ITEM NO. RA3

PUBLIC UTILITY COMMISSION OF OREGON
HIGHLY CONFIDENTIAL STAFF REPORT
PUBLIC MEETING DATE: February 7, 2023

REGULAR __X__ **CONSENT** ____ **EFFECTIVE DATE** ____Upon Approval____

DATE: January 30, 2023

TO: Public Utility Commission

FROM: Madison Bolton

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1953)
Green Energy Affinity Rider, Schedule 55, Phase 1, CSO Option, update to rate and credit calculation due to renegotiated PPA.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (OPUC or Commission) approve Portland General Electric's (PGE) updated rate and credit calculations with a revised effective load carrying capability (ELCC) value of 8.5 percent in the credit calculation for its Phase 1, Customer Supply Option (CSO) offering, and find that it is in compliance with Order No. 19-075 and PGE's Schedule 55.

DISCUSSION:

Issue

Whether the Commission should approve the updated rate and credit calculations for the Green Energy Affinity Rider (GEAR) Phase 1, CSO tranche.

Applicable Rule or Law

ORS 757.205 requires that every public utility file with the Commission all rates, tolls, and charges which are established and in force for any service performed by it within the state. All rules and regulations that affect rates charged or to be charged must also be filed.

Analysis

Background
In Order No. 19-075, the Commission approved Phase 1 of PGE's GEAR, a voluntary renewable energy tariff (VRET). The order also approved Phase 1 of the program with certain conditions, including a designation between a PGE supplied option (PSO) and a customer supplied option (CSO). Phase 1 includes a 100 MW cap for the PSO, available to any non-residential customer whose aggregate demand across all retail schedules exceeds 30 kW. It also includes a 200 MW cap for the CSO for customers with demand above 10 aMW. For the CSO, customers must approach PGE with a potential PPA and PGE, the customer, and the project owner would work to come to terms on a contract.

The Commission also approved Schedule 55, a tariff that describes the rates and rules that apply to subscribing customers. PGE's GEAR program is voluntary, with risks and costs of the program paid for by subscribers. Under the terms of the tariff, subscribers receive a credit for the value of incremental energy and capacity provided to PGE's system by the PPA from other cost of service (COS) customers. Any PPA cost above the energy and capacity value credited to the subscribers is to be borne by the subscribers.

Schedule 55 sets forth the formula used to determine rates for subscribers. When the Company enters into a contract with participants in the GEAR, PGE must file the specific rate and credit calculations for review with the Commission. Upon review, Staff makes a recommendation to the Commission at a public meeting regarding compliance with the Company's Schedule 55 and Order No. 19-075.

The rate and credit calculations for the CSO in Phase 1 were previously approved by the Commission in Order No. 21-053, but the Company submitted a filing on November 18, 2022, stating that the calculations have been updated to reflect a renegotiated power purchase agreement (PPA) for the capacity under the CSO portion of the cap. PGE has used the same credit methodology approved in Order No. 21-053.

This memo provides Staff's recommendation on PGE's November 18, 2022, compliance filing of rates and customer agreement for the 140 MW **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** resource that serves the CSO capacity under Phase 1 of the GEAR program.

Rate Calculation and Customer Agreement
PGE has updated every component of the rate and credit calculation other than the administrative costs paid by the participant. The energy and capacity credit calculation

relies on updated energy price curves based on the AURORA forecast used in PGE's most recent request-for-proposal (RFP). PGE has also updated the other components of the customer credit including the underlying resource's generation forecasts, PGE's system portfolio data, and the resource's ELCC analysis.

Additionally, PGE has updated the PPA price paid by participants as a result of renegotiations that more accurately reflect current market conditions and the Company's changes in capacity need. Staff discusses the implications of this update and the energy and capacity credit changes in the following section.

Staff has reviewed the credit methodology and rate calculation and finds it to be in compliance with the Commission-approved methodology as set forth in PGE's Schedule 55, implementing Order No. 19-075. PGE utilized the proper IRP valuation methodology and has provided reasonable estimates of administrative costs. Staff has also reviewed the renegotiated customer agreement and finds it to be in compliance with the Company's Schedule 55 and Order No. 19-075. The customer agreement appears consistent, to the extent practicable, with previous service agreements in PGE's initial offering already approved by the Commission.

Staff notes that PGE's new ELCC analysis uses a six-hour battery as the avoided capacity resource and not the combustion turbine used in the previously approved credit calculation. Staff understands that the Company identified this as a more reasonable least cost capacity resource based on HB 2021 emissions reduction requirements. Staff also understands that the Company used the results of the current RFP to inform these resource assumptions. Staff also believes that this update is consistent with the avoided resource practices in Staff's recently adopted Capacity Modeling Best Practices.[1]

Complications Identified by Staff
While these updates to the ELCC analysis and rate and credit calculation appear reasonable, Staff notes that the Company may have been selective in the capacity modeling updates it is proposing at this time. Prior to PGE's request to update the rate for this phase of the program, Staff envisioned changes to the VRET capacity valuation would be identified in an open, rigorous process that considers the entirety of capacity

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[1] Commission Order No. 22-468 adopted Staff's Capacity Contribution Best Practices. This includes Best Practice No. 9 Avoided Resource definition, which states that, "The avoided resource should be informed by the feasibility and cost of alternative utility resource options under policy and market realities, including such considerations as climate policy, transmission availability and interconnection queues. The avoided capacity resource should be the most cost-effective form of capacity that can be used to serve Oregon load under those principles. Determination of the most cost-effective avoided resource should use ELCC modeling to weigh the potential resources on a $/MW of capacity provided scale (Resource Cost/(ELCC * Nameplate)) to identify the appropriate avoided resources unless legal or other considerations warrant the use of an alternative method."

modeling improvements that should be made to ensure that VRET methodologies are more precisely capturing capacity contribution of renewable resources and reflecting changing system needs. Staff also envisioned crediting changes applying consistently across voluntary bundled products being developed for different utilities and customer classes. Staff recommends conducting a more comprehensive investigation into voluntary bundled capacity valuation methods that considers all of the goals and practices developed in Docket No. UM 2011. Staff has concerns over the relative disparity between **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** estimated ELCC of 10 percent and PGE's originally proposed update to the solar ELCC of six percent for avoided cost rates in Docket No. UM 1728. While Staff understands that the resource size and generation profile may be different from the proxy resources used in the small generation avoided cost methodology, Staff has concerns over the model output given the findings from UM 2011. Until Staff, stakeholders, and the Company have had an opportunity to fully review the Company's capacity modeling in its upcoming IRP, Staff believes that the Company should utilize the agreed upon 8.5 percent ELCC currently in rates for PURPA QF's. This value results in a lower energy and capacity credit of **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**, but Staff believes it is important to maintain this consistency until a more thorough investigation of capacity evaluation, PGE's IRP, and the practices in UM 2011 can coincide.

As mentioned above, Staff identified changes in the PPA prices paid by participants and credit prices paid by COS customers compared to the previous rate and credit calculation for the resource. Amid a myriad of supply chain issues and other market forces, **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**.[2] PGE's proposed rate update reflects these market forces in two ways. [**BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**.

Staff does not view these market changes as a result of the VRET program itself. **[BEGIN HIGHLY CONFIDENTIAL]** [redacted]

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2 [redacted]

[redacted] **[END HIGHLY CONFIDENTIAL]**.

The following table displays the changes in the rate and credit calculation for this capacity. **[BEGIN HIGHLY CONFIDENTIAL]** [redacted]

	Original	Renegotiated	Net change
ELCC	[redacted]	10.00%	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

[redacted] **[END HIGHLY CONFIDENTIAL]**. Staff is open to investigating this issue to inform future Commission decisions on voluntary renewable energy programs such as VRETs and Community Green Tariffs. However, due to the necessity of PGE's **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**, Staff does not believe this concern warrants rejecting the rate and credit calculation for the resources in the current filing.

Oregon Citizens' Utility Board Concerns
In speaking with representatives from Oregon Citizens' Utility Board (CUB), Staff was informed that CUB is concerned about **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** has shifted indirect costs to non-participants of the VRET that should be paid for by participants instead. To accurately assign the costs, CUB suggests applying the portion that **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**. Representatives of CUB informed Staff they intend to file comments on this issue with greater detail prior to the February 7, 2023, public meeting.

[BEGIN HIGHLY CONFIDENTIAL] [redacted] **[END HIGHLY CONFIDENTIAL]**. Staff also notes that because the crediting methodology is based on the energy and capacity value in PGE's IRP results at the time of procurement, COS customers would pay the same amount for the resource regardless of whether it supports the VRET or COS. Staff does not agree that CUB has

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[redacted]

identified indirect cost shifting because COS customers would **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** only served COS.

CUB explained they would use a MONET power cost model **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** and include it in the net present value calculation used to determine the energy and capacity credit. Staff notes that this analysis focuses on a single year run and uses a power cost model, deviating from the established method of calculating the energy and capacity credit that the Company has used in this filing and in the past. As Staff described previously, PGE has calculated the rate and credit using the methods that are in compliance with Schedule 55 and Order No. 19-075.

PGE's GEAR program is structured to only have a direct rate effect on those customers who choose to subscribe. **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**.

CUB also held concerns about the cost of participation in the VRET. **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** CUB may recommend adjustments to the energy and capacity credit calculation to address this topic in future procurements.

Confidential Information
PGE explains in the filing that the energy and capacity credit as well as the energy curve used to value the resource are currently being treated as highly confidential. This departs from Administrative Law Judge Moser's ruling from March 19, 2021, which waived the confidential designation on the rate and credit calculation.[4] PGE explains that the circumstance around the information has changed, being that PGE is in active negotiations with RFP participants. The Company states that disclosing the energy and

[4] UM 1953, Chief ALJ Nolan Moser's Ruling, March 19, 2021.

capacity values could impact GEAR participants willingness to pay, which could cause increased costs for customers.

Additionally, PGE notes that the energy curve used in valuing the GEAR resource is the same curve used in PGE's 2021 All-Source RFP, which is subject to Modified Protective Order No. 22-025 in the RFP docket.

Conclusion

Staff recommends that the Commission approve the updated rates and credit calculation with an adjusted ELCC value of 8.5 percent, and believes further consideration is required for future VRET procurements that examines capacity modeling changes in the context of the results of the UM 2011 General Capacity Investigation. Staff understands that the Company is working to implement Staff's Capacity Contribution Best Practices and that those changes can take time, but further improvements should be made in the future. Staff also believes that the utility and stakeholders should discuss the implications of new tranches of GEAR procurement and the effects of the 2040 clean emissions target on the design of voluntary renewable energy programs. Staff is open to investigating these issues further prior to approval of the rate and credit calculations for this Phase if the Commission prefers. However, Staff recommends approval because these PPA renegotiations were for previously approved GEAR procurements and the Company has utilized the information available to best update and evaluate the value these PPAs provide to COS customers.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's updated rate and credit calculations with a revised ELCC value of 8.5 percent in the credit calculation for its Phase 1, Customer Supply Option offering, and find that it is in compliance with Order No. 19-075 and the Company's Schedule 55.