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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 ALLIANCE OF WESTERN ENERGY CONSUMERS, Investigation into Long-Term Direct Access Programs.
Docket No. UM 2024

Dear Filing Center:

Please find enclosed the Alliance of Western Energy Consumers' Updated Straw Proposal in the above-referenced docket.

Thank you for your assistance. Please do not hesitate to contact me if you have any questions.

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2024

In the Matter of ALLIANCE OF WESTERN ENERGY CONSUMERS, Petition for a General Investigation into Long-Term Direct Access Programs.	 ALLIANCE OF WESTERN ENERGY CONSUMERS' STRAW PROPOSAL FOR LONG-TERM DIRECT ACCESS (UPDATED)

The Alliance of Western Energy Consumers' ("AWEC") straw proposal below is updated from the version it filed on August 23, 2021 to account for issues raised and resolved in AR 651. The basic structure of AWEC's straw proposal, however, remains the same. The fundamental idea underlying AWEC's straw proposal is that direct access load should be treated as a resource option. This treatment best ensures an accurate transition adjustment so that both direct access and non-participating customers are held harmless from a customer's decision to participate in a long-term direct access program. AWEC's proposal recognizes that a utility can meet its needs either through supply-side resources or by reducing its load. Historically, load reduction programs like energy efficiency and demand response have been favored due to the fact that they are emissions-free, do not require incremental resources, and do not require additional transmission. Direct access is similar to load reduction programs in that it reduces the load the utility must plan for and acquire supply-side resources to serve. Thus, AWEC's proposal envisions that direct access can be a tool to meet utility obligations cost-effectively.

AWEC's straw proposal would maintain the existing eligibility threshold of 1 aMW for long-term direct access. At this time, AWEC's proposal only applies to PGE's and PacifiCorp's long-term direct access programs, not their new load direct access ("NLDA") programs; however, AWEC reserves the right to propose application of any or all of the principles outlined below to the NLDA program in future testimony.

Transition Charge: Eligible customers have two options to elect direct access described below.

AWEC proposes setting the transition charge such that the expected generation and transmission rate paid by retail customers is not affected by a customer's decision to receive direct access service. This will address concerns raised by other parties regarding potential cost shifts associated with direct access. This is accomplished by setting the transition adjustment revenue equal to the difference between the revenue that would be received from a potential direct access load if it remains on cost of service and the avoided cost of serving the customer that transitions to direct access. AWEC proposes two options for measuring avoided cost:

1. Option 1: Transition anytime based on an avoided cost schedule developed in conjunction with the utilities' IRPs

    a. The avoided cost would be modeled in the IRP/CEP and would be based on the utilities' energy, capacity, transmission, renewable/non-emitting and small-scale needs.

    b. The avoided cost is developed by running two versions of a fixed and variable power cost forecast – one based on the base case load forecast used in the IRP and one based on an adjusted load forecast with load reduced by a representative direct access customer as a proxy for DA transitions.

        i. Avoided costs are updated in each IRP and IRP Update.

    c. Customers pay or receive transition adjustments for 20 years. All amounts are deferred for later inclusion in COS customer rates. AWEC proposes 20 years because this is a standard term for PPAs and utility planning horizons.

    d. The avoided cost is fixed for each DA customer at the time it elects to transition. This is consistent with other long-term resource decisions a utility makes.

2. Option 2: Transition as part of a "bid" into an RFP for new resources, or when the utility requests a waiver of the competitive bidding guidelines.

    a. When a utility issues an RFP, it also issues a notice to all customers eligible for long-term direct access. That notice would invite any interested customer to join a waitlist pending the outcome of the RFP.

    b. After a final shortlist from the RFP is developed, but before it is brought to the Commission for acknowledgment, a new avoided cost is determined for direct access based on the utility's updated resource needs at that time (excluding the contributions of any resources on the shortlist).

    c. The avoided cost is developed by running a fixed and variable power cost forecast including the bids on the shortlist and comparing it with a forecast where direct access load on the waitlist either meets the full resource need (if sufficient load exists on the waitlist) or is scaled up to meet the next incremental lowest valued shortlist resource.

        i. The calculated avoided cost is only available up to the resource need; thus, if DA exceeds the resource need, any excess would be subject to transition adjustments based on a different avoided cost (which would be calculated pursuant to Option 1 and assuming the utility's resource need is filled up to the amount requested in the RFP).

    d. Eligible customers on the waitlist may elect direct access at the avoided cost. At this time, these customers will irrevocably commit themselves to DA, unless the Commission does not acknowledge the shortlist. The utility performs additional portfolio modeling to determine whether to remove any supply-side resources as a result of DA customers' election.

e. The shortlist is updated to reflect the direct access load that "opts in", and this final shortlist is taken to the OPUC for acknowledgment.

f. Following the RFP, further direct access transitions are suspended until the utility develops its next avoided cost in its IRP or another RFP.

Provider of Last Resort Issues

1. POLR Charge: non-curtailable DA customers shall pay a provider of last resort charge to the incumbent utility to reflect the incremental cost of serving as the provider of last resort.

   a. POLR charge shall be calculated by calculating the cost of holding planning reserves, allocating these costs between DA and retail load based on the share of hours that reserves serve DA and retail load, then dividing the amount allocated to DA load by the forecasted annual DA load. The POLR charge shall be subject to a minimum charge of $0.10 per MWh. The allocation factor used to allocate reserve costs to DA customers will equal the total long-term DA energy served by the utility under default service in the prior 10 years divided by the difference between planning reserves and actual reserves in the prior 10 years.

   b. The POLR charge shall be waived for legacy DA customers because these customers transitioned under a different paradigm and should receive the benefits and burdens of their bargain at the time of their transition.

   c. The POLR charge shall be waived for customers that elect to be preferentially curtailable.

2. Preferential Curtailment: Any customer may elect to be preferentially curtailed load, as provided in OAR 860-038-0290.

   a. Load is eligible for preferential curtailment if i) it is separately metered from non-curtailable load, ii) the customer is willing to participate in a demand response program that would qualify as a demand response resource under the WRAP tariff with a Resource QCC equal to the load's peak demand over the most recent twelve months, and iii) the customer is capable of enacting such DR program within one year of electing for preferential curtailment. As an alternative to participating in a DR program, the customer may elect to pay for equipment necessary for the utility to preferentially curtail it.

b. Customers must make an election for curtailable or non-curtailable load concurrently with their direct access election. A customer may change its preferential curtailment election following a 3-year notice period.

c. A load electing for preferential curtailment must demonstrate that it is implementing a load curtailment under a qualifying demand response program within one year of electing for preferential curtailment. To the extent the load is unable to implement a demand response program equal to the full Resource QCC as provided in (2)(a), above, the residual load not covered by the demand response program will be subject to the POLR Charge.

d. Unless otherwise agreed to by contract, curtailable load may only be curtailed if the customer is receiving energy service from the utility and the utility is at NERC emergency alert level 3 or other equivalent emergency reliability measure.

e. Utility must notify all curtailable customers at each change in emergency energy alert level. Notice should include the hours of potential energy shortfalls.

f. All utility costs of enabling preferential curtailment must be directly charged to the participating customer.

Program Cap

1. For curtailable load, a soft "cap" is placed on non-RFP direct access based on forecasted resource need up to the fifth planning year of the IRP.

    a. The avoided cost discussed above is based in part on expected load growth for each utility. If sufficient load transitions to direct access that eliminates that forecasted load growth, the avoided cost is repriced and future customers electing direct access are subject to transition charges based on this repriced avoided cost.

    b. For RFP direct access, a cap exists at the level of the resource need.

2. For non-curtailable load, a cap is established at the larger of the prior year's cap or 14 percent of the weather normalized energy sales in the prior year. PGE's initial cap represented 14 percent of weather normalized sales when it was initially established in 2003 and PacifiCorp's initial cap was designed to be proportional to PGE's program cap.

Resource Adequacy

1. Resource adequacy requirements will be consistent with rules developed in AR 660.

Public Policy Costs

1. DA customers will bear public policy costs consistent with OAR 860-038-0170.

Return to Cost of Service for Existing Long-Term Direct Access Customers

1. Following conclusion of this docket, existing Long-Term Direct Access Customers will have a 12-month grace period during which legacy direct access rules and tariffs will remain in effect. If a customer elects to return to COS rates during this period, the legacy rules and tariffs will remain in effect until the customer returns to cost-of-service rates.

Dated this 29th day of February, 2024.

Respectfully submitted,

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