BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 377

In the Matter of	)
	)
Portland General Electric Company,	)
	)
2021 Annual Power Cost Update Tariff.	)
	)

OPENING TESTIMONY

OF THE

OREGON CITIZENS' UTILITY BOARD

June 26, 2020

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OF OREGON

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I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is William Gehrke. I am an Economist employed by the Oregon Citizens' Utility Board (CUB). My business address is 610 SW Broadway, Ste. 400 Portland, Oregon 97205.

Q. Please describe your educational background and work experience.

A. My witness qualification statement is found in exhibit CUB/101.

Q. What is the purpose of your testimony?

A. My testimony is in response to Portland General Electric Company's (PGE or the Company) direct testimony regarding its initial forecast of its 2021 Net Variable Power Costs (NVPC) in this Annual Update Tariff (AUT) proceeding.

Q. How is your testimony organized?

A. In this opening testimony, I address the following issues:

1. Federal Production Tax Credits (PTCs) associated with the Faraday Powerhouse Hydroelectric Facility;

2. A Proposal to Combine the AUT and Power Cost Adjustment Mechanism (PCAM) filings;
3. Demand Response;
4. Beaverton Safety Public Center;
5. PGE's Proposed Changes to Schedule 125; and
6. Douglas PUD PPA.

II. DISCUSSION

Q. Please summarize the Company's 2021 AUT forecast.

A. The Company estimates the initial NVPC forecast, based on contracts and forward curves as of February 28th, 2020 to be $436.2 million.[1] This initial forecast is an increase to NVPC of $42.7 million relative to the Company's 2020 NVPC forecast. The Company's initial forecast of net variable power cost would increase residential customer's rates by 2.1%.

1. Faraday Powerhouse Hydroelectric Project (Faraday) Repowering

Q. What is the CUB's proposal regarding PTCs from the Faraday repowering?

A. CUB recommends that the Company include all expected PTCs that will be generated from Faraday in Schedule 125 rates.

Q. What is the Faraday Powerhouse?

A. Faraday is a hydroelectric project on the Clackamas River. Faraday is part of PGE's westside hydro projects. It is located near Estacada, Oregon.

Q. What changes are being made to Faraday?

A. The Company is currently repowering the powerhouse at Faraday. Faraday's five turbines will be replaced with newer turbines, increasing the output of the facility.

[1] UE 377 – PGE/100/Seulean – Kim – Batzler/1, lines 17-19.

Based on the Company's analysis, the project will qualify for federal PTCs in in the first ten years of production.[2]

Q. What are federal renewable electricity PTCs?

A. PTCs are an inflation-adjusted per-kilowatt hour (kWh) tax credit for electricity generated by qualified energy resources. The duration of the tax credit is 10 years after the date the facility is placed in service. Certain facilities that are repowered are eligible for federal PTCs for the first ten years.

Q. Does Faraday qualify to earn PTCs?

A. Yes. According to the Company's analysis, Faraday appears to qualify to earn PTCs. The repowering will produce incremental hydroelectric production attributable to efficiency improvements due to repowering. Qualified hydroelectric facilities earn PTCs at one-half the rate of qualified wind generation. The PTCs only apply to incremental generation.

Q. Did PGE forecast the PTCs that will be generated at Faraday in 2021 in this AUT?

A. No.

Q. Why did PGE not include the PTCs from Faraday in the AUT?

A. PGE argued that PTCs are calculated in MONET as a function of forecasted plant output and that the Company is precluded from updating plant parameters outside of a general rate case proceeding.[3] In PGE's filing in this proceeding, the forecasted Faraday plant output is based on plant parameters established in PGE's

[2] CUB Exhibit 102.
[3] *Id.*

2019 general rate case and does not include incremental generation or corresponding PTCs associated with Faraday.

Q. What is CUB's response to PGE's explanation?

A. While I am not an attorney, CUB is concerned that PGE's approach may be illegal. SB 1547 requires Oregon public utilities to include forecasted state and federal production tax credits in variable power cost forecasting process.[4] My understanding of SB 1547 is that PGE is required to pass back forecasted PTCs to customers in the Company's annual power cost docket. CUB will further address this legal issue in briefing.

Q. What is PGE's Schedule 125?

A. PGE's Schedule 125 is the rate schedule for its Annual Power Cost Update (or AUT) proceeding. The purpose of the schedule is to define procedures for annual rate revisions due to changes in the Company's projected Net Variable Power Costs.[5]

Q. Is an annual projection of PTC's associated with Faraday allowed under PGE's Schedule 125?

A. Yes. Schedule 125 specially allows for "Projections of State and Federal Production Tax Credits" to be updated in each of the Annual Power Cost Update filings.[6]

Q. Has PGE modeled decreased generation due to the construction of the Faraday powerhouse in UE 359 outside of a general rate case?

[4] SB 1547 § 18b.
[5] Portland General Electric Company, P.U.C. Oregon No. E-18, Schedule 125, Annual Power Cost Update.
[6] *Id*.

A. Yes. PGE has modeled units 1-5 of Faraday as decommissioned since [redacted].[7] The Company's July update in UE 359, PGE's 2020 AUT, included the outage of Unit 6 of Faraday from [redacted]. In the Company's October update of UE 359 included the outage of Unit 6 of Faraday from [redacted]. The Company has changed the plant parameters of Unit 6 outside of a general rate case. It is confusing why it would then refuse to change the PTC forecast outside of a general rate case. All things equal, a modelled outage at Faraday increases expected NVPC for ratepayers, because the zero fuel-cost hydroelectric generation has to be replaced with higher cost replacement power. Customers have borne increased NVPC during the construction of the Faraday repowering project, while the Company is refusing to pass back the PTC benefits to customers.

Q. What is the value of the PTCs in 2021?

A. Based on the Company's initial economic analysis when reviewing the project, the 2021 value of the PTCs is a grossed up $[redacted] to NVPC.

Q. What is CUB's proposal?

A. CUB proposes that this amount be forecast into this proceeding as an offset to total Company NVPC. It is more important to comply with the requirements of SB 1547 and capture the value of Faraday PTCs for customers.

2. Combine PGE's AUT and PCAM Filings

Q. Please summarize CUB's proposal on this issue.

[7] The confidential data in this section comes from the Company's MFRs in UE 359.

A. CUB recommends that that PGE's AUT and PCAM filings be combined into a consolidated docket.

Q. Why is CUB raising this issue?

A. The Oregon Public Utility Commission (Commission) raised this issue in the final order for the 2018 PCAM for PacifiCorp in Oregon. PacifiCorp's TAM process is analogous to PGE's AUT process. In the order approving PCAM rates for PacifiCorp, the Commission stated that "integrating the PCAM testimony into PacifiCorp's annual TAM filing may be useful by ensuring the most current information on actual power costs informs the TAM forecast."[8] CUB finds that combining the two proceedings could be administratively beneficial for intervenors, Staff, the Commission, and PGE.

Q. What is the typical timing of the AUT docket in a non-general rate case year?

A. In a non-general rate case year, the AUT has the following schedule:

- Initial 2021 Forecast – April
- MONET Update – July
- MONET Update – October
- MONET Update – November

Q. What is the typical timing of the AUT docket in a general rate case year?

A. In a general rate case year, the AUT has the following schedule:

- PGE Files General Rate Case – February.
- MONET Update – March

[8] OPUC Order No. 19-415.

- MONET Update – July
- MONET Update – September
- Final MONET Update Due – November

Q. Can the review of the PCAM be reviewed in the AUT docket?

A. Yes. CUB believes that the review of the PCAM can be incorporated into the AUT docket. The PCAM is typically filed several weeks after PGE files its Results of Operations for the previous calendar year. Further, the PCAM is rarely contentious. In PGE's general rate cases, the Company has been able to integrate updates to the MONET model into the procedural schedule. It stands to reason that the Company should be able to do so here.

Q. What is CUB's initial proposal?

A. As initial proposal, CUB recommends that the two dockets be combined in 2021. CUB is also willing to accept a one-year test in 2021, in which the two dockets are combined. At the prehearing conference for the PCAM/AUT, a procedural schedule could be reached in the docket that enables parties sufficient time to work through all issues.

3. Demand Response

Q. Please define the term demand response.

A. Demand response is when demand for power is shifted to better match the supply of power. Demand response programs allow electricity utilities to have the ability to shift the demand for power during periods of peak demand or under-supply, creating efficiencies for the utility and cost savings for customers.

Q. Why is demand response important for PGE's ratepayers?

A. Across the region, demand response is viewed as an important resource for utilities, providing both capacity and energy benefits. The Northwest Power and Conservation Council's Seventh Power Plan found demand response to be the least-cost solution for providing new peaking capacity and that demand response could be used to satisfy regional resource adequacy standards.[9] PGE has recognized the importance of demand response incorporating demand response as a major action items in its most recent IRP.

Q. What demand response programs does PGE currently operate?

A. According to PGE's Schedule 135 demand response cost recovery mechanism, the Company is currently running the following demands response programs:

1. Nonresidential Demand Response
2. Residential Water Heater Pilot
3. Testbed Pilot
4. Flex Pricing Pilot/direct load control thermostat (DLCT).

Q. Does PGE's model the impacts of its demand response programs on the Company's net variable power costs?

A. No. PGE does not model the benefits of Schedule 135 demand response programs in MONET. Demand response participants are receiving incentive payments. The Company has been able to recover the costs of demand response programs through an automatic adjustment clause. However, it appears that the reduced demand from demand response programs, which should provide power cost benefit to all ratepayers, are not being modeled in MONET.[10]

[9] Seventh Northwest Conservation and Electric Power Plan – Chapter 14.
[10] CUB Exhibit 103.

Q. Does CUB recommend any changes to the APCU in this case?

A. No. Because this proposal would represent an AUT modeling change in a non-rate case year, CUB has no proposed adjustments. However, in the next PGE general rate case, CUB will evaluate this issue.

4. Beaverton Public Safety Center

Q. Please provide a description of the Beaverton Public Safety Center.

A. In 2020, the Company is installing a microgrid at the Beaverton Public Safety Center (BPSC), which is located in Beaverton, Oregon. The BPSC is a new Beaverton municipal building, which will house Beaverton's police and emergency management departments. A 250 kW/4-hour system will be installed at the BPSC.

Q. Why is the Company installing batteries on its system?

A. The Company is installing the BPSC battery storage project in order to comply with Oregon's 2015 HB 2193, which mandates that PGE procure energy storage before 2020.

Q. Has the Company included the NVPC associated with BPSC, which is expected to be completed in 2020, in the 2021 APCU?

A. No. The Company has not yet submitted its request to recover the costs related to the construction of the BPSC project.

Q. Should the NVPC associated with the BPSC project be included in the 2021 AUT?

A. Potentially. CUB proposes that if cost recovery for prudently incurred costs associated with the BSCM is approved prior to the final AUT update, the Company

should include the net variable power costs associated with BSCM in the 2021 test year for the APCU. [11]

5. PGE's Proposed Changes to Schedule 125

Q. Please summarize the Company's testimony on this issue.

A. The Company proposed to make a change to the Annual Updates section of Schedule 125. The Company proposed to change the language regarding costs associated with wind integration to "costs associated with integrating variable energy resources."[12] The Company argued that the integration of variable energy resources is not limited to wind and reflects the realities of PGE's system more holistically.

Q. What is CUB's response to PGE's proposal?

A. CUB interprets the term "variable energy resources" to mean solar, wind, geothermal and run-of-the-river hydro, but we are unsure what the Company's intent is. CUB would prefer to that Schedule 125 only be modified when other "variable energy resources" are modeled in the AUT. For example, if PGE were to install a 50 MW solar facility in 2022 and the Company was seeking to recover solar integration costs, the Company could then present its expected solar integration costs and propose to change Schedule 125.

Q. Does CUB have an alternative proposal?

A. Yes. CUB would be comfortable with changing the Schedule 125 language to include costs explicitly associated with wind and solar integration.

6. Douglas PUD Power Purchase Agreement (PPA)

[11] CUB Exhibit 104.
[12] UE 377 – PGE/200/Speer/9, lines 4-8.

Q. What is the Douglas PUD PPA?

A. In 2020, PGE entered into a PPA with Public Utility District No. 1 of Douglas County, Washington (Douglas) for surplus capacity and energy. PGE filed supplemental testimony on the Douglas PUD PPA on June 8, 2020 in this proceeding.

Q. Does CUB have a position on the Douglas PUD PPA?

A. Not at this time. CUB has not completed its review of the Douglas PUD PPA in time for Opening testimony in this docket. CUB will file supplemental opening testimony on the Douglas PPA on July 9, 2020.

Q. Does this conclude your testimony?

A. Yes.

WITNESS QUALIFICATION STATEMENT

NAME: William Gehrke

EMPLOYER: Oregon Citizens' Utility Board

TITLE: Economist

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: MS, Applied Economics
Florida State University, Tallahassee, FL

BS, Economics
Florida State University, Tallahassee, FL

EXPERIENCE: Provided testimony or comments in several Oregon Commission dockets. Worked as an Economist for the Florida Department of Revenue. Worked as Utility Analyst at the Florida Public Service Commission, providing advice on rate cases and load forecasting. Attended the Institute of Public Utilities Annual Regulatory Studies program in 2018.

May 12, 2020

TO: William Gehrke
Oregon Citizens' Utility Board

FROM: Jaki Ferchland
Manager, Revenue Requirement

PORTLAND GENERAL ELECTRIC
UE 335
PGE Response to CUB Data Request No. 001
Dated April 28, 2020

Request:

Refer to UE 377/PGE/100/Seulean-Kim-Batzler/Page 5/Lines 14-16, the Company states "As in the 2020 AUT power cost forecast, we include certain variable costs, lubricating oil costs, and we include forecasted production tax credits…"

a. Does the Company include the forecasted PTCs from the Faraday repowering in its initial filing UE 377 filling?

b. What are the estimated PTCs value associated with Faraday in 2021?

c. What is the expected commercial operation date for the Faraday repowering project?

Response:

a. No. PTCs are calculated in MONET as a function of forecasted plant output and PGE is precluded from updating plant parameters outside of a general rate case proceeding. As such, the Faraday plant output is based on plant parameters established in PGE's 2019 general rate case (UE 335) and does not include any incremental generation or corresponding PTCs associated with the Faraday repowering project.

b. Attachment 001-A provides an economic analysis for the Faraday repowering project. Expected PTCs in 2021 are provided in worksheet "Rev Req", cell Y9. Please note that the PTCs earned are only for the incremental generation expected at Faraday after the repowering project. The incremental generation is provided in worksheet "Rev Req", cell AD9.

c. Faraday Units 6 and 7 are subject to the Faraday repowering project. Faraday Unit 6 is expected to be online starting December 1, 2020. Faraday Unit 7 is expected to be online starting April 1, 2021.

Attachment 001-A is protected information subject to Protective Order No. 20-100.

June 1, 2020

TO: William Gehrke
Oregon Citizens' Utility Board

FROM: Jaki Ferchland
Manager, Revenue Requirement

PORTLAND GENERAL ELECTRIC
UE 335
PGE Response to CUB Data Request No. 002
Dated May 20, 2020

Request:

Refer to ADV No. 19-30, Schedule 135 demand response cost recovery mechanism. The Company recovers the costs of four demand response programs in an automatic adjustment clause.

a. How are the benefits of the below demands response programs modeled in PGE's APCU?

i. UM 1514 – Nonresidential Demand Response

ii. UM 1827 – Residential Water Heater Pilot

iii. UM 1976 – Testbed Pilot

iv. UM 1708 – Flex Pricing pilot/direct load control thermostat (DLCT).

b. Does PGE's initial load forecast in UE 377 include any changes to load due to the above demand response program?

Response:

a. PGE does not model the impacts or benefits of the Schedule 135 DR programs in the annual power cost update or in Monet for the AUT.

b. No. The DR programs in Schedule 135 were not included into the annual energy forecast used for the 2021 annual power cost update.

June 3, 2020

TO: William Gehrke
Oregon Citizens' Utility Board

FROM: Jaki Ferchland
Manager, Revenue Requirement

PORTLAND GENERAL ELECTRIC
UE 335
PGE Response to CUB Data Request No. 003
Dated May 20, 2020

Request:

Is the Company planning on including the power costs benefits of the Beaverton Safety Center microgrid in a future update of MONET, once cost recovery is approved in 2020? If yes, please indicate in which MONET update does the Company plans on including the BSCM in the APCU.

Response:

As PGE has not yet submitted its request to recover the costs related to the construction of the Beaverton Safety Center Microgrid project, PGE does not know when this project will be approved. As such, PGE is unable to determine at what date, or if we will be able to incorporate battery storage modeling in a MONET update prior to the conclusion of the 2021 Annual Update Tariff (AUT) proceeding. Should the timing be such that approval is likely to occur following the conclusion of the 2021 AUT, PGE could propose including any net variable power costs for 2021 within its recovery request.