

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 28, 2020**

REGULAR CONSENT EFFECTIVE DATE January 1, 2022

DATE: December 20, 2021

TO: Public Utility Commission

FROM: Scott Gibbens

THROUGH: Bryan Conway and Caroline Moore **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1348/Advice No. 21-41)
Annual Update Tariff, updates Schedules 26 and 125 consistent with final net variable power costs.

STAFF RECOMMENDATION:

The Oregon Public Utility Commission (Commission) should approve the filing submitted by Portland General Electric (PGE) in compliance with Order No. 21-380 and allow the tariff sheets filed in Advice No. 21-41 to go into effect on January 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve PGE's filing implementing changes to its rates approved by the Commission in Order No. 21-380.

Applicable Law

Under ORS 757.205(1):

Every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it.

The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. 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. 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.

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. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

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.

In Order No. 21-380, the Commission adopted a stipulation that resolved all issues related to PGE's 2022 Annual Power Cost update and forecast of net variable power costs. The stipulation, in part, ordered PGE to file its final power cost model (MONET) run on or before November 15, 2021, producing the final Annual Update Tariff Adjustment for 2021.¹

Analysis

Initial Filing

On April 1, 2021, PGE filed its 2022 net variable power cost (NVPC) projection, consistent with the terms of its Schedule 125, which implements the Company's Annual Update Tariff (AUT). The AUT is designed to allow PGE to revise customer rates to reflect those changes in its projected NVPC resulting from new information. NVPC include wholesale power purchases and sales, fuel costs, and other costs that generally change as power output changes. The filing included direct testimony in support of the 2022 NVPC projection of \$511.8 million, or approximately \$26.33 per megawatt-hour

¹See Docket No. UE 391, Order No. 21-380, p. 10.

(MWh). This would have translated to an overall rate increase of approximately \$1.92 per MWh from the final 2021 projected power costs. The primary factors responsible for the increase were an increase in market purchase costs and an increase in load in 2022.²

Because PGE filed its 2022 NVPC non-concurrent with a general rate revision, the Company is allowed, per Order No. 08-505, to update the following model parameters, but not propose changes to their model:³

- a) Forward Price Curves;
- b) Load Forecasts;
- c) Heat rates;
- d) Pacific Northwest Coordination Agreement Headwater Benefit Study;
- e) Contracts for wholesale power and power purchases and sales;
- f) Wind availability forecast;
- g) PURPA contract expenses; and
- h) Maintenance and Forced Outage rates.

UE 391 Proceedings

Following PGE's initial filing, the stipulating parties held a workshop to discuss issues and review PGE's Multi-area Optimization Network Energy Transaction power cost forecasting model (MONET) on May 28, 2021.

Staff, the Oregon Citizens' Utility Board (CUB), and the Alliance of Western Energy Consumers (AWEC) filed testimony related to all AUT Issues on June 30, 2021.

On July 13, 2021, the Stipulating Parties participated in a settlement conference. On July 26, 2021, PGE filed reply testimony on all issues as parties were unable to come to a full agreement. On August 2, 2021, the Stipulating Parties held a second settlement conference whereby all issues in the case were resolved. On August 4, 2021, PGE filed a motion to suspend the procedural schedule related to the AUT Issues, indicating that the parties had reached an agreement in principle. The administrative law judge granted the motion.

On August 30, 2021, PGE filed a stipulation and supporting testimony joined by Staff, CUB, and AWEC. The stipulation settled all issues raised in the proceedings including:

- a) Production Tax Credit (PTC) Rate;
- b) Energy Storage Systems in MONET;

² UE 391, PGE/100, Vhora - Outama – Batzler/1.

³ See Docket No. UE 198, Order No. 08-505, Appendix A, p. 4.

- c) Schedule 125 language;
- d) Wheatridge Performance Report updates;
- e) Day-Ahead Forecast Error Escalation and Error modeling;
- f) Western Energy Imbalance Market;
- g) Wheatridge Battery Storage;
- h) California-Oregon Border Trading Margin;
- i) Transmission Resales;
- j) Carty, Colstrip, and Beaver Forced Outage Rate;
- k) Avangrid Capacity Contract; and
- l) Lydia 2.0.

The Commission issued Order No. 21-380 on November 1, 2021, adopting the AUT Issue stipulation and requiring the Utility to complete a final MONET run by November 15, 2021, to finalize estimated power cost amounts.

MONET Updates

The Annual Update Tariff process includes four periodic updates to forecasted NVPC for the following year with revisions to load forecasts, price forecasts, and contracts as they are realized. Each change in parameters produces a revised net variable power cost by updating the MONET dispatch tool and running the model again for the test year.

On July 15, 2021, PGE updated contract and electric and gas forward curves as of May 28, 2021. The NVPC forecast for 2021 increased roughly \$1.6 million from the April 1, 2020, initial filing to approximately \$513.3 million. This increase was primarily due to capacity contract updates and electric and gas forward price curves updates.

On October 1, 2021, PGE performed a MONET update based on contracts and electric and gas forward curves as of August 30, 2021. PGE's NVPC forecast for 2021 increased to approximately \$518.7 million, an increase of roughly \$5.3 million from the July 15, 2021 update filing. This increase is primarily due: 1) electric and gas forward price curves, 2) updating the 2022 load forecast, 3) hydro maintenance updates, 4) and updates to BPA transmission rates. The power cost increases are partially offset by: 1) incorporation of the August 30, 2021 NVPC Stipulation, 2) additional gas storage benefits associated with an expansion to the Kelso-Beaver pipeline capacity, 3) updates to PGE's term contracts, and 4) an increase in the EIM net benefit value.

On November 5, 2021, PGE updated contracts and electric and gas forward curves as of October 14, 2021. The NVPC forecast for 2021 increased to \$543.8 million, an increase of roughly \$25.1 million from the October 1, 2021, update filing. This increase

is primarily due to electric and gas forward price curves, and fuel and power contract updates.

On November 15, 2021, PGE performed the final update of its 2022 NVPC forecast. This update included 2022 electric and natural gas forward prices based on a five-day average of the forward curves on November 1, 2021, through November 5, 2021. The final NVPC forecast totaled \$544.0 million, an increase of approximately \$0.2 million from the November 5, 2021, update filing, which is due to the updates to electric and natural gas forward prices and QF contracts.

On November 19, 2021, CUB and AWEC filed joint comments in opposition to the November 1, 2021, MONET update related to the confidential terms of the Wheatridge PPA contract. On November 24, 2021, PGE filed reply comments accepting CUB and AWEC's recommended action and adjustment to NVPC. This results in a final NVPC of roughly \$29.7 per MWh, or an increase of \$5.29 per MWh. This equates to a roughly 3.2 percent increase in the typical Schedule 7 Residential customer's total monthly bill. These changes will impact all of the roughly 900,000 Cost-of-Service customers.

Effect of Docket No. UE 391 and Advice No. 21-41

On November 15, 2021, PGE filed Advice No. 21-41. PGE filed replacement sheets on November 30, 2021, as a result of the objection filed by AWEC and CUB. Staff reviewed the filing, tariff schedules, and workpapers to ensure the proposed filing is accurately calculated and consistent with Commission policy and direction.

In addition to Schedule 125, which updates NVPC, Advice No. 21-41 also updates Schedule 26 (Nonresidential Demand Response Pilot Program) and updates various System Usage, Distribution, and lighting fixture charges. Schedule 26, Nonresidential Demand Response Pilot Program energy prices are updated based on the 2022 forward market gas prices contained in the final UE 391 NVPC update. The System Usage and other various charges are reset based on new long-term direct access participation during the September 2020 enrollment window. The changes in System Usage, Distribution, and lighting fixture prices result in an increase of approximately \$7.6 million.

In total, 43 sheets are updated through Advice No. 21-41, a list of which can be found on the first page of the Company's application.

Staff's only further contact with the Company regarding this filing was to get the workpapers in their spreadsheet format in order to complete the review process.

Based on Staff's analysis of PGE's advice filing and associated workpapers, Staff finds the filed rates to be accurate and consistent with Order No. 21-380 and applicable law. Staff further finds that all of the revised tariff sheets correct and that the Company's filing results in rates that are fair, just, and reasonable.

Conclusion

Based on the review of PGE's application, Staff concludes that the proposed revisions are consistent with Order No. 21-380 and result in rates that are fair, just, and reasonable.

PROPOSED COMMISSION MOTION:

Approve the filing submitted by PGE in compliance with Order No. 21-380 and allow the tariff sheets filed in Advice No. 21-41 to go into effect on January 1, 2022.