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July 1, 2020

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, OR 97308-1088

**Re: UE 370 – PORTLAND GENERAL ELECTRIC COMPANY, Renewable Resource Automatic Adjustment Clause (Schedule 122) (Wheatridge Renewable Energy Farm); and
UE 372 – PORTLAND GENERAL ELECTRIC COMPANY, Renewable Resource Automatic Adjustment Clause (Schedule 122) (BPSC Energy Storage Microgrid and ARC Energy Storage)
Consolidated**

Dear Filing Center:

Enclosed for filing today in the above-captioned consolidated dockets is Portland General Electric Company's Opening Brief.

This document is being filed by electronic mail with the Filing Center.

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

Sincerely,

/s/ Douglas C. Tingey

Douglas C. Tingey
Associate General Counsel

DT:hp
Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 370, UE 372

In the Matters of

PORTLAND GENERAL ELECTRIC
COMPANY,

Renewable Resource Automatic Adjustment
Clause (Schedule 122) (Wheatridge
Renewable Energy Farm) (UE 370), and

Renewable Resource Automatic Adjustment
Clause (Schedule 122) (BPSC Energy Storage
Microgrid and ARC Energy Storage)
(UE 372).

**PORTLAND GENERAL ELECTRIC
COMPANY'S OPENING BRIEF**

PROCECURAL HISTORY

On December 3, 2019, Portland General Electric (“PGE”) filed its request in Docket UE 370 for inclusion of the costs of the Wheatridge Renewable Energy Facility in Schedule 122 prices. The filing included PGE’s testimony and exhibits. On December 10, 2019, PGE filed Docket UE 372 for inclusion in Schedule 122 prices of the costs of two microgrid projects. That filing also included testimony and exhibits by PGE. At a Prehearing Conference on January 16, 2020, Dockets UE 370 and UE 372 were consolidated and a procedural schedule with five rounds of testimony was adopted.

On May 19, 2020, Staff of the Public Utility Commission (“Staff”), the Oregon Citizens’ Utility Board (“CUB”), the Alliance of Western Energy Consumers (“AWEC”), and PGE filed a Stipulation settling the majority of issues in these dockets. Included in the Stipulation was a withdrawal of the microgrid requests from this docket with a provision that they will be addressed in a future docket. The parties to the Stipulation filed joint testimony in support of the Stipulation. If the Commission approves the Stipulation, only three issues remain:

1. AWEC’s prudence arguments,
2. The parties’ customer benefits proposals, and
3. PGE’s Renewable Energy Certificate (“REC”) Monetization proposal.

PGE has addressed each of these issues fully in its testimony, and they are briefly addressed below.

DISCUSSION

Prudence

Only AWEC has raised prudence issues. Staff and CUB have explicitly stated in their testimony that the decision to select and procure the Wheatridge project was prudent.¹ AWEC’s

¹ Staff Exhibit 100, pages 27-28; CUB Exhibit 200, page 3, lines 17-18.

arguments have been addressed fully in PGE’s testimony, and AWEC did not respond to much of PGE’s testimony on this issue. The testimony is detailed, but the basic facts are brief. The Wheatridge project arose out of a lengthy Integrated Resource Planning (“IRP”) docket. The Commission acknowledged PGE’s Revised Renewable Action Plan as the least cost, least risk approach to meeting PGE’s future Renewable Portfolio Standards (“RPS”) needs, while also serving to reduce PGE’s near-term capacity and energy needs.² PGE then, as required, ran a Commission approved Request for Proposal (“RFP”) process for resources in accordance with the acknowledged plan. This was done consistent with all Commission rules, and included an Independent Evaluator (“IE”) overseeing the process. Bids were received and evaluated appropriately. Almost five months after the deadline for bids, when the RFP process was all but complete, one bidder notified PGE that it was withdrawing its bid.³ PGE acted consistently and without bias in adhering to the RFP process and rules, and did not allow that bidder to submit a substitute bid at the end of the RFP process. Such action would have been at odds with Commission rules and would have undermined the integrity of the RFP process which could undermine future RFP processes. It would also have put at risk the timing and ability of the project to qualify for tax credit deadlines. The IE concurred with PGE’s decision and actions.⁴

Yet here, AWEC argues that PGE should have allowed this bidder to submit a substitute bid, gone against the rules and terms of the RFP, and argues for a disallowance based on that hypothesis. AWEC further calls for a disallowance based on the very bid that was withdrawn – a bid that could not be upheld. AWEC’s position is unsupported.

² PGE Exhibit 600, page 6.

³ PGE Exhibit 300, page 8 and PGE Exhibit 600, page 5.

⁴ PGE Exhibit 600, page 5.

PGE's selection of Wheatridge as the least cost, least risk resource to meet customer need was prudent and resulted from a Commission approved RFP process, which PGE strictly adhered to.

Customer Value

Staff, CUB and AWEC have raised proposals they characterize as customer value or customer protection issues. None of them are appropriate. As previously discussed, Wheatridge was the least cost, least risk resource to provide service to customers. The decision to build the project was prudent. Yet the parties have various proposals that would deny cost recovery for the project. The proposed methods improperly increase PGE's risk profile outside of a general rate case, are inconsistent with the scope of the conditions in the Commission's acknowledgement of PGE's Revised Renewable Action Plan,⁵ are inconsistent with the RFP design approved by the Commission, and the RPS statutes.

Before addressing these proposals, two additional deficiencies will be addressed: Staff's and CUB's proposals were not made until their last round of testimony, and they are also inconsistent with a recent Stipulation in another docket. Neither of these actions support a proper regulatory process. In its opening round of testimony, Staff made a vague statement regarding ratepayer protections: "Consider ratepayer protections in PGE's Annual Update Tariff (AUT), . . . "⁶ Based on that language, Staff for the first time made a proposal regarding a floor for the capacity factor for cost recovery purposes. CUB had no such placeholder language in its opening testimony but made a new proposal regarding the capacity factor in its last round of testimony. Altogether, new proposals should not be raised in the last round of testimony.

⁵ Order No. 18-044.

⁶ Staff 100, page 5, line 6.

The subject matter of the Staff's and CUB's proposals was also included in a Stipulation in PGE's 2020 Annual Power Cost Update Tariff docket, Docket UE 359. The Stipulation, which was filed on September 5, 2019, and signed by PGE, Staff, CUB and AWEC, states: "The Stipulating Parties will not propose changes to PGE's wind forecast methodology until PGE's next general rate case ("GRC")." The Stipulation was adopted by the Commission in its final Order in that docket.⁷ This provision was one of many in the Stipulation that were agreed to together. Staff's and CUB's proposals are for the wind forecast methodology to be used for power costs. As discussed below, if there were to be changes to wind forecasting methodology, it would impact PGE's level of risk and should be done in a general rate case where that increased risk can also be addressed. That is what the UE 359 Stipulation provides.

Staff and CUB Proposals. Staff's proposal is for PGE to use for the first ten years as a floor for power cost forecasting purposes, the capacity factor identified by the Independent Energy Assessment Expert during the RFP process.⁸ CUB proposes to forecast Wheatridge output using a 50% blend of the five-year rolling average of actuals and the P50 forecast for the first ten years.⁹ Neither is appropriate. The Wheatridge project was found to be the least cost, least risk project to provide the capacity and renewable energy required by customers. Now, after the IRP analysis and the RFP process, during construction of the project, the parties have come up with new proposals that will limit cost recovery for the project. This would also be done without consideration of how this impacts PGE's risk profile. If a change were to be made, it should be considered in a general rate case proceeding.¹⁰

⁷ Order 19-329.

⁸ Staff Exhibit 400, page 18.

⁹ CUB Exhibit 200, page 9.

¹⁰ As noted in PGE's testimony, under the existing modeling of wind resources, the capacity factor used in the RFP process is used in the five-year rolling average calculation until actual production numbers are available. As a result, even if a proposal were adopted, it would not begin to be factored into the forecast capacity factor for Wheatridge until the 2023 power cost proceeding. PGE 600, page 12, lines 12-19.

Staff's proposal would also only apply the capacity factor floor to the PGE owned portion of projects. This would set up inherently inconsistent ratemaking treatment and introduce bias into resource procurement, holding utility-owned resources to a higher standard than third-party resources, and could both impact the ability for customers to access the least cost, least risk resource and PGE's ability to recover prudently incurred costs.¹¹

Staff, CUB and AWEC also each argue that Wheatridge is somehow a different type of investment requiring different customer protections. It is not. It came out of the traditional Commission processes – an acknowledged IRP process and a Commission approved RFP run consistent with Commission rules including the oversight of an IE, recommended by Staff,¹² resulting in the prudent decision to build and acquire the project. Staff also cites Order No. 18-138 in PacifiCorp's 2017 IRP docket to argue that this is a different type of project. That order dealt with a different situation than the Wheatridge project. PGE followed the standard Commission prescribed process of acknowledging a need through an IRP,¹³ then seeking and getting approval for the design and issuance of an RFP.¹⁴ PacifiCorp did not. PacifiCorp ran an RFP before any Commission acknowledgment of a need for the resource. In that situation, the Commission made the following statement related to PacifiCorp's decision to move forward based on economics:

Since the company must act soon to capture the full value of the expiring tax incentives, we have explicitly limited our acknowledgment in order to make clear that we intend to protect customers going forward, while still giving the company the flexibility to try to capture the significant economic benefits that the company's planning assumptions show PTC-enabled resources would deliver to customers.¹⁵

¹¹ PGE Exhibit 600, page 13.

¹² Staff recommended the Commission select Bates White, Inc. within Docket No. UM 1834, which was adopted through Commission Order No. 17-226.

¹³ Order No. 18-044.

¹⁴ See Order No. 18-171 approving PGE's RFP design and Order No. 18-483 acknowledging PGE's Shortlist.

¹⁵ Order No. 18-138, page 9.

The acknowledgment of PGE's Revised Renewable Action Plan, based on a different factual situation, had no such limitation.¹⁶

AWEC Proposal. AWEC proposes that all costs above those contained in the cost containment screen net revenue requirement in the RFP scoring would be placed into a regulatory asset. Those costs would then be amortized or disallowed based on whether they are greater or lesser than the original forecast. This is a fundamental shift from cost based ratemaking. This is, in effect, locking in a forecast, or in this case only one side of the forecast. This is also not consistent with the regulatory principal that prudence is determined at the time the decision is made. AWEC's approach also focuses only on the economic benefits of the plant which were only part of the considerations in acquiring the plant. Wheatridge helps to meet PGE's energy and capacity needs as determined through the IRP process. Wheatridge also provides for future RPS compliance needs. It was the least cost, least risk resource. Customers get the benefits of that at the cost of service. This is no different than other resource acquisitions.

In addition to the potential to deny prudent costs, AWEC's proposal also would delay recovery of costs. The RPS statutes require timely recovery of costs. ORS 469A.120(2)(a) states:

“The Public Utility Commission shall establish an automatic adjustment clause as defined in ORS 757.210 or another method that allows timely recovery of costs prudently incurred by an electric company to construct or otherwise acquire facilities that generate electricity from renewable energy sources, costs related to associated electricity transmission and costs related to associated energy storage.”

AWEC's proposal may not provide timely recovery of renewable energy costs and could also deny recovery of some prudently incurred costs altogether.

¹⁶ In addition, this PacifiCorp order was three weeks before the Commission's order approving PGE's RFP in docket UM 1934. That Order (No. 18-171) made several changes to PGE's proposed RFP but had no language similar to the PacifiCorp Order.

AWEC's proposal, along with those of Staff and CUB, should not be adopted in this docket. Wheatridge was the result of Commission analysis and process, an acknowledged Revised Renewable Action Plan, and approved RFP including the oversight of an IE, and resulted in the least cost, least risk resource to provide capacity, energy and RPS compliance for PGE customers.

REC Monetization

PGE proposed a specific way to monetize Wheatridge RECs in this docket in order to honor the commitments made in the 2016 IRP Revised Renewable Action Plan and to create an actionable opportunity to lower near-term customer prices. PGE's proposal provides benefits to all customers through the sale of Wheatridge RECs generated through December 31, 2024, to voluntary renewable portfolio options customers. Under the proposal, voluntary renewable portfolio customers would receive higher quality local RECs at a fair price.¹⁷ The proposed price paid for these RECs will not increase the voluntary customers' program costs.¹⁸ The proceeds from the sales will lower the costs for all PGE's customers (including voluntary renewable portfolio customers).¹⁹ Monetizing the RECs is not a new idea or proposal. It was an important part of the action plan, and provides good value to all cost of service customers, and while simultaneously providing a higher quality product to the voluntary renewable program customers. It also allows the carbon attributes of the facility to be recognized by PGE for reporting purposes.²⁰

¹⁷ PGE Exhibit 100, pages 18-23; PGE Exhibit 300, pages 24-25; PGE Exhibit 600, pages 19-20.

¹⁸ PGE Exhibit 100, page 20; PGE Exhibit 300, page 24-25; PGE Exhibit 600, page 24.

¹⁹ PGE Exhibit 600, page 25.

²⁰ PGE Exhibit 600, page 26.

CUB supports PGE's proposal, with a small modification in price to reflect the volume of sales.²¹ Staff and AWEC do not support the proposal for differing reasons.

AWEC seems to have two alternative arguments. First, they state PGE should retain the Wheatridge RECs for future use. Alternatively, they state that if PGE pursues an RPS physical compliance strategy, then PGE should sell all of its banked RECs.²²

Staff recommends that PGE keep the RECs in part because RECs generated in the first five years from Wheatridge do not expire (referred to as "golden RECs"). Staff also asks the Commission to consider the interests of the voluntary renewable subscribers as well as all customers. Staff also questions whether this proposal was raised in the right docket. Staff has also made an alternative proposal for monetization that PGE should use five-year RECs (i.e., RECs with a five-year life) rather than the golden RECs and reduce the price. Staff and other parties also state that PGE should be transparent with its voluntary renewable customers, which PGE planned to do and will do.

PGE's testimony in this docket demonstrates that engaging in the proposed REC transaction is in the best interest of customers. PGE has evaluated and described the relative benefits associated with retaining the RECs for RPS compliance or retaining the golden RECs and selling an equal volume of RECs generated from another asset or engaging in REC sales through the wholesale market.²³ It's unlikely that the golden RECs produced by Wheatridge provide significant RPS compliance value, and they are of greater value to a voluntary purchaser

²¹ CUB Exhibit 100, page 6.

²² AWEC Exhibit 100, page 27.

²³ PGE Exhibit 300, pages 28-29; PGE Exhibit 600, pages 22-23; PGE Exhibit 100, page 19; PGE Exhibit 600, page 26.

who favors new, local RECs. As such, PGE believes its proposal benefits all customers and the voluntary renewable customers as well.²⁴

PGE had previously indicated that it would instead consider selling five-year RECs, as proposed by Staff. PGE remains open to that idea, but notes that the reduced value of a five-year REC would result in a reduced paid REC price.²⁵ The five-year RECs also do not hold the same value to the voluntary customers who value the additionality benefits associated with Wheatridge. As such, the sales of five-year RECs would lead to a reduction in benefits for cost of service customers. Additionally, as mentioned above, most recent planning assumptions demonstrate that holding additional golden RECs will likely be of insignificant benefit to customers at a later date.²⁶

Staff has expressed concern for the voluntary customers – a sentiment that PGE shares. As PGE has stated, the price for these RECs will not increase costs to the voluntary customers. They will get local RECs from an additional resource at a fair price. The price received for the RECs is fair to cost of service customers as well and will help offset the costs of Wheatridge. There is no risk shifted to the voluntary customers.

The expectation to monetize RECs generated from the 2016 IRP renewable resource has been understood for many years. The selected resource is now in construction and it is the appropriate time to establish the mechanism to return REC value to customers. Implementing it through this docket will enable a direct offset to costs for all cost of service customers. If the Commission believes the price is fair to cost of service customers and to the voluntary customers, PGE urges the Commission to approve the proposal. In the alternative, the

²⁴ PGE Exhibit 600, page 22.

²⁵ PGE Exhibit 600, page 23.

²⁶ PGE Exhibit 600, pages 22-23.

Commission could give direction regarding price or other terms such that the result could be implemented to offset some Wheatridge costs. PGE discussed one alternative approach in its testimony.²⁷

CONCLUSION

If the Commission approves the Stipulation in this docket, there are three issues to decide. PGE urges the Commission to:

1. Reject the unsupported arguments by AWEC regarding the prudence of Wheatridge;
2. Not adopt attempts to change the ratemaking approach for wind capacity factor and/or implement an unfair approach for risk allocation for this wind project, and allow PGE to recover all prudently incurred costs of Wheatridge;
3. Approve PGE's REC Monetization proposal through 2024 to provide customers with additional benefits and reduce the cost of Wheatridge, while providing voluntary renewable customers with high quality, local RECs without raising program costs.

DATED this 1st day of July, 2020.

Respectfully submitted,

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²⁷ PGE 600, page 27, lines 13-17.