

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

In the Matter of PORTLAND GENERAL)	UE 394
ELECTRIC COMPANY,)	
)	CALPINE ENERGY SOLUTIONS,
)	LLC’S PREHEARING BRIEF
REQUEST FOR A GENERAL RATE)	
REVISION)	
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I. INTRODUCTION AND SUMMARY

Calpine Energy Solutions, LLC (“Calpine Solutions”) hereby submits its prehearing brief to the Public Utility Commission of Oregon (“OPUC” or “Commission”), in the above-captioned case. Calpine Solutions is an electricity service supplier (“ESS”) with an interest in ensuring that Portland General Electric Company’s (“PGE”) rates and charges provide a reasonable and nondiscriminatory opportunity for eligible customers to participate in direct access.

Calpine Solutions’ opening testimony addressed PGE’s proposals to make three sets of charges non-bypassable by direct access customers: (1) PGE’s Solar Payment Option, Schedule 137; (2) deferred costs under PGE’s transportation electrification pilots, Schedule 150; and (3) PGE’s demand response programs.¹ The Fourth Partial Stipulation resolves disputed issues in this case regarding PGE’s Solar Payment Option and demand response programs, but cost allocation of PGE’s deferred costs for transportation electrification pilots under Schedule 150 remains disputed.

¹ Calpine Solutions/100, Higgins/3-11.

As explained below, Calpine Solutions recommends that deferred costs of transportation electrification – which total approximately \$2.5 million – should be recovered from all customers in a manner similar to the recovery of distribution costs. Allocation similar to distribution costs is appropriate because transportation electrification infrastructure (e.g., charging stations, etc.) is distribution infrastructure built to serve growing loads of electric vehicles. Moreover, the applicable statutory provision specifically requires recovery of these deferred costs in a manner consistent with recovery of distribution costs. PGE’s proposal to recover these deferred costs based on *total* revenues, including generation revenues imputed to direct access customers, should be rejected because it is inconsistent with the statute and sound rate design. Importantly, Calpine Solutions’ proposal does not allow direct access customers to bypass these deferred costs; rather it assigns direct access customers the same share of such costs as they would pay if they remained on PGE’s fully bundled generation supply. Thus, the Commission should adopt Calpine Solutions’ proposed treatment of deferred costs under Schedule 150.

II. ARGUMENT

PGE proposed three new non-bypassable charges for direct access customers in this proceeding. The Commission should approve the Fourth Partial Stipulation’s resolution of PGE’s Solar Payment Option and demand response programs. But the Commission should reject PGE’s proposal to allocate deferred costs of PGE’s transportation electrification pilots in Schedule 150 by imputing generation costs to direct access customers. While Calpine Solutions agrees that the deferred Schedule 150 costs should be non-bypassable, the proper rate allocation is to allocate these costs similar to distribution costs.

A. Schedule 150: The Commission Should Require that Deferred Costs for Transportation Electrification Pilots Be Allocated in Accordance with Distribution Costs.

The revenue requirement associated with the deferred transportation electrification costs at issue – which totals approximately \$2.5 million – should be recovered from all customers, including direct access customers, in a manner similar to the recovery of distribution costs.

In general, Calpine Solutions supports non-bypassability of certain costs, but urges the Commission avoid charging direct access customers for the costs of programs that are not properly allocated to direct access customers and to carefully determine the allocation method of costs that are deemed non-bypassable. Non-bypassable charges should include only the following types of costs: (a) costs that are associated with services or programs that provide benefits to all classes of customers, including direct access customers, or (b) costs that are imposed to recover costs of state mandates that require all customers to subsidize certain programs or activities.² The non-bypassability determination and the manner of allocating any non-bypassable costs turns on the specific facts and circumstances of each set of costs. Labeling a particular set of costs as related to a public policy objective – such as clean energy or transportation electrification – does not necessarily mean the charge should be non-bypassable. Nor does such labeling justify a particular cost allocation method.

Here, Calpine Solutions agrees that PGE's deferred costs for transportation electrification under Schedule 150 should be non-bypassable, but such deferred costs should be allocated in accordance with distribution costs, not in the manner PGE proposes. These costs total approximately \$2.5 million and were incurred beginning in 2018 under transportation pilot

² Calpine Solutions/100, Higgins/5.

programs approved by the Commission pursuant Section 20 of Senate Bill 1547.³ That legislation specifically stated “[t]ariff schedules and rates” for the transportation electrification costs “[s]hall be recovered from all customers of an electric company in a manner that is similar to recovery of distribution system investments.”⁴ Subsequently, House Bill 2165 amended the statutory scheme to further accelerate transportation electrification and to provide the Commission with more discretion to determine the proper allocation for such costs, but that legislative change was not effective until January 1, 2022⁵ – *after* PGE incurred the deferred costs at issue here. Thus, the applicable statute specifically directs the deferred costs at issue to be allocated similar to distribution costs.

In addition to the statutory directive to allocate these costs in accordance with distribution costs, doing so is consistent with proper ratemaking. As Kevin Higgins’s testimony explains, PGE incurred the deferred costs to acquire, operate, and maintain distribution-related infrastructure, such as charging infrastructure.⁶ The deferred costs relate to PGE’s efforts to develop infrastructure to deliver energy to the growing loads of electric vehicles,⁷ and the costs

³ 2016 Or Laws ch 28, § 20; ORS 757.357 (2021); *see also* PGE/1200, Macfarlane-Tang/45:1-3 (noting deferred amounts total approximately \$2.5 million); *but see* Staff/1700, Shierman/2:5 (stating the deferred amounts are \$2.613 million).

⁴ 2016 Or Laws ch 28, § 20(5)(a)(B); ORS 757.357(5)(a)(B) (2021).

⁵ 2021 Or Laws ch 95, § 4(9)(a)(B), effective January 1, 2022; ORS 757.357(9)(a)(B)(2022). The cost recovery amendment was as follows: “[*(5)(a)*] (9)(a) Tariff schedules and rates allowed pursuant to [*subsection (3)*] subsections (3) to (6) of this section * * * (B) Shall be recovered from [*all customers*] the retail electricity consumers of an electric company in a manner [*that is similar to the recovery of distribution system investments*] determined by the commission.” 2021 Or Laws ch 95, § 4(9)(a)(B) (deletions in italics and additions in underline).

⁶ Calpine Solutions/100, Higgins/8:8-11; *see also* PGE/500, Bekkedahl-McFarland/15-16 (describing the deferred costs).

⁷ PGE/1700, Bekkedahl-McFarland/28:16-19 (stating these loads will grow four-fold by 2025 and nine-fold by 2030).

should be allocated to all customers in the same manner as any other distribution costs.⁸

PGE proposes to allocate the deferred costs under Schedule 150 in accordance with total revenues, including generation revenues imputed to direct access customers, but that proposal is unsupported.⁹ Although PGE provided little discussion of its proposal, PGE appears to assert its cost allocation method is reasonable because these costs are related to broader societal decarbonization efforts.¹⁰ But PGE does not dispute the costs were incurred before repeal of the statutory directive to allocate costs of the pilot programs at issue in accordance with distribution costs. Nor does PGE provide any explanation of how these deferred costs for transportation electrification distribution infrastructure are related to electric generation resources or PGE's generation supply, much less why such distribution cost's relationship to societal decarbonization efforts justifies imputing generation costs to direct access customers. The decarbonization label does not justify PGE's allocation proposal for distribution improvements serving electric vehicles.

Furthermore, despite the suggestion in PGE's testimony, no cross subsidization would occur under Calpine Solutions' proposal because non-residential customers would pay the same distribution-based allocation for these deferred costs whether they purchase energy through direct access or from PGE's cost-of-service offerings.¹¹

PGE and Staff also incorrectly suggest that the recovery mechanism for these costs could be revisited in UM 2024.¹² The practical reality is that if the Commission approves PGE's cost

⁸ Calpine Solutions/200, Higgins/4-5.

⁹ Calpine Solutions/100, Higgins/7:5-10; PGE/1200, Macfarlane-Tang/45.

¹⁰ PGE/3000, Macfarlane-Tang/15:5-10.

¹¹ Calpine Solutions/200, Higgins/6.

¹² PGE/2200, Macfarlane-Tang/14:6-9; PGE/3000, Macfarlane-Tang/15:11-16; Staff/900, Gibbens/17:19 to 18:2.

recovery for these deferred amounts now, the matter will be resolved for these deferred costs, because PGE's proposal amortizes the costs in rates in just one year.¹³

Thus, the revenue requirement associated with prudent transportation electrification deferred costs should be recovered from customers in a manner similar to the recovery of distribution costs.¹⁴ Specifically, to the extent that the deferred costs are specific to a customer class, such costs should be directly assigned to that class and recovered from customers based on their distribution revenue requirement.¹⁵ To the extent that the deferred costs are not specific to a single class, the costs should be allocated to each class in proportion to each class's distribution revenue requirement.¹⁶

B. The Commission Should Approve the Fourth Partial Stipulation.

Stipulations have resolved a number of issues in this proceeding. PGE previously filed a First Partial Stipulation, a Second Partial Stipulation, and a Third Partial Stipulation. Calpine Solutions did not take a position on the issues resolved in the first three stipulations but does not oppose them. PGE is filing the Fourth Partial Stipulation on the same date this prehearing brief is due, and Calpine Solutions is a Stipulating Party to that Fourth Partial Stipulation.

Calpine Solutions recommends approval of the Fourth Partial Stipulation because it constitutes a reasonable compromise of the issues addressed therein. The issues of particular significance to Calpine Solutions are the issues affecting direct access rates and charges. Specifically, the Fourth Partial Stipulation includes the following items affecting direct access service:

¹³ Staff/1700, Shierman/4:8.

¹⁴ Calpine Solutions/100, Higgins/9:1-11.

¹⁵ Calpine Solutions/100, Higgins/9:1-11.

¹⁶ Calpine Solutions/100, Higgins/9:1-11.

- Non-bypassability:
 - Stipulating Parties agree to make Schedule 137, Solar Payment Option, non-bypassable as proposed by PGE.
 - Stipulating Parties agree that PGE will remove its Schedule 135 demand response non-bypassability proposal from this case. PGE may continue to pursue the non-bypassability of Schedule 135 in another proceeding.
- Demand Charge: Stipulating Parties agree to create generation demand charges for Schedule 83 and 85, assigning 25% of generation to the new demand charge for each schedule. Associated with this rate design change, the Stipulation makes conforming changes to the calculation of future transition adjustments to accommodate the incorporation of a generation demand charge in a hold harmless manner.

The Stipulation's resolution of the two non-bypassability issues is consistent with Calpine Solutions' recommendations in its testimony.¹⁷ It resolves the Solar Payment Option subsidies issue by allocating such costs to all customers, including direct access customers, in the manner proposed by PGE, and it leaves the non-bypassability of PGE's demand response costs to be resolved in a future proceeding. These recommendations are reasonable based on the record in this proceeding.

The Stipulation's adoption of a new demand charge for Schedules 83 and 85 is also a reasonable proposal.¹⁸ This aspect of the Stipulation arose from Staff and Walmart's proposal to adopt a generation demand charge for bundled non-residential customers, which Calpine Solutions

¹⁷ Fourth Partial Stipulation, ¶ 10; Calpine Solutions/200, Higgins/7-9.

¹⁸ Fourth Partial Stipulation, ¶ 8.

supports. However, proper implementation of a demand charge also requires changes to PGE's transition adjustment calculations. Thus, the Stipulation specifically describes the method by which PGE will calculate transition adjustments and direct access rates in light of the new demand charge.¹⁹ Parties affected by direct access issues carefully negotiated this aspect of the Stipulation with the intent of avoiding ambiguity or confusion in the future.

In sum, Calpine Solutions recommends approval of the Fourth Partial Stipulation.

III. CONCLUSION

For the reasons stated above, the Commission should approve the Fourth Partial Stipulation and adopt Calpine Solutions' proposal to allocate deferred costs under Schedule 150 in a manner consistent with distribution costs.

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¹⁹ *Id.*