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September 11, 2023

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301

Re: In the Matter of PORTLAND GENERAL ELECTRIC CO.
Request for a General Rate Revision.
Docket No. UE 416

Dear Filing Center:

Please find enclosed the redacted version of the Alliance of Western Energy Consumers' ("AWEC") Reply Brief in the above-referenced docket.

Please note that AWEC's Reply Brief contains Protected Information Subject to Modified General Protective Order No. 23-039. The confidential version of AWEC's filing has been encrypted with 7-zip software and is being transmitted electronically to the Commission and qualified persons.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

<u>/s/ Jesse O. Gorsuch</u>
Jesse O. Gorsuch

Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the **Alliance of Western Energy Consumers' Confidential Reply Brief** upon the parties shown below via electronic mail.

Dated at Portland, Oregon, this 11th day of September, 2023.

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 416

In the Matter of	)
	)
Portland General Electric Company,	)
	)
Request for a General Rate Revision.	)
	)

REPLY BRIEF

ON BEHALF OF THE

ALLIANCE OF WESTERN ENERGY CONSUMERS

September 11, 2023

(REDACTED)

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I. INTRODUCTION

Pursuant to the March 13, 2023 *Pre-Hearing Conference Memorandum* and the August 24, 2023 *Memorandum Regarding Evidentiary Hearings and Oral Argument*, issued by Administrative Law Judge ("ALJ") Lackey, the Alliance of Western Energy Consumers ("AWEC") hereby submits this Reply Brief regarding the Annual Power Cost Update filed by Portland General Electric Company ("PGE" or "Company") in Docket No. UE 416. As detailed below, PGE has failed to demonstrate that the proposed rates developed through the Company's net power cost forecast are just and reasonable, and therefore the Company's rate proposal should be rejected. Specifically, AWEC demonstrated that proposed reduction adjustments to the Company's net power cost forecast related to EIM diversity benefits and downward flexibility reserves are appropriate and should be approved. Moreover, PGE's divergent attempts to explain away AWEC's analyses demonstrate the Company's failure to justify the rates as requested.

II. LEGAL STANDARD

PGE has the burden of proof to establish that its proposed rate increase is just and reasonable.[1] The Commission also has the independent responsibility to ensure that PGE's customers are only charged just and reasonable rates.[2] The burden of proof and persuasion is borne by the Company throughout the proceeding and does not shift to any other party.[3] PGE

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1 ORS § 757.210(1); *Pac. Nw. Bell Tel. Co. v. Sabin*, 21 Or App 200, 213-14 (1975).
2 ORS § 756.040(1); *Pac. Nw. Bell Tel. Co*., 21 Or App at 213.
3 *Re PGE*, Docket No. UE 228, Order No. 11-432 at 3 (Nov. 2, 2011).

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also has the responsibility to provide the parties and the Commission with sufficient evidence to meet its burdens, and it is inappropriate for the Company to wait to provide both evidence and arguments until late in proceedings to prevent other parties from having a sufficient opportunity to respond.[4]

III. ARGUMENT

A. EIM Diversity Benefits

In Opening Testimony, AWEC noted that the Company's downward flexibility reserves, and specifically the Energy Imbalance Market ("EIM") flexibility reserve requirements, appeared "overstated."[5] Additionally, AWEC demonstrated that PGE's treatment of flexibility reserves, and in particular the credit realized for the EIM Diversity Benefit, was inaccurate within PGE's modeling. Specifically, AWEC demonstrated that PGE's calculation of the EIM reserve requirement without diversity benefit overstates the amount of reserves PGE must hold in MONET.

In its Reply Testimony, PGE asserted that AWEC misunderstood the time periods represented by the flexibility reserve modeling within MONET.[6] Specifically, PGE asserted that "the flexibility ramping reserves requirements in the EIM [do] not align with the flexibility reserves modeled in MONET because they address different timeframes."[7] Moreover, PGE asserted "that the EIM reserve requirement is 'calculated without diversity benefit,'"[8] and "[t]he

[4] *Id.* at 8.
[5] Exhibit AWEC/100, Mullins/11, l. 12.
[6] *See* Exhibit PGE/1500, Outama-Pedersen-Cristea/8-10.
[7] Exhibit PGE/1500, Outama-Pedersen-Cristea/8, ll. 18-20.
[8] Exhibit PGE/1500, Outama-Pedersen-Cristea/9, l. 18.

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diversity benefit will be 'unlocked' only when an EIM entity has passed [the] EIM resource Flexible Ramping Sufficiency Test, and [the] EIM Capacity Test…."[9] This assertion is incorrect. Importantly, AWEC is not disputing that PGE maintains the obligation to hold sufficient resources to serve its load independent of the EIM; it is arguing that the *reserves* it must hold are lower due to the EIM's diversity benefit. This is demonstrated by AWEC's Rebuttal Testimony and the CAISO Business Practice Manual for Energy Imbalance Market, Exhibit AWEC/500. As shown in that testimony, the CAISO Tariff explicitly provides that "CAISO will reduce the upward and downward Uncertainty Requirements by the Balancing Authority Area's pro rata share of the upward and downward EIM diversity benefit in the EIM Area."[10] That the diversity benefit allows PGE to hold fewer reserves is further supported by PacifiCorp's experience in the EIM. As that utility states in its 2023 Integrated Resource Plan, "EIM's intra-hour capabilities across the broader EIM footprint *provide the opportunity to reduce the amount of regulation reserve necessary for PacifiCorp to hold* …."[11] This is because "[b]y pooling variability in load and resource output, *EIM entities reduce the quantity of reserve required to meet flexibility needs*."[12] PGE did not refute the provisions of the CAISO Tariff or Business Practice Manual related to diversity benefits, nor indeed, even address the CAISO Tariff's requirements.

After AWEC demonstrated this inaccuracy, PGE provided a novel explanation in its Surrebuttal Testimony, asserting that AWEC's recommendation would double-count the EIM

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9 Exhibit PGE/1500, Outama-Pedersen-Cristea/9, l. 19 – 10, l. 2.
10 AWEC/400, Mullins/8:10-13 (quoting CAISO Tariff Sec. 29.34(m)(3) (emphasis added).
11 AWEC/502 at 3 (emphasis added).
12 *Id.* at 4.

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diversity reserve benefits, as they are allegedly already included within the MONET modeling.[13] In its Opening Brief, PGE further accused AWEC of holding a "gross misunderstanding of the various role [sic] of the Energy Imbalance Market…and the flexibility reserves PGE models in MONET."[14] PGE is wrong and its revolving cast of explanations demonstrates its failure to carry its burden to establish the requested rate is just and reasonable.

As an initial point, PGE's most recent explanation was provided in Surrebuttal Testimony, which precluded AWEC from providing a testimonial response. Moreover, PGE's final explanation is belied by mathematics, as AWEC has identified $[redacted] in diversity reserve benefits[15], but PGE includes only $12.5 million[16]. PGE's assertion that the part ($[redacted]) is included in the whole [redacted] fails and should be dismissed by the Commission.

Additionally, PGE's contention fails when compared with the Company's own testimony regarding EIM benefits from prior AUT proceedings. In prior AUT proceedings, Company witnesses testified that PGE's western EIM benefits are comprised of three categories: Sub-Hourly Dispatch Savings[17]; Hydro GHG Revenue[18]; and CAISO Flex Award Savings.[19] These savings are offset by Grid Management Charges.[20]

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13 *See* Exhibit PGE/3000, Vhora-Pedersen-Cristea/11, ll. 19-21.
14 Opening Brief, p. 15.
15 Exhibit AWEC/400, Mullins/2, Confidential Table 1.
16 *See* July 14, 2023 NVPC Update, Attachment 1 CONFIDENTIAL\Step Documentation\Step 74 - Update EIM Net Benefit\ #18_EIM_2024GRC_Summary_Jul 2023 Filing
17 *See* Docket No. UE 359, Exhibit PGE/100, Niman-Kim-Batzler/10, Table 1. Pursuant to OAR 860-001-0460(1)(d), AWEC requests that the Commission take official notice of PGE's testimony in prior AUT proceedings cited in this Reply Brief.
18 *See* Docket No. UE 359, Exhibit PGE/100, Niman-Kim-Batzler/10, Table 1.
19 *See* Docket No. UE 377, Exhibit PGE/100, Suelean-Kim-Batzler/9, ll. 12-14; Suelean-Kim-Batzler/14-16.
20 *See* UE 359, Exhibit PGE/100, Niman-Kim-Batzler/10, Table 1.

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PGE has previously testified that "[net variable power cost] savings from GHG awards in the EIM are incremental to PGE's sub-hourly dispatch savings and continue to be a substantial component of PGE's EIM benefit."[21] Thus, per PGE's own admission, there is no overlap between sub-hourly dispatch savings and EIM GHG revenues. Similarly, regarding the CAISO Flex Award Savings, PGE testified that "[t]he flexible ramping product awards issued by CAISO are a result of the CAISO-identified need for flexible ramping and the energy bid ranges offered for dispatch in the market from ramp-capable resources."[22] Accordingly, these awards are also independent of the Sub-Hourly Dispatch Savings.

Critically, and contrary to PGE's current claims, in UE 359, the Company's 2020 AUT proceeding, PGE noted its incorporation of an EIM benefits study conducted by Energy and Environmental Economics, which "identified sub-hourly dispatch savings as having two components: (1) base dispatch cost savings and (2) additional dispatch cost savings associated with PGE maintaining lower reserve requirements."[23] Additionally, in the 2021 AUT proceeding, the Company testified that "[s]ub-hourly dispatch savings result from PGE's ability to export and import in near real-time with other EIM participants to economically displace resources or respond to intra-hour imbalances."[24] Nowhere in the calculations of the premiums resulting from this transactional framework are EIM diversity benefits identified or quantified, and PGE has failed to presently demonstrate how these incremental EIM transactions incorporate or value the EIM diversity benefit at issue here.

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21 Docket No. UE 377, Exhibit PGE/100, Suelean-Kim-Batzler/9, ll. 12-14.
22 Docket No. UE 391, Exhibit PGE/100, Vhora-Outama-Batzler/20, ll. 16-18.
23 Docket No. UE 359, Exhibit PGE/100, Niman-Kim-Batzler/9, fn. 5.
24 Docket No. UE 377, Exhibit PGE/100, Suelean-Kim-Batzler/8, ll. 15-17.

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Moreover, as identified by PGE, "[t]he calculation of EIM Sub-Hourly Dispatch Savings is based on the thermal and hydro output from the MONET model."[25] "The thermal and hydro output from the MONET model is not adjusted for flexibility reserve diversity benefits when input into the EIM Sub-Hourly Dispatch Savings calculation.[26] Therefore, the Sub-Hourly Dispatch Savings calculation used to estimate EIM benefits does not consider flexibility reserve diversity benefits.

Further, the EIM Sub-Hourly Dispatch savings calculation applies an EIM Price factor relative to Mid-Columbia market prices included in MONET.[27] If included in the EIM Sub-Hourly Dispatch Savings calculation, the value of the EIM Flexibility Reserve Diversity Benefits would otherwise be reflective of the EIM Price Factor adjustment.[28] Therefore, if the EIM Sub-Hourly Dispatch Savings model considered the EIM Reserve Diversity Benefits, it would inherently produce a larger benefit for the EIM Flexibility Reserve Diversity Benefits than that calculated in MONET. As identified above, the value of EIM Flexibility Reserve Diversity Benefits calculated in MONET exceeds the total value of EIM Sub-Hourly Dispatch savings calculated in the EIM model by a wide margin. Thus, it is clearly not the case that EIM Flexibility Reserve Diversity Benefits are already included in the model used to calculate EIM Sub-Hourly Dispatch Savings.

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25 July 14 NVPC update, Attachment 2, Step Documentation\Step 35 - EIM Update\^_2024GRC-WesternEIM

26 July 14 NVPC update, Attachment 2, Step Documentation\Step 35 - EIM Update\^_2024GRC-WesternEIM

27 July 14 NVPC update, Attachment 2, Step Documentation\Step 35 - EIM Update\^_2024GRC-WesternEIM

28 July 14 NVPC update, Attachment 2, Step Documentation\Step 35 - EIM Update\^_2024GRC-WesternEIM

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As outlined by AWEC's Opening and Rebuttal Testimonies, PGE has failed to include diversity benefits realized through the Company's participation in the EIM for the benefit of ratepayers in its net power cost forecasting. PGE's repeated and evolving attempts to explain away AWEC's critique fail under scrutiny and comparison to the Company's prior testimony. PGE has failed to carry its burden to demonstrate the requested rate is just and reasonable, and accurately accounts for benefits that should rightly inure to ratepayers through supporting the Company's participation in the EIM. AWEC's proposed adjustment of [redacted] should be accepted by the Commission.

B. Hydro Spill

In Opening Testimony, AWEC expressed concern that "[t]he reserves logic and Visual Basic models that PGE uses to forecast the cost of reserves in the MONET model are severely flawed."[29] Specifically, AWEC outlines that "[t]he reserves modeling that PGE uses … not only results in dispatching hydro output in uneconomic hours, but includes an assumption that PGE will voluntarily spill, *i.e.*, diverting the water through the impoundment without running it through the generation turbines, a large volume of hydro energy."[30] As a result of this original analysis, AWEC recommended that "an adjustment that allocates downward flexibility reserved to thermal resources prior to being allocated to hydro resources"[31] be established and modeled in an effort to produce "a more efficient hydro dispatch and a more accurate forecast of the cost of reserves to PGE."[32]

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29 Exhibit AWEC/100, Mullins/4, ll. 4-5.
30 Exhibit AWEC/100, Mullins/4, ll. 6-9.
31 Exhibit AWEC/100, Mullins/4, ll. 15-16.
32 Exhibit AWEC/100, Mullins/4, ll. 16-17.

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In response to these recommendations, PGE argued that AWEC held an "apparent misunderstanding of when PGE first introduced downward flexibility reserves in the AUT" and further asserted that "AWEC's modeling change [was] mechanically incorrect…."[33] Specifically, PGE contended that when AWEC performed a modeling adjustment to the "Uncertainty Down" data while not adjusting the "Uncertainty Up" data, AWEC had, in fact, "inadvertently removed all flexibility up reserves"[34], because, notwithstanding the modeling containing inputs for both "Uncertainty Down" and "Uncertainty Up", "the code inside the MONET model uses 'Uncertainty Down' as the number for both Up and Down reserves."[35]

In Surrebuttal Testimony, after AWEC called into question the validity and accuracy of the Company's modeling and creation of VBA scripts within MONET[36], PGE provided yet another explanation: while "hydro spill" means "lost energy from running water over or through a hydroelectric impoundment without generating electricity," in real life, it holds a different meaning in MONET.[37] Rather, in PGE's second defense of its reserves modeling, "hydro spill" is now "a modeling approach used to estimate the costs associated with unmet [ancillary services] capacity that is resolved through wholesale market power purchases…."[38] In other words, according to PGE "hydro spill" in the MONET model is not actually hydro spill at all. PGE then proceeded to attempt to explain how, under this entirely new justification, AWEC was again mistaken and misunderstands the MONET model.[39]

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33 Exhibit PGE/1500, Outama-Pedersen-Cristea/6, ll. 15-16.
34 Exhibit PGE/1500, Outama-Pedersen-Cristea/6, l. 21.
35 Exhibit PGE/1500, Outama-Pedersen-Cristea/6, ll. 19-20.
36 *See* Exhibit AWEC/400, Mullins/6-7.
37 PGE/3000, Vhora-Pedersen-Cristea/7:2-6.
38 Exhibit PGE/3000, Vhora-Pedersen-Cristea/7, ll. 7-8.
39 *See* Exhibit PGE/3000, Vhora-Pedersen-Cristea/8-11.

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As detailed above, as the Applicant, PGE bears the burden to demonstrate, by a preponderance of the evidence, that the proposed rate is fair, just and reasonable.[40] Indeed, PGE admits the application of this threshold in its Opening Brief.[41] An objective review of the record in this matter demonstrates that PGE has failed to carry its burden regarding the modeling of these reserves. In short, PGE's testimony on this issue is not believable. It consists primarily of explanations that terms in the MONET model do not mean what they say – "Uncertainty Down" reserves are actually Uncertainty Up *and* Uncertainty Down reserves; "hydro spill" is actually ancillary services. Further, PGE failed to provide even a cursory discussion of this modeling input in its Opening Testimony. PGE had three attempts to detail and describe the modeling of flexibility down reserves and their relationship with hydro storage and generation and PGE provided multiple, inconsistent narratives in an attempt to explain away the inefficient modeling identified by AWEC. PGE's ever-changing rationalizations fail to justify the excessive costs resulting from PGE's modeling of future net variable power costs. PGE has failed to demonstrate that the rates resulting from this modeling are just and reasonable, and as such, the Commission should reject the Company's modeling of this element and accept AWEC's proposed adjustment.

C. Faraday Unit 6 Outage

In its July MONET update, PGE increased power costs by including a new forecasted outage of Unit 6 of the Faraday hydro facility.[42] In surrebuttal testimony, PGE explains that this

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[40] *See* ORS 757.210 and *In the Matter of Portland General Electric Co. Proposal to Reprice Service in Accordance with the Provisions of SB 1149*, Docket No. UE 115, Order No., 01-777 (Aug. 31, 2001).

[41] *See* Opening Brief at 8.

[42] AWEC/400, Mullins/17:17-20.

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outage is necessary "due to the failure of the Unit 6 step-up transformer."[43] PGE provides no testimony or other evidence explaining the cause of this failure or demonstrating that PGE acted prudently with respect to this failure, and provided no cost-benefit analysis to support the outage. This is true even though PGE had an opportunity to provide such support in Surrebuttal Testimony after AWEC raised concerns about the prudency of this outage in its Rebuttal Testimony.[44] Accordingly, PGE has failed to meet its burden to demonstrate that the power costs associated with this outage should be borne by customers.

D. Additional Modeling Errors

In addition to the Faraday Unit 6 Outage, AWEC identified two errors PGE made in modeling Faraday's generation if the Unit 6 outage is included in power costs. Specifically, AWEC argued that PGE used the old capacity of Faraday when calculating the impact of the Unit 6 outage, and that PGE adjusted the amount of production tax credits ("PTCs") available from Units 7-8 due to the outage even though the outage would have no impact on the generation of PTCs.[45]

In response, PGE admits that AWEC is "partially correct" with respect to the generation amount, namely that "PGE did not update the generation that is applied to the maintenance derations to reflect the new units."[46] It also agreed with AWEC with respect to the PTCs.[47]

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43 PGE/3000, Vhora-Pedersen-Cristea/28:13.
44 AWEC/400, Mullins/17:10-11.
45 AWEC/400, Mullins/18:12-18.
46 PGE/3000, Vhora-Pedersen-Cristea/29:20-30:3.
47 *Id.* at 30:7-12.

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Accordingly, if the Commission does not exclude the Faraday Unit 6 outage, it should require PGE to update its power cost forecast consistent with these corrections.

E. Round Butte Outage and Lydia 2.0 Update

In Rebuttal Testimony, AWEC argued that PGE inappropriately updated its modeling of Lydia 2.0 to address how daylight savings time was being considered.[48] It also opposed PGE's proposal to model an outage at the Round Butte facility in January as opposed to in a month where hydro output will have less value.[49]

With respect to Lydia 2.0, PGE responded that it had correctly modeled daylight savings time in its initial filing and the error appeared in its March 31st update.[50] PGE also argued that modeling the Round Butte outage in January was necessary because this outage is a necessary prerequisite to the Turbine Shut-Off Valve ("TSV") replacement project, which is scheduled for later in 2024.[51] PGE states that it did not include the costs of the TSV replacement project in power costs because it had already done so for 2023.[52] Given these responses, AWEC agrees to drop its recommendations on these issues; however, the Commission should ensure that PGE does not include the costs of the TSV replacement project in its final power cost update in this case.

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48 AWEC/400, Mullins/14.
49 *Id.* at 18:20-19:2.
50 PGE/3000, Vhora-Pedersen-Cristea/23:17-24:16.
51 *Id.* at 30:20-31:5.
52 *Id.* at 32:5-8.

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IV. CONCLUSION

For the reasons outlined above, AWEC's specified reduction adjustments to PGE's proposed net power cost forecast should be accepted. Moreover, the Commission should find that PGE has failed to demonstrate the reasonableness of the MONET modeling regarding EIM diversity benefits, hydro spill as ancillary services, and the proposed Faraday Unit 6 outage. Finally, as detailed above, the Commission should ensure that PGE does not include the costs of the TSV replacement project in its final power cost update in this case.

Dated this 11th day of September, 2023.

Respectfully submitted,

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