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Via Electronic Filing

Oregon Public Utility Commission
201 High Street SE, Suite 100
Salem, OR 97301

Re: May 19, 2020 Public Meeting Regular Agenda Item #3 – ADV 1112

Dear Commissioners:

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to file comments on Regular Agenda Item #3, regarding Portland General Electric Company’s (“PGE” or “Company”) Advice No. 20-09 to update its cost recovery tariff for the Community Solar Program (“CSP”).

PGE’s filing makes three proposals. First, it proposes to allocate CSP start-up costs to all customer classes, including direct access customers. Second, it proposes to allocate what it refers to as “bill credit payment costs” to all customers,^{1/} including direct access customers. Third, it proposes a method for allocating these costs to each rate schedule, including direct access rate schedules.^{2/} With the exception of the allocation method, AWEC does not oppose the first of PGE’s proposals; it does oppose the other two. Moreover, AWEC’s opposition is not limited to PGE’s allocation of costs to direct access customers; it includes PGE’s proposed allocation of costs to its cost-of-service customers as well.

A. AWEC does not oppose allocation of CSP start-up costs to direct access consistently with the allocation of other costs.

The one area where PGE appears to be on at least arguably reasonable ground is in its proposal to allocate CSP start-up costs to direct access customers. The CSP law provides that “[a]ll start-up costs prudently incurred during the development or modification of the program established under this section are recoverable in the rates of an electric company.”^{3/} The statute does not distinguish between cost-of-service and direct access customers, and the

^{1/} PGE Amended Advice No. 20-09 at 2.

^{2/} Id. at 4.

^{3/} ORS 757.386 (7)(c).

recovery of these costs appears to be, as PGE states, mandated to fulfill a public policy goal of enabling a CSP. Given this, AWEC is unclear as to why PGE did not propose to allocate these costs to direct access customers when it originally filed Schedule 136, but in any event, AWEC understands that these costs are being incurred today, so it does not object to modifying this tariff now to allocate a portion of these costs to direct access going forward.

For the reasons discussed in Section C below, however, AWEC does oppose allocating these costs to direct access customers based on generation revenues. At least for now, these costs should be allocated in the same manner all other costs are allocated to direct access customers, which is based on transmission and distribution revenues.^{4/}

B. The Commission should identify the existence of, basis for, and amount of cost-shifting associated with bill credit payment costs before authorizing the allocation of these costs to any customer class.

PGE also requests authorization to recover “bill credit payment costs” from all customers, including direct access customers. PGE’s filing does not go into detail about what these costs are, but provides an example in an attachment of the costs that would be borne by each customer class assuming \$3 million and \$10 million are allocated to all classes.^{5/} AWEC has two concerns with PGE’s request, one related to the substance and one related to the timing.

On the substance, PGE has not identified what cost-shift it is referring to. Unlike start-up costs, the Community Solar law says nothing about the allocation of “bill credit payment costs” to non-participating customers. Indeed, it supports the opposite – that “[o]wners and subscribers shall bear all ongoing costs incurred during the continued administration of the [CSP].”^{6/} AWEC has not been intimately involved in UM 1930, the CSP docket, but understands that the Commission has approved a credit for customers participating in the CSP equivalent to the residential retail rate.^{7/} In doing so, the Commission stated that “we endeavor to balance the commencement and maintenance of a viable program, while at the same time following the statutory directive to minimize cost-shifting to non-participants.”^{8/} While one may be able to infer from this language that the Commission authorized a bill credit rate that would result in additional costs for the CSP that would either need to be borne by the utilities’ other customers or their shareholders, AWEC has not identified any order in the CSP docket where the Commission has made such a finding explicitly.

The need for explicit Commission approval of cost-shifting associated with the CSP bill credit is important for several reasons. First, it establishes the basis for applying such excess costs to non-participating customers. PGE seems to argue that the primary policy

^{4/} Also for the reasons discussed below, AWEC does not agree that CSP start-up costs should be allocated to cost-of-service customers based on generation revenues either. AWEC recognizes, however, that these costs have already been approved for recovery in this manner through Schedule 136 and, therefore, does not challenge this determination here.

^{5/} Attachment to PGE Advice No. 20-09.

^{6/} ORS 757.386(7)(d).

^{7/} Docket UM 1930, Order No. 19-392 at 3.

^{8/} Id.

rationale that would justify cost-shifting associated with the CSP bill credit is that this program “provides a public benefit and a public good,” and furthers “the state’s policy goals” including decarbonization.^{9/} AWEC has no reason to dispute that the CSP does this, but notes that shareholders benefit from public benefits and public goods such as decarbonization also. As BlackRock, the world’s largest asset manager, recently stated, “Investors can no longer ignore climate change.”^{10/} If indeed the Commission believes that cost-shifting associated with the CSP bill credit is appropriate, and believes this for the reasons articulated in PGE’s advice filing, then AWEC requests that the Commission make such a finding clear and identify the portion of these public policy-related costs that are rightfully borne by shareholders as beneficiaries of the public good.

The second reason explicit Commission approval of cost-shifting associated with the CSP bill credit is important is that it identifies the amount of the cost-shift. If the residential retail rate does not represent the true value of the energy from a CSP project, then the Commission must first identify what an accurate valuation for this energy is so as to establish the amount of the credit that exceeds this amount. While PGE states that it will determine the total cost of the bill credit payments to allocate to non-participating customers by subtracting “the avoided cost of energy as it does to recover costs from the Solar Payment Option Pilot,”^{11/} the Commission has not determined that this is an appropriate calculation of any subsidy associated with the CSP because it has not determined that a subsidy exists in the first place.

The third reason explicit Commission approval of cost-shifting associated with the CSP bill credit is important is that it establishes the basis for how that portion of excess costs that is allocated to non-participating customers should be spread among customer classes. AWEC addresses this issue more fully below, but the general concept behind class cost allocation is that it follows the cost of serving each class. In short, burden should follow benefit. Without a finding that the bill credit rate will result in cost-shifting and the justification for this cost-shift, it is impossible to know which customer classes benefit and in what proportion. This is not just an issue of allocating costs between direct access and cost-of-service customers; it is an issue of allocating costs among cost-of-service customer classes also.

On the timing, PGE has not adequately explained what the rush is for its filing. As shown above, these are thorny issues that require further consideration from parties and the Commission, not least of which is a finding that cost-shifting associated with bill credits to CSP participants will occur at all. To AWEC’s knowledge, none of the CSP projects are operational, so no “bill credit payment costs” are imminent. Rather than approving a tariff that may not be just and reasonable, the Commission should investigate and make findings on these issues before approving modifications to Schedule 136. If, indeed, a cost-shift will occur from the bill credit rate before recovery of these costs is approved, PGE is free to file a deferred accounting petition to track these costs for later inclusion in customer rates (although, as discussed above, AWEC does not necessarily agree that all such costs should be borne by customers).

^{9/} PGE Amended Advice No. 20-09 at 2, 3.

^{10/} https://www.blackrock.com/institutions/en-axj/insights/climate-change_en_AXJ.

^{11/} PGE Amended Advice No. 20-09 at 4.

C. The Commission should reject PGE’s proposal to allocate CSP bill credit costs to customers based on generation revenues.

AWEC also objects to PGE’s proposed allocation of CSP costs. The Company “proposes that costs recovered through this schedule be allocated to each schedule using the applicable schedule’s forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule, with long-term opt out and new load direct access customers priced at the equivalent cost of service rate schedule.”^{12/} In other words, PGE proposes to treat direct access customers as cost-of-service customers for purposes of allocating CSP costs. This is hugely problematic for several reasons.

First, PGE’s marginal cost of service study used to allocate costs to customers in a general rate case does not include direct access customers in the generation allocator *at all*.^{13/} Thus, PGE is proposing to fundamentally change its cost of service study outside of a rate case and in an advice filing to be considered at a Public Meeting. There is simply no evidentiary basis for the Company’s proposal here, the justification for which is entirely encapsulated in the above quote from its filing.

Second, shifting utility generation costs to direct access customers may violate the direct access law. This law gives all nonresidential customers the right “to purchase electricity ... directly from an entity other than the distribution utility.”^{14/} By allocating CSP generation costs to direct access customers, PGE’s filing potentially compromises that right.

Third, it does not appear in any event that PGE is proposing to allocate generation costs to direct access customers. As discussed above, PGE seems to think that the costs at issue are more appropriately considered “public policy” costs. If that is in fact what they are, then this is not a cost that should be allocated to any class, direct access or otherwise, based on generation revenues. AWEC generally opposes imposing these types of costs on utility customers because it treats them as if they are a tax base rather than consumers of a service. This makes it difficult, if not impossible, to allocate these types of costs to customer classes based on cost-causation. While the Commission must, of course, follow legislative direction and impose such public policy costs if legislatively required, it remains free to determine the most fair and reasonable manner of allocating these public policy costs among classes. Such an allocation should be determined through an evidentiary record and a full marginal cost of service study that accounts for all class cost allocations, not simply on PGE’s whim in an advice filing.

At a minimum, then, if the Commission does allow PGE to modify Schedule 136 to include “bill credit payment costs” and to allocate these costs to direct access customers, it should maintain established allocation methods at least until PGE’s next general rate case where a new cost of service study can be considered. This would allocate CSP costs to direct access customers based on transmission and distribution revenues. Furthermore, the Commission should not accept PGE’s allocation of CSP bill credit costs based on generation revenues to cost-

^{12/} PGE Amended Advice No. 20-09 at 4.

^{13/} Docket UE 335, Exh. PGE/1304 at 3.

^{14/} ORS 757.600(6), 757.601(1).

of-service customer classes either. At most, and because bill credit payment costs do not yet exist, it should accept this allocation provisionally, and require PGE to identify and justify a permanent allocation methodology in its next general rate case.

D. Conclusion

PGE's proposed changes to Schedule 136 raise substantial and potentially precedential questions about cost allocation, not only between direct access and cost-of-service customers, but also among cost-of-service customer classes and even between customers and shareholders. PGE proposes these changes without any evidentiary record and without even a basis on which to determine that a cost-shift exists. Moreover, the Company has not adequately demonstrated a need to make these changes to Schedule 136 at this time, other than with respect to start-up costs. "Bill credit payment costs" are not being incurred today and are not imminent. A just and reasonable allocation of these costs to any customer class should be determined in PGE's next general rate case when a full marginal cost of service study will be available. Until then, PGE is free to file an application to defer any of these costs if they are incurred between now and when new rates are established.

AWEC respectfully requests that the Commission reject PGE's Advice No. 20-09, and allow it to refile changes to Schedule 136 to allocate only CSP start-up costs to direct access customers in the same manner all other costs are currently allocated to direct access customer classes.

Dated this 13th day of May, 2020.

Respectfully submitted,

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