BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 370, UE 372

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Renewable Resource Automatic Adjustment Clause (Schedule 122) (Wheatridge) (UE 370) Renewable Resource Automatic Adjustment Clause (Schedule 122) (BPSC Energy Storage Microgrid and ARC Microgrid) (UE 372)	)	STAFF'S REPLY BRIEF

I. INTRODUCTION

Staff of the Public Utility Commission of Oregon (Staff) submits this Reply Brief in response to the Opening Brief submitted by Portland General Electric Company (PGE or Company) in these consolidated proceedings. PGE filed changes to its Schedule 122 renewal resources automatic adjustment clause tariff, seeking cost recovery for the Wheatridge Renewable Energy Facility (Wheatridge) in Docket No. UE 370, and seeking cost recovery for two micro-grid energy storage projects in Docket No. UE 372.

As noted by the Company, the Alliance of Western Energy Consumers (AWEC), Oregon Citizen's Utility Board (CUB), PGE and Staff (collectively, the Parties) have reached agreement on several issues, which are addressed in the Stipulation filed in this proceeding on May 19, 2020. The Parties did not reach agreement on three issues related to Wheatridge: 1) the inclusion of customer benefits in rates, 2) AWEC's issues regarding project selection, and 3) PGE's REC monetization proposal.

Based on the discussion below, Staff recommends that the Commission find PGE's decision to invest in Wheatridge to be prudent, and adopt ratemaking treatment that ensures the

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facility's anticipated benefits are realized by customers. Staff further recommends that the Commission reject PGE's request to use Wheatridge renewable energy credits to supply its voluntary renewable programs and instead open a docket to investigate mechanisms to return value to customers. Alternatively, if the Commission does authorize the transaction, Staff recommends the Commission adopt three conditions detailed below to better protect ratepayers, including voluntary customers.

II. DISCUSSION

1. The Commission should find PGE's decision to invest in the Wheatridge to be prudent, and adopt ratemaking treatment that ensures forecasted benefits are realized by customers.

Staff continues to advocate that the Commission find PGE's decision to invest in the Wheatridge project to be prudent, based on the analysis in PGE's 2016 Integrated Resource Plan (IRP)[1] and corresponding 2018 Request for Proposal (RFP),[2] and assuming that forecasted benefits materialize for customers.[3] The analysis in PGE's IRP included assumptions on costs and benefits to customers, which served as the basis for the Commission's decision to acknowledge PGE's acquisition of an RPS compliant resource. The analysis in PGE's RFP supported the Company's acquisition of the Wheatridge project. In order to ensure that customers realize the benefits anticipated for the PGE-owned portion of Wheatridge, Staff continues to advocate that PGE's Net Variable Power Costs (NVPC) be calculated using the highest stated capacity factor for the project for the first ten years following the commercial online date (COD).[4] Alternatively, Staff supports AWEC's regulatory asset approach.[5] Staff does not support CUB's proposal that PGE forecast the NVPC for the Company-owned portion

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[1] *See* Docket No. LC 66.

[2] *See* Docket No. UM 1934.

[3] Staff/400, Storm/3.

[4] Staff/400, Storm/3.

[5] AWEC/200, Mullins/4-8; CUB is also "intrigued" by AWEC's regulatory asset proposal. CUB/200, Gehrke/5.

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of Wheatridge using a 50 percent blend of five-year rolling average and the P50 forecast for ten years past the commercial online date.[6]

PGE argues that the Commission should find its investment in Wheatridge prudent, but rejects ratemaking treatment that would ensure that forecasted benefits materialize for customers.[7]

A. PGE's decision to invest in Wheatridge is prudent, based on the cost and benefit assumptions included in both its 2016 IRP and corresponding 2018 RFP.

As indicated above, Staff continues to find PGE's decision to invest in Wheatridge to be prudent, based on the analysis in its IRP and RFP.[8] However, Staff has consistently viewed Wheatridge prudence and customer benefits to be inextricably linked[9]--a view that is shared by both CUB and AWEC.[10] Unlike previous wind investments, the timing of this project was largely driven not by a near-term resource need, but rather, long-term economic benefits due to time-limited tax credits.[11]

In this context, Staff's Opening Testimony argued that PGE's Wheatridge investment was prudent "…assuming the project is commercially available on or prior to December 31, 2020, which qualifies it for PTC at 100 percent value, and that final costs are no more than $156,400 thousand…"[12] Staff recommended that the Commission "find PGE's decision to invest in the Wheatridge Facility to be prudent, based on the assumptions and analysis performed by the Company in Docket No. LC 66, the Company's 2016 IRP, and Docket No. UM 1934, the

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[6] CUB/200, Gehrke/9.

[7] PGE/600, Armstrong – Batzler/7.

[8] CUB also finds PGE's decision to be prudent. CUB/200, Gehrke/4.

[9] Staff/100, Storm/5-6 (setting forth Staff's initial recommendation on the ratemaking treatment for Wheatridge); Staff/400, Storm/3 (setting forth Staff's final recommendations on the ratemaking treatment for Wheatridge).

[10] CUB/200, Gehrke/9; AWEC/100, Mullins/21; AWEC/200, Mullins/7.

[11] Staff/100, Storm/16-17; AWEC/100, Mullins/4-5.

[12] Staff/100, Storm/28 (footnote 43 discusses the composition of Staff's $156,400 thousand value).

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Company's RFP proceeding associated with its revised renewable action item in its 2016 IRP."[13] These assumptions included two general inputs – anticipated costs and anticipated benefits – supporting the conclusion that PGE's investment represented a lower risk, economic investment for ratepayers for RPS compliance with long-term economic benefits to customers. In Staff's view, prudence can be addressed by the combination of limiting capital cost recovery to forecast capital costs and ensuring that customers receive forecast benefits, regardless of actual capital costs incurred or actual operations that generate customer benefits. The parties to this proceeding have not agreed to the treatment of customer benefits.[14]

AWEC raises additional prudence concerns about PGE's resource selection process for the RFP.[15] AWEC ultimately recommended a prudence disallowance equal to $5.44 million in revenue requirement related to these concerns.[16] Both Staff and CUB reviewed AWEC's arguments, but ultimately did not concur with its conclusions on the RFP process.[17]

B. Customer benefits, at the levels forecasted by PGE, should be included in customer rates on an on-going basis.

In order to ensure that customers realize anticipated net economic benefits, Staff's proposal is that PGE use the **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** capacity factor for ratemaking associated with the PGE-owned portion of the Wheatridge project's wind generation for the first ten years following Wheatridge's commercial online date.[18] This means that for establishing the NVPC impacts of Wheatridge, for

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[13] Staff/100, Storm/5.

[14] UE 370, UE 372 – Stipulation at 2-3.

[15] AWEC/100, Mullins; 18-20; AWEC/200, Mullins/8.

[16] AWEC/200, Mullins/11.

[17] Staff/400, Storm/14; CUB/200, Gehrke/5.

[18] Staff/400, Storm/18. Staff notes that its proposal was to use the higher of **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** or the capacity factor in PGE's RAC proceeding. Staff's Exhibit 601 includes a **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** capacity factor used in the RAC proceeding, which is found in PGE's workpapers. Because PGE's workpaper capacity factor is higher, Staff's recommendation is simplified for purposes of this brief.

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variable benefits and costs, PGE would use a *static* capacity factor for the first ten years of Wheatridge's operation, regardless of the actual capacity factor determined from actual operations over the same period of time. Staff's justification is that this treatment ensures that customers receive the forecasted variable economic benefits relative to assumed fixed costs included in rates.

Importantly, PGE inexplicably either misunderstands or mischaracterizes Staff's proposal as creating a floor,[19] which would have a different ratemaking effect than Staff's proposal. To be clear, Staff's proposal is to impute a capacity factor for ratemaking purposes, regardless of actual operations. This means that when the plant generates more efficiently than forecast, PGE would retain the increased benefits; conversely, when the plant generates less efficiently than forecast, PGE would absorb the additional net costs. The basis of PGE's misunderstanding is unclear, as a floor is not included anywhere in Staff's testimony in this case. To the contrary, to the extent that Staff's position was unclear, a review of PacifiCorp's RAC and TAM proceedings, as referenced in Staff's testimony in this case, would have clarified Staff's proposed ratemaking treatment.[20] Staff's proposal in this case is for the Commission to adopt nearly identical NVPC ratemaking treatment as that adopted for PacifiCorp's repowered and new wind projects.[21] For this reason, as discussed further below, several of PGE's arguments in opposition to Staff's proposal are moot.

Staff supports also AWEC's regulatory asset approach as an alternative to its recommendation on customer benefits, as the underlying principle that customers be assured benefits is preserved.[22] Under this ratemaking mechanism, PGE's rate recovery is tied to the

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[19] PGE/600, Armstrong – Batzler/7; PGE's Opening Brief at 3-4.

[20] Staff/400, Storm/11.

[21] Staff/400, Storm/18. As reflected in Staff's testimony, the Stipulating Parties in PacifiCorp's cases agreed to such treatment for a five-year period, with an open question as to what capacity factor will be used beginning in year six.

[22] Staff/400, Storm/16.

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quantity and timing of the realization of customer benefits.[23] This is accomplished through creation of a regulatory asset for Wheatridge costs that exceed the benefits from the Company's cost containment screen. These costs may be amortized into rates at an amount equal to customer net economic benefits realized over time, or if these benefits do not materialize, will not be included in rates.[24] Staff does not support CUB's proposal that PGE forecast the NVPC for the Company-owned portion of Wheatridge using a 50 percent blend of five-year rolling average and the P50 forecast for ten years past the commercial online date.[25] Staff is concerned that CUB's proposal does not ensure enough customer benefits given the circumstances of PGE's acquisition.

C. PGE's arguments regarding the inclusion of customer benefits in rates are unsupported and should be rejected.

PGE makes a number of arguments as to why Staff's and Intervenor's arguments about the inclusion of customer benefits in rates should be rejected for either procedural or substantive reasons. All of PGE's arguments are either based on bald assertions, misunderstandings, or without regard to Commission precedent. Accordingly, each argument should be rejected in favor of Staff's proposal to include economic benefits in rates as discussed above.

First, PGE argues that Staff's proposal for customer benefits should be rejected because it amounts to a modeling change outside of a general rate case, which it argues is inconsistent with the Stipulation in PGE's 2020 AUT, OPUC Docket No. UE 359, to which Staff is a party.[26] Staff disputes that its proposal amounts to a modeling change, rendering it inappropriate to propose outside of a general rate case proceeding.[27] Staff's proposal is not a wholesale change in how PGE's wind projects are modeled; rather, its proposal relates to a single wind project that

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[23] Staff/400, Storm/14-15.

[24] AWEC/200, Mullins/7-8.

[25] CUB/200, Gehrke/9.

[26] See PGE Opening Brief at 3.

[27] Staff/400, Storm/20-21.

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was acquired under a unique set of circumstances relative to its other wind assets.[28] Additionally, PGE's narrow reading of modeling change is concerningly unbalanced, as it would allow for favorable ratemaking treatment for the Company given the timing of the RAC relative to when customer benefits could be included in rates pursuant to a GRC, the timing of which is within PGE's control. As Staff pointed out in testimony, "[a] narrow reading of 'modeling change' could effectively preclude ensuring ratepayers receive promised net benefits for resources that come online between general rate cases, even though PGE is able to obtain cost-recovery through the RAC between general rate cases."[29] Finally, the Commission has generally determined the on-going ratemaking treatment for new assets at the point in which rate recovery is sought.[30] Such regulatory treatment helps ensure a level of certainty in the ratemaking process, which is generally seen as a benefit to both utilities and ratepayers.

Second, PGE argues that it should not be subject to ratemaking treatment ensuring customers benefits because the Commission's acknowledgment in the 2016 IRP did not contain similar conditional language to PacifiCorp's 2017 IRP acknowledgment order.[31] PGE further attempts to distinguish its resource acquisition from PacifiCorp's, arguing that it is distinguishable based on the Commission's process for review, as opposed to substantive similarities between Wheatridge and PacifiCorp's resources.[32] Staff agrees that the Commission's Order acknowledging PGE's Updated Action Plan does not contain similar conditional language to the Commission's Order acknowledging PacifiCorp's 2017 Action Plan.[33] However, this distinction is without merit, as the underlying consideration for Wheatridge is the same—economic opportunity drove the timing of an investment ahead of

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[28] Staff/400, Storm/20-21; AWEC/100, Mullins/21.

[29] Staff/400, Storm/21.

[30] Staff/400, Storm/21.

[31] PGE's Opening Brief at 5-6.

[32] PGE's Opening Brief at 5-6.

[33] Order No. 18-138 at 9.

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demonstrated need. In Order No. 18-138, the Commission discussed its "concerns with how utilities characterize need and assess risk of procurement timing and resource size" but similar to PacifiCorp ultimately "recognized the potential value of time-limited opportunities for PTC benefits."[34] In this case, PGE justifies Wheatridge as a resource necessary for a 2021 capacity need and for long-term RPS compliance. However, the Company also considered delaying capacity procurement until 2024, which was a viable option (though less economic) under its analysis.[35] As AWEC and Staff have argued, it is clear that the same underlying justification for PacifiCorp's repowered and new wind projects underlies PGE's Wheatridge project: economic benefits independent of long-term RPS compliance or short-term capacity needs.[36] PGE's own testimony supports this conclusion.[37] For this reason, Staff finds it appropriate that the Commission protect PGE's ratepayers from bearing the risk of underperformance just as they have done for PacifiCorp's ratepayers. Staff is unpersuaded that the size of the resource or modest capacity benefits[38] bear on the principle of ratepayer protections under substantially similar resource procurement circumstances.

Third, PGE has provided no evidence in support of its assertion that Staff's proposal for customer benefits would increase PGE's risk profile outside of a general rate case, let alone do so "improperly."[39] As Staff discussed in its Rebuttal Testimony, any extra-ratemaking treatment

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[34] Order No. 18-044 at 6.

[35] See Order No. 18-044 at 4 ("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.").

[36] Staff/100, Storm/27; AWEC/200, Mullins/4-5.

[37] PGE/300, Armstrong – Batzler/10 ("**Q. Could PGE have chosen to not move forward with any bids submitted within the RFP?** A. Ultimately, yes. This choice, however, would have made little sense and likely been an imprudent decision, as the Wheatridge project not only passed the cost containment screens, but exhibited a strong benefit-to-cost ratio…").

[38] See AWEC/200, Mullins/5.

[39] PGE's Opening Brief at 3.

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will change the Company's risk profile between rate cases – for example, this is true when PGE seeks a deferral for unanticipated costs (which if granted, reduces its risk profile).[40] Interestingly, when PacifiCorp and other parties agreed to change the way PacifiCorp's repowered and new wind projects were forecast in its annual power cost forecast proceeding, the Transition Adjustment Mechanism (TAM), no party, nor the Commission, raised the concern or reached the conclusion that such treatment was improper because it changed the utility's risk profile outside of a general rate case. As also noted by Staff, and acknowledged by PGE, the Company was aware of customer protections under similar circumstances for PacifiCorp, and had the benefit of the Commission's acknowledgment order, which states "Ultimately, even as the conditions adopted here provide a level of confidence in the RFP process, the fundamental principle remains that, regardless of acknowledgement, any resource investment decisions ultimately rest firmly with the company."[41]

Finally, PGE's arguments about the timeliness of Staff's proposal for benefits is without merit. PGE complains that Staff's proposal for the treatment of NVPC benefits was not included in its Opening Testimony,[42] which is accurate. As stated in Staff's Opening Testimony, it considered ratepayers protections (i.e. customer benefits) to be an AUT issue and one that should be addressed within that proceeding.[43] Accordingly, it had no substantive recommendation in this case because the Commission is not making a determination on Schedule 125 rates as part of this proceeding. However, in response to other parties' positions,[44] including PGE's, Staff set forth its proposal for how Wheatridge customer benefits should be reflected in rates on an on-going basis.[45] Not only is this procedurally appropriate, as parties are permitted to refine their

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[40] Staff/400, Storm/22.

[41] Order No. 18-044 at 6.

[42] Staff/100, Storm/5.

[43] *See e.g.* Staff/100, Storm/5-6 (Staff's recommendations 2 and 8 relate to the reflection of NVPC impacts in Schedule 125 rates).

[44] AWEC/100, Mullins/21-23.

[45] Staff/400, Storm/11-14.

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recommendations in response to other parties' recommendations, but PGE had the opportunity to substantively respond to Staff's request on the record in its rebuttal testimony. The Company declined to issue discovery requests or otherwise seek clarification of Staff's position, prior to its last round of testimony. The Company further declined to cross-examine Staff on these issues. PGE's suggestion that it is somehow prejudiced by Staff's proposal for customer benefits in this case is factually inaccurate and without merit.

2. PGE's Proposal to Sell Wheatridge RECs to the Company's Voluntary Programs Should be Rejected.

PGE has included in this advice filing a request for authorization to sell the first five years of renewable energy credits (RECs) associated with Wheatridge generation to residential and small commercial retail customers of PGE's Schedule 7 and Schedule 32 voluntary renewable portfolio options programs (voluntary programs). Staff recommends that the Commission reject this request and instead open a docket to investigate mechanisms to return value to customers if RECs generated from renewable portfolio standard (RPS)-eligible resources are not retained or used for RPS compliance. The RECs generated by Wheatridge are of unique value because they are infinite life RECs, and should not be used to supply the voluntary programs under any circumstances at this time. If the Commission does authorize the transaction, Staff recommends three conditions to better protect ratepayers: 1) using five-year RECs with similar characteristics to the Wheatridge RECs, 2) adopting a process to identify an appropriate purchase price, and 3) adopting a process to ensure transparent communications with ratepayers regarding the transaction.

A. The Commission should reject PGE's proposal and open a docket to investigate mechanisms to return the value of RECs from RPS-eligible resources to customers.

This proceeding is not the appropriate forum to approve the sale of RPS-eligible RECs, nor to set terms for the acquisition of RECs for PGE's voluntary tariffs. Rather, Staff recommends that the Commission open a separate docket to investigate mechanisms to return to

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customers the value of RECs from RPS-eligible resources when the RECs will not be used for RPS compliance.

PGE implies in its Opening Brief that the sale of Wheatridge RECs was a part of its 2016 IRP Revised Renewable Action Plan.[46] The Commission has not approved such a sale. Staff testimony details the circumstances surrounding approval of the 2016 revised action plan.[47] Regarding the issue of mechanisms for monetizing RECs acquired under the action plan, the Commission merely stated in its acknowledgment order that, “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.”[48] The need to fully consider potential mechanisms is more apparent now than ever. When the 2016 IRP was acknowledged, the resource at issue here, Wheatridge, had not yet been acquired, and it was only a possibility that a resource that generates infinitely bankable RECs would be selected, or that PGE would propose to sell those RECs. The unique value of the Wheatridge RECs is discussed further in the following section.

Addressing PGE’s proposed sale in this cost-recovery proceeding is inappropriate, in part, because the question of whether and how RECs from RPS-eligible resources may be monetized rather than used for RPS compliance is not an issue specific to Wheatridge. PGE also proposes to monetize the RECs associated with RPS-eligible procurements resulting from the Company’s recent IRP.[49] The Commission addressed this request in its acknowledgment order by stating:[50]

> Future evaluation of renewable resource additions should examine whether PGE’s RPS compliance strategy requires it to secure project RECs in the near-term and explain the cost-benefit tradeoff for PGE customers.

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[46] PGE Opening Brief at 7-8.

[47] Staff/200, Moore/3-4.

[48] *See In the Matter of Portland General Electric Company’s 2016 Integrated Resource Plan*, Docket LC 66, Order No. 18-044 at 6 (February 2, 2018).

[49] Staff/200, Moore/12.

[50] *In the Matter of Portland General Electric Company’s 2019 Integrated Resource Plan,* Docket LC 73, Order No. 20-152 at 15 (May 6, 2020).

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An investigation into the mechanisms for returning value to customers will enhance any evaluation of future resource additions. It will allow the Commission to ensure that the rates for voluntary programs receiving RECs from RPS-eligible resources continue to reflect the costs and risks of serving each option.[51]

This investigation will be particularly valuable as other Commission processes that would normally inform any sale of RECs from an RPS-eligible resource to the voluntary programs are in flux. The future content and format of Renewable Portfolio Implementation Plans (RPIPs) is currently under review in pending rulemaking dockets.[52] In addition, the Commission has temporarily suspended the activities of the Portfolio Options Committee.[53] Proceeding to address the issue in a cost recovery proceeding such as this one is unnecessary when it can be better addressed in an investigation of the available mechanisms. We note that PGE raised, for the first time, in its surrebuttal testimony, the issue that if it sold the Wheatridge RECs on the wholesale market, the greenhouse gas emission data that PGE reports to the Oregon Department of Environmental Quality (DEQ) would be negatively impacted.[54] The implications, if any, of changes in DEQ greenhouse gas reporting requirements may be further explored in an investigation. Finally, consideration of the growing number of communities and large customers seeking incremental renewables and how this growth may affect the interplay between the RPS requirement and the voluntary programs[55] may be given in an investigation. Staff is concerned that generating supply for the largest voluntary program in the country by using RPS-eligible resources may reduce demand for RECs that are incremental to the utility's resource portfolio.[56]

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[51] ORS 757.603(3).

[52] *See In the Matter of Request for Waiver of OAR 860-083-0400*, Docket UM 2041, Order No. 19-447, Appendix A at 2-5 (December 20, 2019).

[53] Staff/500, Moore/20.

[54] PGE/600, Armstrong – Batzler/26.

[55] See Staff/200, Moore/13.

[56] See Staff/500, Moore/10.

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What is further missing from this proceeding that can be addressed in an investigation is the opportunity to engage with stakeholders that would be most affected by a sale to the voluntary programs.[57] To procure RECs to supply the voluntary programs, a utility must "acquire the renewable supply resources necessary to provide the renewable energy resources product through a Commission-approved bidding process or other Commission-approved means."[58] PGE regularly uses competitive bidding to acquire voluntary program RECs from third-party contractors. Program elements have historically been reviewed by the Portfolio Options Committee, but Staff has assumed that role for the present, and can ensure broad representation by affected stakeholders.[59]

This investigation should be conducted before the Commission considers whether it is necessary to approve a specific transaction such as Wheatridge. Timing is not a concern in opening an investigation to fully address issues related to monetization. PGE has an existing source of supply for the voluntary programs, having sought and received approval to extend its contracts for acquisition of RECs to offset usage by participants in the residential and small commercial voluntary programs through December 31, 2021.[60] RECs generated by Wheatridge in 2020 can be sold until December 2021 and retain Green-e Energy eligibility.[61]

B. The Commission should Reject PGE's Proposal to Monetize Wheatridge RECs and allow the RECs to be banked for future RPS compliance.

The RECs generated by Wheatridge in the first five years are unique, and may protect the Company from the long-term cost, risk, and uncertainty associated with future RPS compliance obligations.[62] Under Oregon's renewable portfolio standard (RPS), only RECs associated with

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[57] Staff/500, Moore/20.

[58] OAR 860-038-0220(6).

[59] Staff/500, Moore/20.

[60] *In the Matter of Portland General Electric, Request for Extension of Contracts*, Docket UM 1020, Order No. 20-183 (June 3, 2020).

[61] Staff/500, Moore/20.

[62] Staff/200, Moore/5.

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the first five years of generation from facilities that become operational between March 8, 2016 and December 31, 2022 may be banked and carried forward indefinitely for the purpose of complying with the RPS in future compliance years.[63] Under PGE's 2019 renewable action plan, as amended, the Company will conduct an RFP that seeks RPS-eligible resources to add to its portfolio by the end of 2024.[64] Therefore, PGE's next renewable resource procurement will target resources that begin operation outside of the eligible window for indefinitely bankable RECs. This leaves the first five years of operation at Wheatridge as PGE's only source for generating infinitely bankable RECs. Yet, these are the same RECs that PGE proposes to sell for use in its voluntary programs.

PGE has long recognized the value of retaining infinite RECs in its REC bank. In the company's RPS compliance reports, PGE regularly expresses a preference to use five-year RECs instead of infinite RECs.[65] Rather than retiring five-year RECs or infinite RECs, PGE retires the maximum amount of unbundled RECs that it can for RPS compliance.[66] There is value to ratepayers in retaining RECs in PGE's bank for future use. Infinite RECs, by definition, provide greater flexibility over time. PGE did not dispute this point during development of the 2016 revised action plan, acknowledging the greater flexibility offered by infinite RECs.[67]

Exactly how valuable the infinite RECs generated at Wheatridge are remains to be seen. What is clear, particularly in light of the events of the last four months, is the degree of uncertainty that exists in planning for long-term cost and risk. Staff testimony describes the potential for infinite RECs to defer the need for future investments, hedge against the risk of poor performance by RPS resources and planning uncertainties, such as load and DER growth, uncertain supply for the renewables market (including tax incentives and access to

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[63] ORS 469A.140(3)(c); see Exhibit Staff/200, Moore/5.

[64] Docket LC 73, Order No. 20-152 at 22.

[65] Staff/500, Moore/6.

[66] Staff/200, Moore/5-7; Staff/500, Moore/5-6.

[67] Staff/500, Moore/6-7.

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internationally sourced equipment), future policy changes affecting RPS compliance obligations, and the potential for adoption of policies in addition to RPS that involve the use of RECs for compliance. PGE's own IRP planning demonstrates a need for RECs within the planning horizon for its 2019 preferred portfolio that should not be ignored.[68] Authorizing the sale of infinite RECs forecloses the opportunity to apply these RECs to address any of those contingencies.

PGE claims the Wheatridge RECs will be of superior value to voluntary customers as "higher quality local RECs".[69] The Company does not present compelling evidence that the Wheatridge RECs provide any additional value to voluntary program customers. Using RECs that are Green-E certified renewable energy is a baseline requirement for the voluntary programs.[70] That the Wheatridge RECs can be Green-E certified does not add additional value. Wheatridge is a resource that PGE obtained to meet its long-term RPS need and to provide energy and capacity benefits.[71] As such, the Wheatridge RECs do not measure up to the descriptions PGE currently provides to its customers representing that participation in the program are receiving more and having an impact above and beyond the resources that are otherwise procured by the Company.[72] They cannot be represented as adding to the Company's resource portfolio. Finally, the Wheatridge RECs do not provide additional value based on location. Wheatridge is located outside PGE's service territory and the Company has other options to support generation even within its service territory.[73] In sum, PGE does not identify any singular characteristics for the Wheatridge RECs that represent a greater value for voluntary program customers.

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[68] Staff/600.

[69] PGE Opening Brief at 7.

[70] Staff/200, Moore/8.

[71] Staff/200, Moore/9.

[72] See Staff/200, Moore/9.

[73] Staff/200, Moore/10; Staff/500, Moore/10.

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C. Alternatively, if the Commission Approves PGE's Proposal to sell PGE RECs to its Voluntary Programs, it should Impose Staff's Proposed Conditions.

Staff has multiple concerns about the terms of PGE's proposal, in the event the Commission approves a PGE sale of RPS-eligible RECs to its voluntary programs. Each concern is outlined below.

First, Staff recommends that the Commission require PGE to supply the voluntary program with an amount of five-year RECs equivalent to the Wheatridge infinite life RECs that were proposed for sale. The five-year RECs should be otherwise similar in nature, also being Green-E eligible and generated in the year they are used to supply the voluntary program.[74] By doing so, the value of the Wheatridge RECs for RPS compliance will be reserved for use into the future.

Second, Staff recommends the Commission direct PGE to reduce the REC price, following a consultation with voluntary program stakeholders facilitated by Staff, to better reflect actual value for the voluntary program participants.[75] The REC price is an element that would best be evaluated in an investigation with input from voluntary program stakeholders. Normally, REC purchases are conducted through the competitive bidding process.[76] PGE claims that the price proposed to sell RECs to its own voluntary programs is fair and will not require a price change for voluntary customers.[77] Accepting this REC price and limiting an increase in program price for voluntary customers may mean the REC price will result in a reduction of expenditures on other program costs, such as marketing, administration and the price paid for non-Wheatridge program RECs.[78] PGE's alternative price proposal does not account for the unique circumstances of the proposed transaction. While the Commission may authorize a sale

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[74] Staff/500, Moore/14.

[75] Staff/500, Moore/14-15.

[76] OAR 860-038-0220(6).

[77] PGE Opening Brief at 7.

[78] Staff/200, Moore/11.

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to the voluntary programs, accepting the proposed price without accounting for the unique circumstances and without input from stakeholders in the voluntary programs is not a step Staff supports.

CUB proposes to reduce the price of RECs sold by 10 percent.[79] Staff supports CUB's proposal, but also finds it is likely additional reductions from PGE's original proposed price will be identified by stakeholders.[80] Staff does not agree with PGE that RECs from RPS-eligible resources provide superior value, nor that PGE's price ensures the costs and risks of the programs are borne by voluntary participants.[81] Further Staff finds the price should reflect ratepayer benefits if the voluntary programs are a long-term single purchaser, and the price should also reflect the third-party profit and overhead price elements that are avoided with a PGE sale/purchase.[82]

Third, Staff recommends the Commission require PGE to submit for its review detailed and transparent information informing voluntary program customers about the use of surplus RPS-eligible RECs in the program, the source of the RECs, source ownership, and the PGE's price for the RECs.[83] This condition will allow those customers to make informed choices about program participation.

III. CONCLUSION

Based on the foregoing, Staff respectfully requests that the Commission find PGE's decision to invest in Wheatridge prudent, based on the analysis and assumptions included in its 2016 IRP and 2018 RFP. In conjunction with this recommendation, Staff also recommends the Commission ensure customer benefits through imputing a **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** capacity factor to be used for ratemaking purposes in PGE's

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[79] CUB/100, Gehrke/5-7.

[80] Staff/500, Moore/15.

[81] Staff/500, Moore/15.

[82] Staff/500, Moore/15.

[83] Staff/500, Moore/15.

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power cost proceedings for the first ten years following the project's COD. Alternatively, Staff supports the use of a regulatory asset, as proposed by AWEC, which would allow for the recovery of costs relative to actual customer benefits received.

Staff also respectfully requests that the Commission reject the request to sell Wheatridge RECs generated before 2025 in this proceeding, thereby allowing the Company to retain infinite life RECs for future RPS compliance. Staff further requests that the Commission open an investigation of the mechanisms for returning REC value from RPS-eligible resources to customers, inclusive of issues related to the use of RPS-eligible resources and the voluntary renewable programs.

In the alternative, if the Commission authorizes the sale of RECs to PGE's voluntary programs, Staff requests that the Commission condition approval on the following:

1) PGE must supply the voluntary program with an amount of five-year RECs that are similar in nature and equivalent in number to the Wheatridge infinite life RECs that were proposed for sale.

2) PGE must reduce the REC price, following a consultation with voluntary program stakeholders facilitated by Staff, to better reflect actual value for the voluntary program participants.

3) PGE must submit for its review detailed and transparent information informing voluntary customers about the use of surplus RPS-eligible RECs in the program, the source of the RECs, source ownership, and PGE's price for the RECs.

DATED this 15th day of July 2020.

Respectfully submitted,

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