ITEM NO. RA4

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 2, CSO Option, rate, and credit calculation for 60 MW of Phase 2 capacity.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (OPUC or Commission) approve Portland General Electric's (PGE) rate and credit calculations related to 60 MW of its Phase 2, Customer Supply Option (CSO) offering and find that it is in compliance with Order No. 21-091 and PGE's Schedule 55.

DISCUSSION:

Issue

Whether the Commission should approve the rate and credit calculations for 60 MW of the Green Energy Affinity Rider (GEAR) Phase 2 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.

<u>Analysis</u>

Background
On March 25, 2020, PGE filed a customer letter of intent in UM 1953 indicating that the entire 300 MW capacity under the GEAR Phase 1 cap was full. PGE requested an increase of 200 MW for Phase 2 of the program. The Commission approved the expansion in Order No. 21-091, with the distinction that 100 MW would be allocated for the PGE supplied option (PSO) and 100 MW for the CSO. PGE's current filing addresses 60 MW of the 100 MW available under the CSO.

Schedule 55 sets forth the formula used to determine rates for subscribers, and, when the Company enters into a contract with participants in Phase 2 of 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. 21-091.

PGE has used the same credit methodology approved in Order No. 21-053 and used in Phase 1 compliance filings, but with updates to reflect the different generating resource.

This memo provides Staff's recommendation on PGE's November 18, 2022, compliance filing of rates and customer agreement for the **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**, accounting for 60 MW of the CSO capacity under Phase 2 of the GEAR program. PGE has noted that a second filing will address the remaining 40 MW under the CSO portion of the Phase 2 cap at a later date.

Rate Calculation and Customer Agreement
Staff has reviewed the credit methodology and rate calculation and finds it complies with the Commission-approved methodology as set forth in PGE's Schedule 55 and Order No. 21-091. PGE utilized the proper IRP valuation methodology and has provided reasonable estimates of administrative costs. PGE has performed the cost and credit analysis with the available information at the time of execution of the new PPA for the resource. PGE completed the analysis with the energy price curves from the AURORA forecast in PGE's most recent request-for-proposal, a forecast of the resource's generation, the most recent system portfolio data, and an Effective Load Carrying Capability (ELCC) analysis.

Staff has also reviewed the customer agreement and finds it complies with the Company's Schedule 55 and Order No. 21-091. The customer agreement appears consistent, to the extent practicable, with previous service agreements in PGE's Phase 1 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]

Amid federal tariffs on solar equipment in 2022 and other supply chain issues, **[BEGIN HIGHLY CONFIDENTIAL]** [redacted]

[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."

	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
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[redacted]	[redacted]	[redacted]	[redacted]

[END HIGHLY CONFIDENTIAL].

Complications Identified by Staff

While this ELCC analysis and crediting methodology 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 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.

Given that the ELCC value is not largely disparate from the agreed upon 8.5 percent rate for PURPA QF's, the reasonableness of shifting to a non-emitting avoided capacity resource, and the use of data from the most recent RFP, Staff does not propose that the Commission delay approval of these updates to existing Phases of the program. However, Staff does recommend prioritizing a more comprehensive investigation into voluntary bundled capacity valuation methods that consider the goals and practices developed in Docket No. UM 2011.

[BEGIN HIGHLY CONFIDENTIAL] [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 resource in the current filing.

Oregon Citizens' Utility Board Concerns
In speaking with representatives from Oregon Citizens' Utility Board (CUB), Staff was informed that CUB had 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.

At this time, Staff does not oppose the approval of the rate and credit calculations based on CUB's concerns but is open to discussing the cost of participation along with any investigation into the impact of the 2040 emission reduction targets on VRET programs.

[redacted]

Confidential Information
PGE explains in the filing that information about the energy and capacity credit as well as the energy curve used to value the resource is 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.[3] 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 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 provided in compliance with PGE's Schedule 55 tariff, but 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 utilities 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 the Company has utilized the information available to best update and evaluate the value these renegotiated PPAs provide to COS customers.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's updated rate and credit calculations related to 60 MW of its Phase 2, Customer Supply Option offering and find that it complies with Order No. 21-091 and the Company's Schedule 55.

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