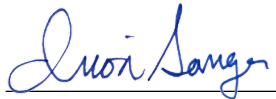
CONCLUSION

While the QF Trade Associations appreciate that the rate methodology is under consideration in Docket No. UM 2000, PGE's proposed rates will be in effect for at least a year and likely longer until the flawed underlying assumptions will be changed in a UM 2000 compliance filing or the next IRP cycle. Thus, the QF Trade Associations recommend that the Commission take action now to correct the flawed assumptions noted above to ensure the QFs are encouraged with the full avoided costs during the pendency of the Commission's larger investigation. Finally, if nothing else, this PGE filing highlights some of the key problems the Commission's current avoided cost rate policies that rely so heavily on inputs developed by the utility without adequate transparency and scrutiny.

Dated this 15th day of May 2024.

Respectfully submitted,

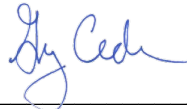
Sanger Law, PC



Irion Sanger
Joni Sliger
4031 SE Hawthorne Blvd
Portland, OR 97214
Telephone: (503) 756-7533
Fax: (503) 334-2235
irion@sanger-law.com

Of Attorneys for the Renewable
Energy Coalition

Richardson Adams, PLLC



Gregory M. Adams
515 N. 27th Street
Boise, ID 83702
Telephone: 208-938-2236
greg@richardsonadams.com

Of Attorney for the Community
Renewable Energy Association

Attachment A

PGE Response to REC Information Request 030

May 14, 2024

To: Irion Sanger
Renewable Energy Coalition

From: Robert Macfarlane
Manager, Pricing and Tariffs

Portland General Electric Company
UM 1728
PGE Response to REC Information Request 030
Dated May 7, 2024

Request:

Please provide the following numbers in total MWs as of:

- 1) the date of the data response and
- 2) the snapshot data for this avoided cost update:
 - a. The aggregate amount of operational QF capacity serving PGE;
 - b. The total amount of operational QF capacity that PGE assumes for purposes of this avoided cost update will continue to serve PGE after its current contract expires (i.e., renews);
 - c. The aggregate amount of not-yet-operational QF capacity contracted to serve PGE under Schedule 201 contracts;
 - d. The total amount of operational QF capacity that PGE assumes for purposes of this avoided cost update will continue to serve PGE after its current Schedule 201 contract expires (i.e., renews);
 - e. The aggregate amount of not-yet-operational QF capacity contracted to serve PGE under Schedule 202 contracts;
 - f. The total amount of operational QF capacity that PGE assumes for purposes of this avoided cost update will continue to serve PGE after its current Schedule 202 contract expires (i.e., renews);
 - g. The aggregate amount of operational Community Solar QF capacity in PGE's service territory;
 - h. The aggregate amount of not-yet-operational Community Solar QF capacity in PGE's service territory;
 - i. The amount of Community Solar QF capacity that PGE assumes to be operational for purposes of this rate update, distinguished by year if applicable;

Response:

1. Using the QF snapshot dated May 8, 2024
 - a. 318.6 MW
 - b. 3.6 MW of contract capacity that expires and is assumed to be renewed at a rate of 75% in or prior to 2026

- c. There is no QF capacity that is not-yet-operational to serve under Schedule 201 as of the date of the snapshot.
 - d. 3.6 MW of Schedule 201 capacity that expires and is assumed to be renewed at a rate of 75% in or prior to the 2026 test year.
 - e. 116.0 MW
 - f. There is no Schedule 202 contract that expires and is assumed to be renewed in or prior to the 2026 test year.
 - g. 27 MW in the snapshot in 2024.
 - h. 18 MW in the snapshot in 2024.
 - i. PGE objects to this request as not reasonably calculated to lead to the discovery of admissible evidence. The information requested is not applicable as this snapshot was not used in this rate update.
2. Using the QF snapshot date for this avoided cost update
- a. 318.6 MW
 - b. 3.6 MW of contract capacity that expires and is assumed to be renewed at a rate of 75% in or prior to the 2026 test year.
 - c. 10.1 MW
 - d. 3.6 MW of Schedule 201 capacity that expires and is assumed to be renewed at a rate of 75% in or prior to the 2026 test year.
 - e. 116.0 MW
 - f. There is no Schedule 202 contract that expires and is assumed to be renewed in or prior to the 2026 test year.
 - g. 25 MW in the snapshot in 2024.
 - h. 9 MW in the snapshot in 2024.
 - i. 47 MW in the 2026 test year.