



Portland General Electric Company
Legal Department
121 SW Salmon Street • Portland, Oregon 97204
503-464-8544 • Facsimile 503- 464-2200

Erin E. Apperson
Assistant General Counsel

July 11, 2018

Via Electronic Filing

Oregon Public Utility Commission
Attention: Filing Center
201 High Street, Suite 100
PO Box 1088
Salem OR 97308-1088

**Re: UM 1856 – PORTLAND GENERAL ELECTRIC COMPANY, Draft Storage
Potential Evaluation**

Dear Filing Center:

Attached for filing in the above-referenced docket is an electronic copy of Portland General Electric Company's Reply Brief.

Thank you for your assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Erin Apperson", written in a cursive style.

ERIN E. APPERSON
Assistant General Counsel

EEA:bop

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1856

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Draft Storage Potential Evaluation.

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

I. INTRODUCTION

Portland General Electric Company (PGE or Company) submits this reply brief to the Public Utility Commission of Oregon (Commission) in response to opening briefs filed by Commission Staff and the Northwest and Intermountain Power Producers Coalition (NIPPC).

PGE respectfully requests that the Commission authorize the Company to develop the proposed pilot projects as outlined in its Energy Storage Proposal (Proposal) and Revised Energy Storage Potential Evaluation (Potential Evaluation). PGE has provided compelling justification to move forward with the Coffee Creek pilot project, which is just one of the five diverse project pilots outlined in PGE's Proposal.

PGE will not respond to NIPPC's arguments regarding the projected operation and maintenance (O&M) costs for the Coffee Creek pilot program because this issue is outside the scope of this proceeding. PGE filed a Partial Stipulation (Stipulation) and Joint Testimony in Support of the Stipulation (Joint Testimony) on May 22, 2018. The Stipulation, signed by NIPPC, was entered into "for the purpose of resolving all issues in this proceeding, except the issue of third-party ownership of the Coffee Creek pilot project[.]"¹ As part of the Stipulation,

¹ Partial Stipulation at 1.

parties agreed that all costs for the five energy storage projects would be subject to the standard prudence review.² The Joint Testimony discussed O&M costs under the heading “Resolved Issues Related to All Five ESSs.”³ When discussing how O&M costs have been resolved, the Joint Testimony states “[c]osts other than overnight capital costs, such as O&M costs are not capped in this Stipulation, but *all costs* are subject to prudence review.”⁴ Arguments regarding O&M costs are therefore outside the scope of the remaining issue in this proceeding and are instead subject to future prudency review.

II. ARGUMENT

A. **The Commission’s Competitive Bidding Requirements Set Forth in Order No. 16-504 will Yield a Competitive Solicitation Process and Protect Customer Interests.**

The Commission’s competitive bidding requirements adopted for this proceeding provide sufficient safeguards for these *pilot* programs implementing House Bill (HB) 2193. Therefore, the Commission should not make a significant departure in policy and apply the yet-to-be-determined competitive bidding rules to these pilot programs. While it is true that the Commission is currently considering changes to the competitive bidding guidelines in AR 600, those proposed rules should not be inserted into this process in the final stages of the multi-year implementation of HB 2193.

In its opening brief, Staff focuses solely on the potential impact of the current competitive bidding rulemaking on this proceeding.⁵ Specifically, Staff notes that it would be likely that the Coffee Creek pilot project could be subject to the new competitive bidding rules because AR 600 is expected to conclude before the Commission issues its order in this

² *Id.* at 4.

³ Joint Testimony/100, Murtaugh-Wiggins-Jenks-Fitch-Fleishmann-Yourkowski/5.

⁴ *Id.* at 6.

⁵ Staff Opening Brief at 2-3.

proceeding.⁶ Staff acknowledges that the Commission adopted minimum competitive bidding requirements in Order No. 16-504, but also notes that the language in HB 2193 allows the Commission to adopt *any* competitive bidding requirements when implementing the law.⁷ NIPPC states that the Commission “declined to incorporate either its existing competitive bidding guidelines for major resource acquisitions or adopt new storage-specific competitive bidding guidelines specific to HB 2193 projects.”⁸ NIPPC speculates that although HB 2193 encourages utilities to propose projects close to the statutory cap, the Commission could not have anticipated a project such as the Coffee Creek pilot project.⁹

When the Commission adopted the minimum competitive bidding requirements in UM 1751, it seemed to do so with the understanding that the competitive bidding guidelines from UM 1182 would not apply.¹⁰ It was through this lens that the Commission adopted program-specific requirements to apply to these pilot projects. It does not appear that the Commission, Staff, or Parties anticipated that the competitive bidding guidelines would be changed in such a way to apply to any of the projects in this pilot program. It would be unreasonable to amend the applicable competitive bidding requirements at the very end of a multi-year proceeding for a discrete number of pilot programs. These pilot programs will be acquired under the Commission’s implementation of HB 2193 and are therefore distinguished from future acquisitions of energy storage systems that may be triggered by the utility’s planning process.

⁶ *Id.*

⁷ *Id.* at 3.

⁸ NIPPC Opening Brief at 8.

⁹ *See id.* at 5.

¹⁰ *In the Matter of Public Utility Commission of Oregon, Implementing Energy Storage Program Guidelines pursuant to House Bill 2193*, Docket No. UM 1751, Order No. 16-504 at 10 (Dec. 28, 2016) (“The energy storage procurements contemplated under this program would not meet the threshold for the guidelines for major resource acquisitions in docket UM 1182.”).

If the Commission determined that new competitive bidding rules should apply to these pilot programs implementing HB 2193, this would certainly be a drastic policy shift from the decisions that were made in the implementation proceeding in UM 1751. The rules have not yet been finalized, but the proposed draft rules set a very low threshold for applicability to energy storage projects—potentially 25 megawatt hours (MWh) or greater and with a duration of five years or greater.¹¹ As PGE articulated in AR 600, this threshold is far too low and would treat energy storage projects differently from all other resources. Contrary to NIPPC’s claim that the Coffee Creek pilot is “commensurate with projects that would typically trigger the Commission’s existing guidelines[,]”¹² the anticipated costs of the Coffee Creek pilot project are actually well below the current threshold. As PGE explained in AR 600, the Coffee Creek pilot project’s projected cost was between \$30-36 million, whereas a 100 megawatt (MW) generic resources would have an overnight capital cost of \$65 million—nearly double the projected cost of the Coffee Creek pilot project.¹³

PGE has already committed to follow a competitive bidding process for the Coffee Creek pilot project.¹⁴ Consistent with the competitive bidding requirements set forth by the Commission for these pilot projects, PGE will provide an opportunity for stakeholders to review and provide input on the request for proposal (RFP) design.¹⁵ PGE will then prepare and submit a final report to the Commission as required.¹⁶ PGE will be prepared to demonstrate, during a future prudency review, that it followed a fair and competitive process to identify qualified

¹¹ *In the Matter of Rulemaking Regarding Allowances for Diverse Ownership of Renewable Energy Resources*, Docket AR 600, Notice of Proposed Rulemaking Including Statement of Need and Fiscal Impact, Draft OAR 860-089-0100(3) at 7 (Apr. 19, 2018).

¹² NIPPC Opening Brief at 8.

¹³ Docket AR 600, Joint Utilities’ Closing Comments at 12 (Jun. 15, 2018).

¹⁴ PGE/500, Murtaugh-Riehl-Cloud/7-8.

¹⁵ PGE/500, Murtaugh-Riehl-Cloud/7.

¹⁶ *Id.*

vendors to install the project.¹⁷ Therefore, contrary to NIPPC's assertions,¹⁸ the Commission's competitive bidding requirements in this proceeding will be sufficient for the Coffee Creek pilot project.

B. PGE Intends to Competitively Bid the Coffee Creek Pilot Project to Leverage the Competitive Marketplace and Minimize Costs to Customers.

PGE plans to hold a competitive bidding process to tap into the expertise in the marketplace while minimizing costs to customers. NIPPC asserts that denying third-party ownership opportunities means denying customers the benefits from competition, including “lower cost resources and the potential for less risky development from companies that have experience constructing storage facilities.”¹⁹ NIPPC also makes the blanket statement that “foreclosing bids with alternative ownership structures will lead to higher prices in Oregon's new market and will ultimately only harm PGE's customers.”²⁰ NIPPC's arguments incorrectly equate ownership with competition and completely ignore that PGE will hold a competitive bidding process which could lead to significant learning opportunities from third-party vendors.

PGE's competitive bidding process will enable it to leverage the competitive marketplace to gain expertise in energy storage projects. PGE's approach seems to be similar to both Pacific Gas and Electric (PG&E) and Southern California Edison's (SCE) ownership structures for their utility-owned batteries located at their substations.²¹ As discussed in testimony, PGE understands that both PG&E and SCE contracted with Tesla for these battery projects—these utilities presumably would have leveraged the third-party's expertise to develop these battery

¹⁷ *Id.*

¹⁸ NIPPC Opening Brief at 5.

¹⁹ *Id.* at 2.

²⁰ *Id.* at 11.

²¹ *See* PGE/500, Murtaugh-Riehl-Cloud/10.

projects.²² PGE intends to seek out third-party expertise during the competitive bidding process to allow customers to benefit from the experience in the marketplace and to minimize costs.

C. PGE Provided Sufficient Justification Regarding Third-Party Ownership Options for the Coffee Creek Pilot Project.

Contrary to NIPPC's assertions, PGE provided a robust analysis of all pilot programs in the November 1, 2017 Proposals and complied with the requirements of HB 2193 and Order No. 16-504. Additionally, PGE has provided a thorough explanation for the proposed Coffee Creek pilot project ownership structure in multiple rounds of testimony in this proceeding. NIPPC simply chooses to disregard PGE's analysis.

NIPPC argues that PGE's rationale for limiting third-party ownership of the Coffee Creek pilot project is "unfounded."²³ NIPPC simply disregards the very real safety, financial, and cybersecurity risks to PGE and its customers as not adequately supported and "undermined by other examples in the utility industry."²⁴ As PGE discussed in its opening brief, NIPPC originally relied on examples of third-party owned energy storage projects on utility-owned land in California, but these examples turned out to be incorrect. Now that NIPPC cannot claim that this type of ownership structure has already been done, it must try to analogize this type of situation to other situations.²⁵ However, these examples do not address the fact that third-party ownership of energy storage projects on utility-owned land directly connected to a utility substation would be uncharted territory that would open customers and PGE to significant and unquantifiable risks.

²² See *id.*

²³ NIPPC Opening Brief at 12.

²⁴ *Id.*

²⁵ See *id.* at 12-13.

PGE will not restate the multitude of risks associated with this type of ownership structure on PGE-owned land directly connected to a substation that were thoroughly addressed in testimony and PGE's opening brief. These very real risks to PGE and its customers should not be dismissed as NIPPC asserts—rather, PGE must continue to protect the interests of its customers when implementing these pilot programs.

D. NIPPC's Assertions that PGE did not Comply with HB 2193's Vision and Commission Orders is Not Supported by the Record.

PGE complied with HB 2193 and Order Nos. 16-504 and 17-118 with its Proposal and Potential Evaluation. While NIPPC makes the bold assertion that PGE did not comply with Commission orders, upon further scrutiny, it appears that NIPPC simply believes that the Commission should now apply *different* requirements to the Coffee Creek pilot project.²⁶ For example, NIPPC admits that the Commission set guidelines in UM 1751, but asserts that those requirements may not be adequate for the Coffee Creek pilot project and asks the Commission to revisit its decision.²⁷

In addition to inferring new requirements into HB 2193 and the Commission's orders, NIPPC also does not accurately characterize the history in UM 1751. For example, NIPPC asserts that PGE's Draft Storage Potential Evaluation "did not evaluate different ownership structures, or include much of an, [sic] and was therefore rejected by the Commission."²⁸ NIPPC cites to Order No. 17-375, at Appendix A at page 16, to support this assertion. Staff provided several recommendations to PGE, one of which was to conduct co-optimization for all use

²⁶ See *id.* at 5-6.

²⁷ *Id.* at 5.

²⁸ *Id.* at 6.

cases.²⁹ However, the evaluation of ownership structures was not included as part of Staff's recommendations for PGE that the Commission adopted.

IV. CONCLUSION

PGE respectfully requests that the Commission approve PGE's Proposal, which includes the Coffee Creek pilot project. The Commission should maintain its current policy and decline to direct PGE to allow bids in its RFP for third-party ownership for the Coffee Creek pilot project, which would be on utility-owned land. Additionally, PGE urges the Commission to apply the competitive bidding requirements developed in UM 1751 as originally envisioned, rather than applying a completely new set of requirements at the very end of this multi-year proceeding.

DATED this 11th day of July, 2018.

Respectfully submitted,



Erin E. Apperson, OSB No. 175771
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC1301
Portland, Oregon 97204
(503) 464-8544 phone
(503) 464-2200 fax
erin.apperson@pgn.com

Douglas C. Tingey, OSB No. 044366
Associate General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC1301
Portland, Oregon 97204
(503) 464-8926 phone
(503) 464-2200 fax
doug.tingey@pgn.com

²⁹ Order No. 17-375, Appendix A at 15 (Sept. 28, 2017).