

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

**UE 370
Renewable Resources Automatic Adjustment
Clause**

PORTLAND GENERAL ELECTRIC

**Joint Testimony in Support of the
First Partial Stipulation**

Direct Testimony of

Steve Storm, OPUC

William Gehrke, CUB

Brad Mullins, AWEC

Greg Batzler, PGE

May 19, 2020

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I. Introduction

1 **Q. Please state your names and positions with your respective organizations.**

2 A. My name is Steve Storm. I am a Senior Economist for the Public Utility Commission of
3 Oregon (OPUC) Staff. My qualifications appear in Staff Exhibit 101.

4 My name is William Gehrke. I am an Economist for the Oregon Citizens' Utility Board
5 (CUB). My qualifications appear in CUB Exhibit 101.

6 My name is Brad Mullins. I am an independent consultant testifying on behalf of the
7 Alliance of Western Energy Consumers (AWEC). My qualifications appear in AWEC
8 Exhibit 101.

9 My name is Greg Batzler. I am a Regulatory Consultant for Portland General Electric
10 (PGE). My qualifications appear in PGE Exhibit 100.

11 **Q. What is the purpose of your testimony?**

12 A. Our purpose is to describe and support the May 1 and 6, 2020 First Partial Stipulation
13 (Stipulation) between OPUC Staff (Staff), CUB, AWEC, and PGE (collectively, the
14 Stipulating Parties or Parties) resolving all issues identified by the Stipulating Parties related
15 to PGE's UE 370 and UE 372 Renewable Resources Automatic Adjustment Clause (RAC)
16 filings, except for specific issues identified below. A copy of the Stipulation is provided as
17 Stipulating Parties Exhibit 101.

18 **Q. What is the basis for the Stipulation?**

19 A. PGE filed initial testimony December 3, 2019 and supplemented February 14, 2020 under
20 Docket No. UE 370 and filed initial testimony December 10, 2019 under Docket No. UE 372.
21 Staff, AWEC, and CUB submitted opening testimony on March 30, 2020 and PGE filed reply
22 testimony on April 24, 2020. The parties held settlement discussions on April 9, May 1, and

1 May 6, 2020. At the May 6 meeting, parties reached an agreement that they found reasonable
2 for settlement. The Stipulation reached at the May 6 meeting resolves the majority of issues
3 raised by parties in this docket (UE 370), with certain exceptions described below.

4 **Q. What issues were raised by Staff, AWEC, and CUB in testimony and resolved in this**
5 **settlement?**

6 A. The issues that were raised and settled are related to:

- 7 • Energy Storage Microgrids;
- 8 • Holdback and Trailing Cost Amounts;
- 9 • Depreciation Parameters;
- 10 • Operations and Maintenance Costs;
- 11 • Wheatridge Rate Base;
- 12 • Revenue Sensitive Amounts;
- 13 • Officer Attestation and Re-filing Requirements; and
- 14 • Schedule 122 Tariff Changes.

15 We explain the resolution of each of these issues below.

16 **Q. What are the remaining issues not addressed in the Stipulation?**

17 A. The issues remaining are:

- 18 • PGE's REC Monetization Proposal;
- 19 • The inclusion of customer benefits in rates in this case; and
- 20 • AWEC's issues regarding project selection as discussed in AWEC Exhibit 100.

II. Stipulated Issues

1 **Q. Please describe the issue regarding PGE’s Energy Storage Microgrids Request.**

2 A. Staff, CUB, and AWEC argued that PGE should not be allowed to recover the costs associated
3 with the energy storage microgrids through Schedule 122, because energy storage microgrids
4 are not sufficiently associated with renewable resources to qualify for cost recovery under the
5 RAC and that an energy storage project needs to be co-located with a renewable resource to
6 qualify as "energy storage associated with renewables." As an alternative, CUB
7 recommended the Commission authorize cost recovery of energy storage projects developed
8 pursuant to House Bill (HB) 2193 requirements and approved by the Commission in Docket
9 No. UM 1856 (UM 1856), under a separate rate schedule that supports an automatic
10 adjustment clause cost recovery mechanism.

11 **Q. Did PGE respond to the arguments raised by Staff, CUB, and AWEC regarding the**
12 **Energy Storage Microgrids projects?**

13 A. Yes. In summary, PGE disagreed with the Parties’ arguments that the energy storage
14 microgrids do not provide sufficient renewable integration services and that energy storage
15 needs to be co-located with renewables to be deemed “energy storage associated with
16 renewables.” More specifically, PGE argued that the microgrids would help mitigate sub-
17 hourly fluctuations and forecast errors that renewables introduce on the system and that energy
18 storage resources can provide the energy services in support of renewable integration
19 irrespective of where the energy storage is located on the electricity system.

20 **Q. How do Parties resolve this issue?**

21 A. Stipulating Parties agree that PGE will withdraw its energy storage microgrid request under
22 Schedule 122 in this docket. The Stipulating Parties agree not to oppose a proposed recovery

1 mechanism for energy storage microgrids in a new proceeding, which will include litigating
2 substantive issues. The cost recovery mechanism will include the use of a new automatic
3 adjustment clause (AAC), restricted to proposed cost recovery of investments made in
4 compliance with HB 2193, and approved by the Commission in docket UM 1856.

5 **Q. Please describe the issue regarding the holdback amount and trailing costs.**

6 A. Staff and AWEC were concerned with the fact that these costs are payable after the
7 commercial operation date (COD) of the project. Additionally, Staff raised the issue of the
8 contract specifying \$15 million in holdback amounts versus the \$16 million PGE had
9 budgeted after COD.

10 **Q. Did PGE respond to the issues that Staff and AWEC raised with regards the holdback**
11 **amount and trailing costs?**

12 A. Yes. PGE explained that the holdback amount was a fixed amount per the contract, which
13 holds the contractor accountable for all the final details involved with closing out the project.
14 Additionally, PGE explained that the contract to build the facility is a fixed price contract and
15 customers will recognize the full benefits of Wheatridge upon its COD. PGE further explained
16 that the additional forecast of \$1 million represented trailing costs related to power
17 performance testing, ongoing project management costs related to closing out the project,
18 outside consultant costs to review final documentation, incidental labor and engineering costs,
19 and a small amount of contingency, which were included in the RFP bid.

20 **Q. How do Parties resolve this issue?**

21 A. The Stipulating Parties agree that PGE will file a RAC Update to incorporate actual holdback
22 and trailing cost amounts less any amounts incorporated within initial UE 370 Schedule 122
23 prices. The update to Schedule 122 rates will include the following:

- 1 • The actual amount of each “holdback” amount paid by date;
- 2 • The amount of the approximate \$15 million “holdback,” if any, incorporated into prior
- 3 Schedule 122 rates;
- 4 • The capitalized amount of actual trailing PGE costs not incorporated into prior Schedule
- 5 rates;
- 6 • An update to rate base and depreciation expense; and
- 7 • An update to revenue requirement associated with the updates of rate base and depreciation
- 8 expense amounts.

9 PGE will also provide, no less than two business days prior to the rate-effective date of
10 the Update, an attestation from PGE’s CEO, CFO, or Officer responsible for oversight of the
11 Wheatridge project that PGE has paid “holdback” amount(s) specified in the Update and
12 incurred the capitalized amount of trailing costs specified in the Update.

13 **Q. Please describe the issue regarding depreciation rates and accounts used for Wheatridge.**

14 A. Staff raised concerns regarding both the rates and accounts PGE used for setting Wheatridge
15 depreciation amounts. Specifically, Staff argued that PGE should use the applicable
16 parameters as agreed to in PGE’s most recent depreciation study (Docket No. UM 1809),
17 which was adopted through Commission Order No. 17-365.

18 **Q. How did PGE respond to the arguments raised by Staff regarding depreciation?**

19 A. PGE agreed that the depreciation study adopted via Commission Order No. 17-365 is the
20 relevant study for calculating Wheatridge’s depreciation rates and clarified that PGE is in fact
21 using the appropriate net plant rates based on the adopted stipulation in UM 1809.

22 **Q. How do Parties resolve this issue?**

1 A. The Stipulating Parties agree that PGE will calculate depreciation based on depreciation
2 parameters and parameter values consistent with Commission Order No. 17-365. This
3 includes use of appropriate accounts, appropriate Average Service Life (ASL) procedure
4 results, and use of appropriate Net Plant parameter values. The Stipulating Parties agree to
5 work in good faith to agree on these parameters. Additionally, PGE may adjust the
6 depreciation values for Wheatridge pursuant to a future depreciation study.

7 **Q. Please describe the issue regarding O&M costs.**

8 A. AWEC proposed to reduce PGE's O&M costs through eliminating the full-time equivalent
9 employee (FTE) included in this docket, the entirety of Wheatridge's forecasted non-running
10 station service (NRSS) costs, a contracted availability bonus, and miscellaneous O&M costs.
11 Additionally, AWEC proposed to capitalize the pre-COD service cost to a regulatory asset
12 and spread it over the thirty-year life of the plant.

13 **Q. Did PGE respond to the issues that AWEC raised with regards to O&M costs?**

14 A. Yes. PGE disagreed with AWEC's FTE, NRSS, availability bonus, and miscellaneous O&M
15 adjustments and argued that all of these costs were prudent and necessary expenditures
16 required to effectively and efficiently operate Wheatridge. However, PGE generally did agree
17 with AWEC's proposal for the treatment of Wheatridge's pre-COD O&M services costs.

18 **Q. Have parties resolved these issues in this settlement?**

19 A. Yes. For settlement purposes, PGE will reduce Wheatridge's production O&M forecast by
20 \$200,000 for purposes of calculating rates in this docket only. Additionally, Parties agree
21 that:

- 1 1. Wheatridge station service costs will remain in production O&M and if appropriate,
2 PGE may, through a general rate case proceeding, move the budget for these costs from
3 Production O&M to net variable power costs; and
- 4 2. The start-up costs related to O&M services agreement will be moved to a regulatory
5 asset included in rate base and amortized over 30 years.

6 **Q. What additional issues does this settlement resolve?**

7 A. In addition to the above issues, the Stipulating Parties have agreed to the following:

8 1. Rate Base

- 9 a. PGE will reduce rate base by \$7 million for purposes of calculating rates in this
10 docket only.
- 11 b. The Stipulating Parties agree they are free to raise issues related to PGE's
12 production tax credit (PTC) carryforwards in future proceedings.

13 2. Revenue Sensitive Amounts

- 14 a. PGE will remove duplicated revenue-sensitive amounts included in the PGE
15 Advice No. 19 34 pricing work paper used to set the Schedule 122 price by rate
16 schedule and incorporate the removal in a filing to update the revenue
17 requirement in this proceeding.

18 3. Officer Attestation and Re-Filing Requirement

- 19 a. PGE will provide an Officer attestation that the project is in-service at least two
20 business days prior to the rate-effective date.
- 21 b. In the event that the Wheatridge project is not online as of December 31, 2020,
22 PGE will re file for rate recovery of Wheatridge costs. The Stipulating Parties
23 agree to engage in an expedited review process, if appropriate.

1 4. Schedule 122 Tariff Changes

- 2 a. PGE, Staff, and interested Stipulating Parties agree to work to resolve issues
3 regarding Schedule 122 language revisions.

4 **Q. What issues are left unresolved in this docket (UE 370)?**

5 A. This Stipulation resolves all issues except the following three unresolved issues:

- 6 1. PGE’s REC Monetization proposal as described in PGE Exhibits 100 and 300;
7 2. The inclusion of customer benefits in rates in this case; and
8 3. AWEC’s issues regarding project selection as discussed in AWEC Exhibit 100.

9 **Q. What is your recommendation to the Commission regarding the adjustments contained**
10 **in the Stipulation?**

11 A. The Stipulating Parties recommend and request that the Commission approve these
12 adjustments. Based on careful review of PGE’s, OPUC Staff’s, CUB’s, and AWEC’s filings;
13 thorough discovery conducted by parties in Docket Nos. UE 370 and UE 372, including more
14 than 140 data requests; and thorough discussion of the issues during the settlement
15 conferences, we believe the proposed adjustments represent appropriate and reasonable
16 resolutions of the respective issues in this docket.

17 **Q. Does this conclude your testimony?**

18 A. Yes.

III. List of Exhibits

Stipulating Parties Exhibit

Description

101

UE 370, UE 372 First Partial Stipulation

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 370, UE 372

In the Matters of

PORTLAND GENERAL ELECTRIC
COMPANY,

Renewable Resource Automatic Adjustment
Clause (Schedule 122) (Wheatridge
Renewable Energy Farm) (UE 370), and

Renewable Resource Automatic Adjustment
Clause (Schedule 122) (BPSC Energy Storage
Microgrid and ARC Energy Storage)
(UE 372).

STIPULATION

This Stipulation (“Stipulation”) is among Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), Alliance of Western Energy Consumers (“AWEC”), and Oregon Citizens' Utility Board (“CUB”) (collectively, the “Stipulating Parties”). There are no other parties in this docket.

I. INTRODUCTION

In accordance with its tariff Schedule 122, PGE filed its renewable resources automatic adjustment clause tariff in this docket on December 3, 2019, for inclusion of costs and benefits from the Wheatridge Renewable Energy Farm. That filing was opened as Docket No. UE 370 (UE 370). On December 10, 2019, PGE made a similar filing for the costs and benefits of the Beaverton Public Safety Center (BPSC) and Anderson Readiness Center (ARC) energy storage microgrid projects. That filing was opened as Docket No. UE 372 (UE 372). Included with each

filing were PGE's testimony and exhibits. On January 17, 2020, dockets UE 370 and UE 372 were consolidated.

The Parties subsequently reviewed PGE's filings and work papers, and asked numerous data requests. Staff, CUB, and AWEC filed opening testimony on March 30, 2020. On April 24, 2020, PGE filed reply testimony. The Stipulating Parties held settlement conferences on April 9, May 1, and May 6, 2020. As a result of those discussions, the Stipulating Parties have reached agreement settling the majority of issues in this docket as set forth below. The Stipulating Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles all issues in this docket except those identified below as not settled.

2. Energy Storage Microgrids. PGE will withdraw its energy storage microgrid request under Schedule 122 in this docket. The Stipulating Parties agree not to oppose a proposed recovery mechanism for energy storage microgrids in a new proceeding, which will include litigating substantive issues. The cost recovery mechanism will include the use of a new automatic adjustment clause (AAC), restricted to proposed cost recovery of investments made in compliance with House Bill 2193, and approved by the Commission in Docket No. UM 1856.

3. "Holdback" amount and estimated \$1 million for trailing PGE-incurred costs.

The Stipulating Parties agree that:

a. PGE will file a RAC Update to incorporate actual amounts less any amounts incorporated within initial UE 370 Schedule 122 prices.

b. The update to Schedule 122 rates will include the following:

o The actual amount of each "holdback" amount paid by date,

- The amount of the approximate \$15 million “holdback,” if any, incorporated into prior Schedule 122 rates,
- The capitalized amount of actual trailing PGE costs not incorporated into prior Schedule 122 rates,
- An update to rate base and depreciation expense, and
- An update to revenue requirement associated with the updates of rate base and depreciation expense amounts.

c. PGE will also provide, no less than two business days prior to the rate-effective date of the Update, an attestation from PGE’s CEO, CFO, or Officer responsible for oversight of the Wheatridge project that PGE has paid “holdback” amount(s) specified in the Update and incurred the capitalized amount of trailing costs specified in the Update.

4. Wheatridge Rate Base. PGE will reduce rate base by \$7 million for purposes of calculating rates in this docket only. The Stipulating Parties agree they are free to raise issues related to PGE's production tax credit (PTC) carryforwards in future proceedings.

5. Depreciation. The Stipulating Parties agree that PGE will calculate depreciation based on depreciation parameters and parameter values consistent with Commission Order No. 17-365. This includes use of appropriate accounts, appropriate Average Service Life (ASL) procedure results, and use of appropriate Net Plant parameter values. The Stipulating Parties agree to work in good faith to agree on these parameters. PGE may adjust the depreciation values for Wheatridge pursuant to a future depreciation study.

6. O&M Costs. The Stipulating Parties agree that:
 - a. Wheatridge's production O&M forecast will be reduced \$200,000 for purposes of calculating rates in this docket only.
 - b. Wheatridge station service costs will remain in production O&M. If appropriate, PGE may, through a general rate case proceeding, move the budget for these costs from Production O&M to net variable power costs.
 - c. The start-up costs related to O&M services agreement will be moved to a regulatory asset included in rate base and amortized over 30 years.
7. Revenue Sensitive Amounts. PGE will remove duplicated revenue-sensitive amounts included in the PGE Advice No. 19-34 pricing work paper used to set the Schedule 122 price by rate schedule and incorporate the removal in a filing to update the revenue requirement in this proceeding.
8. Officer Attestation and Re-Filing Requirement.
 - a. PGE will provide an Officer attestation that the project is in-service at least two business days prior to the rate-effective date.
 - b. In the event that the Wheatridge project is not online as of December 31, 2020, PGE will re-file for rate recovery of Wheatridge costs. The Stipulating Parties agree to engage in an expedited review process, if appropriate.
9. Schedule 122 Tariff Changes. PGE, Staff, and interested Stipulating Parties agree to work to resolve issues regarding Schedule 122 language revisions.
10. Unresolved Issues. The following issues are not resolved by this Stipulation:
 - a. PGE's REC Monetization proposal.
 - b. The inclusion of customer benefits in rates in this case.

c. AWEC's issues regarding project selection as discussed in AWEC

Exhibit 100.

11. The Stipulating Parties recommend and request that the Commission approve this Stipulation as an appropriate and reasonable resolution of the issues covered by this Stipulation.

12. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

13. The Stipulating Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Stipulating Party reserves its right: (i) to withdraw from the Stipulation, upon written notice to the Commission and the other Stipulating Parties within five (5) business days of service of the final order that rejects this Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission order. Nothing in this paragraph provides any Party the right to withdraw from this

Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

14. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

15. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement. The Parties further agree that any electronically-generated Party signatures are valid and binding to the same extent as an original signature.

DATED this 19th day of May, 2020.

**PORTLAND GENERAL ELECTRIC
COMPANY**

By: /s/ Douglas C. Tingey
Douglas C. Tingey

**OREGON CITIZENS' UTILITY
BOARD**

By: _____
Michael Goetz

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: _____
Sommer Moser

**ALLIANCE OF WESTERN ENERGY
CONSUMERS**

By: _____
Tyler Pepple

Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

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DATED this 19th day of May, 2020.

**PORTLAND GENERAL ELECTRIC
COMPANY**

By: _____
Douglas C. Tingey

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: /s/ Sommer Moser
Sommer Moser

**OREGON CITIZENS' UTILITY
BOARD**

By: _____
Michael Goetz

**ALLIANCE OF WESTERN ENERGY
CONSUMERS**

By: /s/ Tyler C. Pepple
Tyler Pepple

Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

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DATED this 19th day of May, 2020.

**PORTLAND GENERAL ELECTRIC
COMPANY**

By: _____
Douglas C. Tingey

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: _____
Sommer Moser

**OREGON CITIZENS' UTILITY
BOARD**

By:  _____
Michael Goetz

**ALLIANCE OF WESTERN ENERGY
CONSUMERS**

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**BEFORE THE PUBLIC UTILITY COMMISSION
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Microgrid and ARC Energy Storage) (UE 372).

DECLARATION OF GREG BATZLER

I, Greg Batzler, declare under penalty of perjury under the laws of the State of Oregon:

1. My name is Greg Batzler. I am a Regulatory Consultant in the Rates and Regulatory Affairs Department at Portland General Electric Company (“PGE”).
2. On May 19, 2020, I filed testimony and associated exhibits (Joint Testimony in Support of the First Partial Stipulation/Stipulating Parties/100-101, Storm-Gehrke-Mullins-Batzler).
3. To the best of my knowledge, my pre-filed testimony and exhibits are true and accurate. If I were asked the same questions today, my answers would be the same.

SIGNED this 19th day of May, 2020.

/s/ Greg Batzler

Greg Batzler