

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: November 30, 2021

REGULAR **CONSENT** **EFFECTIVE DATE** December 1, 2021

DATE: November 22, 2021

TO: Public Utility Commission

FROM: Madison Bolton

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1322/Advice No. 21-25)
PGE Schedule 54 Large Nonresidential REC Rider updates to mitigate the impacts of REC market volatility and ensure REC supply for customers.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) Advice No. 21-25, which updates Schedule 54 to end the suspension of this competitive operation, replaces the stated price per MWh for Offering 1 with a description of how the price will be determined for 2022 participants, allows PGE to limit total RECs sold, and adds a DEQ Clean Fuels Compliant REC offering, for service rendered on and after December 1, 2021, on less than statutory notice.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (OPUC or Commission) should approve PGE's proposed changes to Schedule 54, PGE's Renewable Energy Certificates (RECs) program on less than statutory notice.

Applicable Law

Oregon Revised Statute (ORS) 757.205 requires public utilities to file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time.

ORS 757.210 (1)(a) states a utility must show that a proposed rate or schedule of rates is fair, just, and reasonable. The Commission may authorize a rate or schedule of rates only if it is deemed to be fair, just, and reasonable.

ORS 757.220 requires 30 days' notice to changes to utility rates and schedules, except upon a finding of good cause shown.

Oregon Administrative Rules (OAR) 860-022-0015 states that energy utilities must provide the Commission with at least 30 days' notice prior to the effective date for any change in rates, tolls, charges, rules, or regulations.

OAR 860-022-0025 illustrates energy utility requirements for filing tariffs or changes to rate schedules.

Analysis

Background

PGE's Schedule 54 program is a competitive operation subject to the Commission's Code of Conduct rules and provides large nonresidential customers the option to purchase unbundled RECs from PGE.¹ Historically, PGE's Schedule 54 included a standard fixed \$/MWh product (Offering 1). PGE filed for the suspension of its standard fixed price product when volatility in the REC market caused prices to exceed the tariff's stated price of \$3.00 per MWh, leading to an unsustainable operation of the program from PGE's perspective. The temporary suspension was intended to provide PGE time to identify changes required to serve Schedule 54 customers in 2022 with a product more reflective of the current unbundled REC market. The Commission approved a temporary suspension of Offering 1 of this tariff on September 7, 2021.²

On October 15, 2021, the Company filed Advice No. 21-25, which proposes to end the temporary suspension and update Schedule 54 to remove the reference to a specific \$/MWh fixed price per REC for Offering 1, include a DEQ Clean Fuels Program compliant REC option, and allow PGE to limit the number of RECs sold.

From September 30 to November 10, Staff communicated with representatives from PGE in multiple teleconferences to discuss the proposed revisions to the tariff. Staff raised concerns about the lack of detail related to the price and pricing methodology for

¹ The Code of Conduct rules found in OAR 860-038-0500 through 860-038-0640 govern the interactions and transactions among the electric company, its Oregon affiliates, and its competitive operations. The Code of Conduct is designed to protect against market abuses and anti-competitive practices by electric companies in the Oregon retail electricity markets.

² See Docket No. ADV 1303 PGE Advice No. 21-21, Schedule 54 Large Nonresidential Renewable Energy Certificates Rider Temporary Suspension of RECs.

Offering 1, which is intended to provide customer with a straightforward, standard price option.

PGE expressed concern over publishing the price of a competitive offering and sought more flexibility to adjust the price in response to market volatility and customer demand. However, Staff maintained that the tariff must provide a clear description of the methodology that PGE will use to determine the per MWh price for participants, including all pricing components, and how the pricing criteria will apply uniformly to customers to ensure no discriminatory rates.

On November 16, 2021, PGE submitted a supplemental filing with less than statutory notice that contains edits incorporating Staff's proposed feedback on tariff clarity and pricing details.

PGE intends to limit the RECs available under Offering 1 in 2022 to RECs procured under existing REC contracts so that the price will remain stable throughout the year. Customers wishing to increase their MWh level and new participants will be added to a waitlist and, subject to availability, would pay the same standard \$/MWh price as other participants in the offering. These customers will be served on a first come first served basis.

PGE also included edits that clarify how the REC price is determined in Offering 1. The rate will be made up of the market price for the RECs, a risk premium, and an administrative fee. The edits clarify that the \$/MWh price will be disclosed to the customer in the annual Green-e® disclosure documents. The risk premium will be uniform for all customers and will not exceed PGE's approved rate of return. The administration fee will be applied to customers uniformly to cover the entirety of their associated costs of program operation.

Staff believes that adding a DEQ Clean Fuels Program Compliant REC under Offering 3 is acceptable and that it does not need to be provided under Offering 1. This product still needs DEQ approval as a qualifying REC product for customers on Offering 3 to receive incremental clean fuels credits. PGE has noted that it is seeking Commission approval to offer this product prior to seeking DEQ approval of the product for use in the Clean Fuels Program. Staff recognizes that the large customers eligible for this product are sophisticated enough to understand the need to use a DEQ-approved REC product and that they have other options to source DEQ-approved RECs if the PGE product does not meet their needs.

Staff notes that throughout these discussions, PGE has stated that the updates to Schedule 54 are only intended for 2022 and the Company will be renewing and refreshing this tariff for the following year.

Staff concludes that the updates to Schedule 54 provide a clear description of how the price per REC is determined and ensure that pricing criteria is uniform for all customers. Staff believes the methods for determining prices in the tariff are fair, just, and reasonable.

Further, Staff finds good cause for approval on less than statutory notice given that the advice filing was initially filed prior to the statutory 30 day requirement, giving interested stakeholders ample notice of the filing and ability to review and participate in discussions. No stakeholder has reached out to Staff to discuss this filing.

Conclusion

The Commission should approve PGE's proposed tariff changes to Schedule 54, with less than statutory notice, noting that PGE intends to update this tariff with substantial changes after 2022.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's Advice No. 21-25, which updates Schedule 54 to end the suspension of this competitive operation, replaces the stated price per MWh for Offering 1 with a description of how the price will be determined for 2022 participants, allows PGE to limit total RECs sold, and adds a DEQ Clean Fuels Compliant REC offering, for service rendered on and after December 1, 2021, on less than statutory notice.