

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1755

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

2016 Renewable Portfolio Implementation
Plan.

Staff's Supplemental Comments

Introduction

Staff of the Public Utility Commission of Oregon (Staff) presents its Supplemental Comments in response to Portland General Electric's (PGE or Company) Supplemental Attachment A, which the Company filed on February 16, 2016. PGE filed its Supplemental Attachment A in order to provide additional information and context resulting from, at the time, the likely passage of HB 4036 upon its 2016 Renewable Portfolio Standard Implementation Plan (RPIP) filed December 31, 2015.¹

PGE filed its Supplemental Attachment A on the same date that Staff and the Industrial Customers of Northwest Utilities filed their Initial Comments. The Administrative Law Judge granted Staff's motion that created an additional round of comments to allow the parties time to analyze the additional information provided in PGE's Supplemental Attachment A.

Discussion

Staff recognizes PGE for providing this update. Comments are focused on the deficiencies of this update related to full RPIP response requirements but the initiative shown by the company in providing an update is appreciated.

Staff first raises an overarching substantive and procedural concern arising from OAR 860-083-0400(4), which states:

If there are material differences in the planned actions in section (2) of this rule from the action plan in the most recently filed or updated integrated resource plan by the electric Company, or if conditions have materially changed from the conditions assumed in such filing, the company must provide sufficient documentation to demonstrate how the implementation plan appropriately balances risks and expected costs as required by the integrated resource planning guidelines in 1.b and c. of the Commission Order No. 07-047 and

¹ HB 4036 was ultimately rolled into what is now known as SB 1547.

subsequent guidelines related to implementation plans set forth by the Commission. (*Emphasis added*)

Further, OAR 860-083-0400(5) provides, in relevant part:

Under the following circumstances, the electric company must, for the applicable compliance year, provide sufficient documentation or citations to demonstrate how the implementation plan appropriately balances risks and expected costs as required by the integrated resource planning guidelines in 1.b. and c. of Commission Order No. 07-047 and subsequent guidelines related to implementation plans set forth by the Commission:

(b) The company plans, for reasons other than to meet unanticipated contingencies that arise during a compliance year, to use any of the following compliance methods:

(A) Unbundled renewable energy certificates.

(*Emphasis added*)

PGE’s Supplemental Attachment A indicates the Company intends to install and have operational by 2020 a “Generic RPS Resource” with an estimated capacity of 95 MWa.² Neither in PGE’s 2013 Integrated Resource Plan (IRP) nor in its 2013 IRP Update does the Company discuss a resource addition in 2020 or demonstrate a resource need in 2020.³ Though the Renewable Energy Credits (RECs) generated from this new qualifying resource will not be used for compliance purposes during the five-year implementation period, PGE is nonetheless required to calculate the incremental costs of the RECs generated in the RPIP planning period.⁴ Therefore, Staff finds that this forecasted resource addition qualifies the Supplemental Attachment A for the scrutiny necessitated by OAR 860-083-0400(4).

Furthermore, in adhering to the thresholds described in OAR 860-083-0400(4), Staff finds that “conditions have materially changed” due to the passage of SB 1547, further necessitating the need for “sufficient documentation” that demonstrates balancing of risks and expected costs. Staff understands PGE’s 2013 IRP Update, the filing in which the most relevant contextual information can be found at the time of this writing,

² PGE’s 2016 Renewable Portfolio Standard Implementation Plan Supplemental Attachment A, at page 2.

³ LC 56; PGE’s 2013 IRP Update, at page 7, states “Based on the results of a cost and risk analysis, PGE concludes a physical renewable resource addition in 2024, balanced by reliance on banked RECs through 2023, enables the Company to delay costs of physical compliance in 2020. This strategy provides a hedge against factors that pose future costs or compliance risks for PGE.”

⁴ OAR 860-083-0400(2)(d); PGE fulfills this requirement with Tab 2 of their Supplemental Attachment A, at page 2.

preceded the passage of SB 1547.⁵ Nonetheless, the Commission’s relevant rules set the expectations high for supporting documentation according to the referenced IRP guidelines.

With that being said, Staff finds PGE’s supplied information, both in its Supplemental Attachment A and in the accompanying work papers, to be *insufficient* in demonstrating how the Company’s proposed compliance plan under the SB 1547 paradigm “appropriately balances risks and expected costs.” As such, Staff concludes that PGE’s Supplemental Attachment A is non-compliant with OAR 860-083-0400(4) and (5). In particular, Staff finds that PGE’s Supplemental Attachment A fails to address the following two IRP planning requirements under Guideline 1:

1. The utility should explain in its plan how its resource choices appropriately balance cost and risk, and
2. The utility should identify in its plan any additional sources of risk and uncertainty.⁶

SB 1547 fundamentally changes how Oregon investor-owned utilities comply with the state’s Renewable Portfolio Standard (RPS). SB 1547’s doubling of the RPS compliance to 50 percent by 2040 and its staggered increases leading up to that level alone introduce new challenges and risks. Further, SB 1547’s elimination of the “first in, first out” (FIFO) requirement, creation of unlimited-life RECs, and an incentive to secure physical compliance prior to 2023, are all new factors in complying with the RPS which engender both risk-adding and risk-averting aspects of RPS compliance. No better is this new complexity exemplified than in Tabs 2 and 3 of PGE’s Supplemental Attachment A. Tab 2 shows a 95 Mwa generic RPS resource coming online and generating RECs in 2020 and 2021, while Tab 3 shows that PGE will not use any RECs generated from this generic renewable resource during the five-year compliance period despite PGE now utilizing a same-year physical compliance strategy.

Without any supporting context or justification, Supplemental Attachment A fails to demonstrate why this resource should be developed at that particular point in time. Below Staff identifies other aspects of the Company’s Supplemental Attachment A that support its position that the filing is insufficient and non-compliant with OAR 860-083-0400(4) and (5) and warrants further action mandated by the Commission.

Unbundled RECs

⁵ PGE’s 2016 IRP update will not be filed until September, 2016.

⁶ Commission’s Adopted IRP Guidelines, at page 1, Appendix A, Order No. 07-047, Docket No. UM 1056, January 8, 2007.

Unlike previous RPIPs and PGE’s intended RPS compliance strategy described in both the Company’s 2013 IRP Update and in its 2016 RPIP, the Company’s Supplemental Attachment A indicates that it will meet 20 percent of the RPS target load with unbundled RECs as limited by statute.⁷

Staff would expect the Company to supply supporting evidence and reasoning that demonstrate how this new RPS-compliance strategy fulfills the requirements of OAR 860-083-0400(5), which in turn references IRP guidelines 1.b and c, in particular how maximizing use of unbundled RECs best manages risk and cost for ratepayers.

Supplemental Attachment A contains quantitative data that shows how PGE pivots compliance methods under the SB 1547 paradigm, but does not provide any sort of reasoning or explanation to support risk and cost optimization in both the short-term and long-term, the latter of which is imperative with the new unlimited-life RECs. Without the documentation or citations as required by the rule, Staff finds that the Company’s Supplemental Attachment A is non-compliant with OAR 860-083-0400(5).

Sensitivity Analysis

PGE analyzed SB 1547 changes under only the “Base Case” sensitivity, which uses the reference gas prices from the 2013 IRP Update as well as CO2 prices that begin in 2020. PGE did not conduct any RPS compliance analysis under the three other sensitivities found in the 2016 RPIP filing.⁸

Staff expressed in its Initial Comments the belief that the “reference gas, no carbon external price sensitivity” was the more relevant sensitivity to consider because of the current state, regional and federal CO2-price landscape, i.e., there is very little possibility of a carbon external price being enacted in the future. High gas price sensitivities would also have been helpful, but Staff’s pressing concern lies with the absence of a scenario that considers no carbon external price due to the fact that the incremental cost increases substantially as demonstrated in PGE’s 2016 RPIP.⁹ Without the analysis that shows the effects of no carbon external price, Staff cannot recommend the Commission accept the results of the Supplemental Attachment A.

⁷ ORS 469A.145.

⁸ The other three sensitivities are: 1) Reference gas prices, no CO2 price; 2) High gas prices, CO2 price; and 3) High Gas prices, no CO2 price.

⁹ “Tab 1 – Incremental Cost Summary,” at page 1, Attachment A, PGE’s 2016 Renewable Portfolio Standard Implementation Plan, Docket No. UM 1755, December 31, 2016.

BEGIN CONFIDENTIAL


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END CONFIDENTIAL

This concludes Staff's comments to PGE's Supplemental Attachment A to its 2016 RPIP.

Dated at Salem, Oregon, this 15th day of April, 2016.



Michael Breish
Senior Utility Analyst
Energy Resources and Planning Division

[REDACTED]

CERTIFICATE OF SERVICE

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I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 15th day of April, 2016 at Salem, Oregon



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