Portland General Electric Company
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204
portlandgeneral.com

July 27, 2020

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: UM 2060 – PGE Revised Request to Update Schedule 201 As-Available Rate, PGE Comments to Staff Report (RA 1) for Public Meeting on July 28, 2020

Portland General Electric Company (PGE or Company) respectfully submits these comments in support of its revised proposal (Revised Filing) to set an as-available avoided cost rate (As-Available Rate) for purchases from qualifying facilities (QFs) under the Public Utility Regulatory Policies Act of 1978 (PURPA). PGE appreciates Commission Staff and stakeholders' efforts to promptly review the Revised Filing and willingness to engage in multiple conversations with PGE and participate in a workshop on July 22, 2020, to discuss the filing.

In order to achieve consensus and implement an As-Available Rate promptly for use in the Community Solar Program (CSP), PGE is willing to accept the first two modifications to the Revised Filing proposed in Staff's memorandum. However, PGE maintains that its proposed 85% multiplier (i.e., 15% discount) for scheduling and transmission is justified and necessary to maintain customer indifference, and therefore requests that the Commission retain this aspect and approve PGE's Revised Filing.

Finally, PGE disagrees that either its Original Filing or its Revised Filing were inconsistent with Public Utility Commission of Oregon (Commission) and Federal Energy Regulatory Commission (FERC) precedent. In fact, FERC recently recognized that an EIM-based approach like that in PGE's Original Filing would most accurately capture the costs imposed by as-available QF deliveries at a given time and in a specific location.[1]

I. PGE proposes to adopt the Commission-approved As-Available Rate reflected in Idaho Power's CSP tariff.

[1] *See Implementation Issues Under the Public Utility Regulatory Policies Act of 1978*, Order 872, 172 FERC ¶ 61,041 at P178 (July 16, 2020) ("Western EIM prices represent quite precisely the avoided cost of as-available energy for utilities operating in that market structure since those prices show the cost of obtaining an additional unit of energy *at any particular place and time*." (emphasis added)).

PGE's Revised Filing was made in response to Staff and stakeholder recommendations that PGE should align its approach to setting the As-Available Rate with the well-established approaches used by the other utilities.[2] After reviewing the other utilities' approaches, PGE determined that it is similarly situated to Idaho Power with respect to the As-Available Rate. Specifically, PGE and Idaho Power are both located one transmission wheel away from the Mid-Columbia (Mid-C) market hub, and Idaho Power's As-Available Rate is based on this hub. In contrast, PGE is not similarly situated to PacifiCorp, whose As-Available Rate is based on a blend of several market hubs that are directly accessible to PacifiCorp's much larger system, but not to PGE's.

Therefore, PGE's Revised Filing initially proposed to calculate the As-Available Rate by first determining the lower of: (1) the monthly arithmetic average of each day's firm ICE Mid-C Physical Peak and Off-Peak (bilateral) index prices, multiplied by 82.4% to approximate non-firm pricing; *or* (2) the applicable Off-Peak avoided cost rate, and then multiplying the resulting value by 85% to account for transactional and transmission costs. This methodology has been approved for Idaho Power.[3]

Staff recommends that PGE alter three aspects of its Revised Filing.[4] First, Staff recommends that PGE use the exact same As-Available Rate in the CSP and in other PURPA contexts. Second, Staff recommends that PGE eliminate the use of the applicable Off-Peak rate component. Third, Staff recommends that PGE eliminate the 85% multiplier for scheduling and transmission.

PGE is willing to make Staff's first two recommended changes in an effort to achieve consensus and ensure prompt approval of an As-Available Rate. Adopting Staff's second recommendation also implements its first recommendation, because PGE had not proposed to use the applicable Off-Peak rate component for the CSP.[5]

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[2] *In the Matter of Portland Gen. Elec. Co., Update to Schedule 201 – As-Available Rate*, Docket UM 2060, Staff Memorandum at 4 (May 27, 2020); Docket UM 2060, Industry Associations' Joint Comments at 1-2 (May 26, 2020).

[3] *See* Idaho Power Oregon Standard PPA at Section 1.22 (Mid-Columbia Market Energy Cost definition), Section 1.42 (Surplus Energy definition), and Section 7.2 (Surplus Energy Price), *available at* https://docs.idahopower.com/pdfs/AboutUs/RatesRegulatory/Tariffs/ORStandardAgreementIntermittent.pdf; *see also In the Matter of Public Utility Commission of Oregon Staff Investigation Into Qualifying Facility Contracting and Pricing*, Docket UM 1610, Idaho Power's Compliance Filing at 257 (July 3, 2014) (redlines to PPA implementing 82.4% and 85% multipliers) *and* Docket UM 1610, Order No. 14-278 (adopting Staff recommendation to approve PPA revisions). Idaho Power uses the term "Surplus Energy" in its Oregon Standard PPA to account for energy deliveries above a project's nameplate capacity rating and for energy delivered prior to a project's commercial operation date. Thus, in making its Revised Filing, PGE understood that it was implementing Staff's recommendation that it adopt a Commission-approved methodology to calculate the As-Available Rate.

[4] Docket UM 2060, Staff Memorandum for July 28, 2020 Public Meeting at 7-8 (July 23, 2020).

[5] PGE, in using the Off-Peak component of Idaho Power's Commission-approved methodology was attempting to (1) satisfy the recommendation of Staff and stakeholders that PGE should align its As-Available Rate with the well-established approaches used by the other utilities; and (2) recover integration costs and account for the hourly shape of solar deliveries within the applicable utility rate design. Per discussion in the July 22 workshop, PGE agrees with stakeholders that it may be more appropriate to address these issues through integration charges and looks forward to raising this issue in an appropriate docket in the future.

Thus, as revised to implement Staff's first two recommendations, PGE's As-Available Rate would be calculated by multiplying the monthly arithmetic average of each day's firm ICE Mid-C Physical Peak and Off-Peak (bilateral) index prices by 82.4% to approximate non-firm pricing, and then by 85% to account for transactional and transmission costs. PGE's proposed As-Available Rate would be identical for the CSP and for other PURPA contexts, and would also be identical to the As-Available Rate Idaho Power uses for the CSP.[6]

II. PGE maintains that an 85% multiplier for transmission and transactional costs is appropriate.

Staff opposes the 85% multiplier for transmission and transaction costs for three reasons. First, Staff contends that neither PacifiCorp nor Idaho Power uses such a discount.[7] As explained above, however, Idaho Power does use an 85% multiplier.[8]

Second, Staff asserts that it is unclear why PGE believes a discount for transmission and transaction costs is appropriate.[9] As PGE explained at the workshop, the discount is necessary to ensure customer indifference. QFs selling on a non-firm, as-available basis impose costs on PGE and its customers by virtue of the fact that PGE must accept and purchase their energy at any time but PGE cannot plan for or rely upon such energy to be provided in any given hour. Because PGE cannot plan for as-available energy, PGE's month-, day-, and hour-ahead planning must ensure that PGE's system has sufficient capacity and energy without accounting for as-available QF energy. Thus, when as-available QF energy is delivered to PGE, PGE is likely to be in a surplus position and generally will need to sell excess energy into the market. The 85% multiplier is intended to approximate the transmission and transaction costs associated with the hourly schedule to sell excess energy at Mid-C. If the As-Available Rate is not discounted to account for these costs, then the costs would be imposed on PGE and its customers—meaning that customers would not be held indifferent to purchases from as-available QFs.

Third, Staff states it is unclear why 85% is the appropriate figure.[10] As PGE explained at the July 22, 2020 workshop, although this proposal aligns with Idaho Power's methodology, PGE has also conducted preliminary analysis suggesting that a 85% multiplier is actually quite conservative for PGE. To sell energy from PGE's system at Mid-C requires one wheel of PGE transmission and one wheel of BPA transmission. As shown in the tables below, based on current hourly transmission rates and line loss figures, PGE estimates that the wheeling cost to export surplus energy is just over 24% of the average On-Peak Mid-C price in 2023. Thus, were PGE not seeking

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[6] *See* Idaho Power Schedule 100 at Sheet 100-1 (defining the As-Available Rate as "eighty five percent (85%) of the monthly Avoided Energy Cost" and defining Avoided Energy Cost as "eighty-two and four tenths percent (82.4%) of the monthly arithmetic average of each day's Intercontinental Exchange ("ICE") daily firm Mid-C Peak Avg and Mid-C Off-Peak Avg index prices."), *available at* https://docs.idahopower.com/pdfs/aboutus/ratesregulatory/tariffs/100.pdf.

[7] Staff Report for July 28, 2020 Public Meeting at 6.

[8] *See* Idaho Power Schedule 100 at Sheet 100-1 ("As-Available Rate is the rate for purchase of a Project's Unsubscribed Energy and is eighty five percent (85%) of the monthly Avoided Energy Cost."). .

[9] Staff Report for July 28, 2020 Public Meeting at 6.

[10] Staff Report for July 28, 2020 Public Meeting at 6.

to align with a Commission-approved methodology, PGE would likely propose a greater discount than 15% (i.e., less than 85% multiplier), or advocate for an EIM-based approach which would most accurately accounts for the costs imposed by as-available QF deliveries at a given time and in a specific location.[11]

	2023 On-Peak Price ($/MWh)	Hourly Wheeling Costs ($/MWh)	Wheeling Cost (%)
Avoided Cost - May Update	35.45	$ 8.67	24.45%

Hourly Transmission Costs	Tx Rate ($/MWh)	SCD ($/MWh)	Contingency Reserves[1]	Line Losses[2]	Hourly Wheeling Costs ($/MWh)
BPA Transmission	$ 4.41	$ 0.91	$ -	$ 0.67	$ 5.99
PGE Transmission	$ 1.26	$ 0.17	$ 0.57	$ 0.67	$ 2.67

[1] Contingency Reserves includes the following products at PGE Transmission's tariff rate: Reactive, Spin, and Non-Spin

[2] PGE and BPA Transmission charge 1.9% respectively per leg of transmission.

On-Peak Pricing ($/MWH)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave
2023	42.02	37.32	29.18	24.24	21.76	29.99	44.73	51.00	39.28	33.12	33.62	39.15	35.45

For all of these reasons, PGE's proposal to use an 85% multiplier is appropriate and should be approved.

III. Neither PGE's Original Filing nor its Revised Filing is susceptible to legal challenges.

Staff's memorandum states that PGE's Original Filing "was withdrawn due to potential legal challenges, and this [Revised Filing] raises similar concerns."[12] PGE strongly disagrees.

PGE's Original Filing, which proposed an As-Available Rate based on the locational marginal price (LMP) for the EIM, was not susceptible to legal challenges. Staff and stakeholders' claims of legal infirmity were based on a 2012 FERC order that was distinguishable in several important respects, as PGE explained in its Revised Filing.[13] More importantly, however, FERC's recent Order 872 confirmed that the EIM-based approach in PGE's Original Filing is acceptable under PURPA.[14] PGE looks forward to revisiting the topic of EIM-based pricing in an appropriate proceeding in the future.

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[11] *See Implementation Issues Under the Public Utility Regulatory Policies Act of 1978*, Order 872, 172 FERC ¶ 61,041 at P178 (July 16, 2020) ("Western EIM prices represent quite precisely the avoided cost of as-available energy for utilities operating in that market structure since those prices show the cost of obtaining an additional unit of energy *at any particular place and time*." (emphasis added)).

[12] Staff Report for July 28, 2020 Public Meeting at 7.

[13] Docket UM 2060, PGE's Revised Filing at 3 n.14 (July 8, 2020).

[14] *Implementation Issues Under the Public Utility Regulatory Policies Act of 1978*, Order 872, 172 FERC ¶ 61,041 at P177 (July 16, 2020) ("We hereby find that the Western EIM prices, like other LMP prices, may presumptively be used as a measure of as-available energy avoided costs for utilities able to participate in the Western EIM market.").

And as explained above, PGE's Revised Filing was consistent with the Commission-approved methodology for Idaho Power, and the proposed 85% multiplier is necessary to maintain customer indifference.

In sum, PGE's proposal to accept Staff's first two recommendations and adopt the same approach reflected in Idaho Power's CSP tariff is a reasonable approach to setting PGE's As-Available Rate in the near-term. PGE respectfully requests that the Commission approve its Revised Filing with only the first two changes proposed by Staff.

Sincerely,

\s\ Robert Macfarlane

Robert Macfarlane
Manager, Pricing & Tariffs

cc: UM 2060 Service List