

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 25, 2020**

REGULAR CONSENT EFFECTIVE DATE September 1, 2020

DATE: August 14, 2020

TO: Public Utility Commission

FROM: Michelle Scala and Moya Enright

THROUGH: Bryan Conway, John Crider and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(ADV 1143/Advice No. 20-15)
Updates Three to Five Year Transition Adjustment Schedule 129, prior to the September 2020 Election Window (Enrollment Period S).

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) update to Schedule 129 to offer qualifying large nonresidential customers a three or five year cost of service opt-out beginning January 1, 2021, through an enrollment period during September 2020 (Enrollment Period S).

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve PGE's annual direct access tariff update for service rendered on and after September 1, 2020.

Applicable Rule or Law

The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. See ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. See ORS 757.220; OAR 860-022-0020. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must

include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change. OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

ORS 757.600 to 757.689 authorize and regulate the provision of the "direct access" (Direct Access) option in Oregon. The Commission's rules implementing these statutes are set forth in OAR Chapter 860, Division 038. OAR 860-038-0160 concerns Direct Access transition charges and credits. OAR 860-038-0275 sets forth election timing windows for when the electric consumer may elect to purchase electricity under the Direct Access option.

Analysis

Background

PGE's multi-year opt-out filing implements the requirements of OAR 860-038-0275(5) to "offer customers a multi-year direct access program with an associated fixed transition adjustment." The details of these options are as follows:

Five-year Cost of Service Opt-out:

Provides a fixed transition adjustment rate for each year of the opt-out term. Following the five-year term, the customer may remain with an Electricity Service Supplier (ESS) without being subject to any additional Schedule 129 transition adjustments. Alternatively, the customer may choose to return to the Company's cost of service tariff, provided the customer issued a minimum of three year's notice to PGE of their intent to return to cost of service.

Three-year Cost of Service Opt-out:

Provides a fixed transition adjustment rate for each year of the opt-out term. At the end of the three-year term, customers must select service under any other applicable rate schedule.

Customers selecting a cost of service opt-out under Schedules 485, 489, 490, 491, 492, or 495 for service in 2021 will be subject to the applicable Schedule 129 transition

adjustment rates for Enrollment Period S. PGE calculates these rates as the difference between the cost of energy provided by its owned and contracted resources and the market value of that energy.

Order No. 13-459, filed in the PGE general rate case UE 262, addressed long-term direct access issues commencing with service beginning January 2015. Consistent with the terms of this stipulation, PGE continues the transition adjustments methodology for Enrollment Period S, including the following details:

Five-year Cost of Service Opt-out:

- 1) Transition adjustment components related to Net Variable Power Costs (NVPC), applicable adjustments, and estimated market power prices are calculated in advance, levelized over the five year opt-out period, and not subject to updates;
- 2) Initial transition adjustments reflect current Commission-approved fixed generation costs, and will not be levelized over the five year opt-out period;¹ and,
- 3) During the five-year opt-out period, fixed generation costs will be updated consistent with Commission orders related to general rate cases or Renewable Resource Automatic Adjustment Clause proceedings.² Fixed cost updates are planned during the 2021-2025 period.

Three-year Cost of Service Opt-out:

- 1) Transition adjustment components related to NVPC, applicable adjustments, and estimated market power prices are calculated in advance, levelized over the five year opt-out period, and not subject to updates;
- 2) Transition adjustments include the projected revenue requirements of new and existing resources, if any, that are expected to begin providing service during the three-year period (prorated to the expected date(s) of service), levelized over the three year opt-out period, and not subject to updates.

PGE's June 30, 2020 filing for Enrollment Period S

The Schedule 129 prices for Enrollment Period S are indicative only and will be revised in late August 2020 to be posted on the Company's public website and filed with the Commission on August 31, 2020 to reflect updated power costs using the methodology presented in this filing.

¹ Order No. 13-459, Appendix B, p. 3.

² Id.

Staff received electronic versions of the Company's work papers showing the calculation of rates for three- and five-year opt-out customers. Staff reviewed the work papers to ensure consistency among the model inputs, outputs, and the actual tariff entries.

PGE informed Staff that prior to filing Advice No. 20-15, the Company's Finance and Planning Department produced an updated 2021 load forecast model incorporating estimated impacts from the COVID-19 pandemic on PGE's energy deliveries forecast. Adjustments to the load forecast considered the primary impacts of Executive Order No. 20-12, "Stay Home, Save Lives", and the secondary impacts of the ensuing economic recession. The Company incorporated the updated load forecast into a new Multi-area Optimization Network Energy Transaction (MONET) model run, thus producing a new power cost estimate with updated values for energy. The COVID-19 updates to MONET are intended to enhance the accuracy of 2020 power costs incorporated into the Schedule 129 calculations relevant to this filing. PGE confirmed that the load forecast used in the Schedule 129 calculations are consistent with the methodology used in Docket No. UE 377.³ Docket No. UE 377 is a contested case that is still under review. To this end, the material outputs of the updated PGE forecast, while consistent in the methodology between related dockets, remains tentative and subject to Commission approval.

Staff also notes that in previous long-term direct access tariff calculations by the Company, the Wheatridge generation resource (Wheatridge) was not commercially operational. As such, prior enrollment periods estimated the impacts of Wheatridge on cost-of-service prices to allocate forecasted costs and benefits for Wheatridge to direct access customers. Wheatridge is now nearly complete and expected to begin commercial operation in October 2020.⁴ Staff acknowledges that for 2021, Wheatridge is included in the Company's Annual Power Cost Update (Schedule 125) and qualifies as a renewable energy resource project (Schedule 122).⁵ To this end, PGE allocated costs and benefits associated with Wheatridge in Schedule 122⁶ and Schedule 125 to capture fixed generation and NVPC, respectively. The methodology used by the Company to calculate associated costs and benefits for Wheatridge in Advice No. 20-15

³ In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, 2021 Annual Power Cost Update Tariff; *Includes NVPC calculations.*

⁴ <https://www.oregon.gov/energy/facilities-safety/facilities/Facilities%20library/2020-06-10-WREFI-AMD1-Request-for-Transfer.pdf>.

⁵ ORS 757.210; Oregon Renewable Energy Act (OREA) Sec. 13

⁶ *Subject to Commission Approval*; Docket No. UE 370.

is consistent with that used in the Company's Annual Power Cost Update Tariff⁷ and Renewable Resources Automatic Adjustment Clause filings.⁸

Advice No. 20-15 is an indicative advice filing demonstrating the methodology behind the direct access rate calculation. PGE expects to submit a compliance filing, which reflects Commission rulings on outstanding dockets with related and updated power costs, loads, revenue requirements, and forward market prices for Enrollment Period S direct access customers by August 31, 2020.

Effect on Ratepayers

This tariff will impact only those direct access customers who choose to leave cost-of-service during the option window. However, the number of such customers who will make this election is unknown and, under these circumstances, the revenue change is similarly unknown.

Conclusion

Staff has reviewed the methodology used to calculate direct access rates and verified that they align with the stipulations from Docket No. UE 262. Staff has determined that the rates are fair and reasonable and will not cause harm to cost of service customers.

PROPOSED COMMISSION MOTION:

Approve the Company's update to Schedule 129 to offer qualifying large nonresidential customers a three or five year cost of service opt-out beginning January 1, 2021, through an enrollment period during September 2020 (Enrollment Period S), effective with service rendered on and after September 1, 2020.

⁷ Docket No. UE 377; In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, 2021 Annual Power Cost Update Tariff.

⁸ Docket No. UE 370; In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Renewable Resource Automatic Adjustment Clause (Schedule 122) (Wheatridge Renewable Energy Farm).