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December 11, 2018

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 PORTLAND GENERAL ELECTRIC CO.
Investigation into Proposed Green Tariff
Docket No. UM 1953

Dear Filing Center:

Please find enclosed the Opening Brief of the Alliance of Western Energy Consumers in the above-referenced docket.

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

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1953

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Investigation into Proposed Green Tariff.	)))))))	OPENING BRIEF OF THE ALLIANCE OF WESTERN ENERGY CONSUMERS

I. INTRODUCTION

Pursuant to the Administrative Law Judge's ("ALJ") Ruling dated October 11, 2018, the Alliance of Western Energy Consumers ("AWEC") files this Opening Brief with the Oregon Public Utility Commission ("Commission"). AWEC's primary interest in this proceeding is to support the development of a green tariff program for Portland General Electric Company ("PGE" or "Company") that is workable for participating customers and protects non-participating customers from cost-shifting.

To this end, AWEC supports green tariff terms that allow a customer to bring their own power purchase agreement ("PPA") to PGE and the development of a credit methodology that assigns both the risks and benefits of the green tariff resource to participating customers.

The parties to this docket have proposed a variety of options for how to calculate the appropriate credit for participating customers. For ease of reference, AWEC identifies the various proposals below in the order of AWEC's preference.

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1. Value the credit based on the marginal cost of energy and capacity used in PGE's most recent general rate case. The credit would change based on changes to the long-run marginal costs in subsequent rate cases. Additionally, a capacity credit would only apply during periods when PGE is resource deficient, thereby ensuring that non-participating customers do not pay for unneeded capacity. This is AWEC's proposal described in the testimony of Bradley G. Mullins.[1/]

2. Adopt a fixed credit based on the levelized cost of avoided energy and capacity calculated at the time the PPA is entered into, using AURORA and IRP inputs. Allow customers who bring their own PPAs to have the potential to receive a benefit relative to their cost of service rate. This is PGE's proposal articulated in its rebuttal testimony.[2/]

3. Adopt a floating credit in which the credit is updated periodically to reflect the latest avoided cost assumptions. This is Walmart's proposal.[3/]

4. Adopt a fixed credit that prohibits a participating customer from paying less than the cost-of-service rate. This is Staff's preference, which CUB also supports.[4/] Staff also identifies alternatives for the Commission's consideration with respect to a floating credit. Specifically, Staff identifies options in which: (1) the credit could float, but could never exceed the PPA price; or (2) the credit could float freely but participating customers would be required to share a portion of the benefits with non-participating customers if the credit exceeds the PPA price.[5/] Staff confirmed that, under the second alternative, non-participating customers would not be required to bear any costs if the credit is lower than the PPA price.[6/]

II. ARGUMENT

AWEC identifies an order of preference for the crediting methodology, above, but could accept any of the first three. AWEC opposes the fourth. AWEC's preference to use long-run marginal costs to value the credit is based on the fact that such costs are used to allocate production costs to PGE's rate classes.[7/] Thus, it is consistent to identify the appropriate credit to

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1/ AWEC/100, Mullins/8-14.
2/ PGE/400, Sims-Tinker/7-11.
3/ Walmart/100, Chriss/13-14.
4/ Staff/200, Gibbens/8-11; CUB/100, Gehrke/3-4.
5/ Staff/200, Gibbens/9-11.
6/ AWEC/300.
7/ AWEC/100, Mullins/8:17-9:17.

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provide to green tariff customers based on the same marginal costs, as these customers will be providing energy and capacity to PGE's system, like any other PGE resource. Moreover, because the credit would be updated based on changes to PGE's marginal costs in each rate case, including the existence or non-existence of a capacity credit, there is little risk of cost-shifting between green tariff participants and non-participants. Indeed, because the credit would be based on the same methodology PGE uses to allocate costs to its customers, there can be no cost-shifting by definition so long as the Company's marginal costs are accurate.[8/]

AWEC could also support PGE's proposal articulated in its rebuttal testimony. This proposal has the benefit of providing fixed price certainty to the participating customer and allows customers who find and bring their own resources to PGE to realize the full benefits of that resource.

Finally, AWEC does not oppose a floating credit. This methodology requires the participating customer to assume the risk that the PPA price is higher than the then-current avoided cost rate, but also allows that customer to receive the benefits if avoided costs increase above the PPA price. The downside to this methodology is that it provides relatively less price certainty to participating customers, which could dampen participation. However, this methodology protects against cost-shifting between the participating and non-participating customers by ensuring that the credit is reflective of avoided costs.

AWEC opposes Staff's primary recommendation to adopt a fixed credit that can never reduce a participating customer's cost-of-service rate (and also opposes Staff's identified alternatives to a floating credit) for three reasons. First, Staff's position is inconsistent with the

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[8/] AWEC/200, Mullins/9:8-9.

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position it has taken with respect to PGE's evaluation of resources the Company proposes to acquire itself. In this docket, while not explicitly stated, Staff effectively argues that the PPA cost must be synonymous with PGE's *avoided cost*.[9/] Yet, in Docket UM 1934, PGE's request for proposals for new renewable resources, Staff recommended acknowledgment of the Company's final shortlist based in part on the Company's modeling of benefits to customers.[10/] PGE models those benefits by identifying the *value* the shortlist resources would provide by using the AURORA model to calculate an expected market price PGE would receive for those resources – the same methodology PGE would use to identify its avoided cost for purposes of the green tariff credit.[11/] PGE then compares that value with the resource cost.[12/] Thus, if the cost of a resource and PGE's *avoided cost* are not synonymous with respect to the Company's system resources, it is unclear why the two should be synonymous with respect to a green tariff resource that also provides energy and capacity to the system.

Second, Staff's implied position that PGE's avoided cost is the same as the PPA price is asymmetrical and, therefore, unfair. In reality, Staff's preferred crediting methodology equates the PPA price with PGE's avoided cost *only* if the PPA price is lower than PGE's avoided cost. If the PPA price is higher than avoided costs, then it does *not* become the basis for the credit to participating customers.

Third, Staff's preferred fixed credit would, in fact, not be fixed. A customer could identify a green tariff PPA that would otherwise provide it with a reduced cost of service

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9/ Staff/100, Kaufman/15:3-9; Staff/200, Gibbens/12:11-12.
10/ Docket No. UM 1934, Staff Report for Dec. 4, 2018 Public Meeting at 11 (Nov. 21, 2018).
11/ Docket No. UM 1934, Independent Evaluator Report at 13-14 (Oct. 2, 2018).
12/ Id.

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rate absent Staff's proposed limitation. In that circumstance, the credit would then be reduced so that the customer continues to pay the full cost-of-service rate. If, however, PGE's rates increase over the PPA term (a likely outcome), Staff confirmed at the hearing that the customer's credit would likewise decrease to ensure that the customer's rates reflected these increases. Thus, the fixed rate is only "fixed" if the green tariff customer is paying a premium for the green tariff product. If the customer finds a low-cost PPA, that customer's credit will be pegged to PGE's cost-of-service rate.

For these reasons, a green tariff program developed under the parameters of Staff's preferred crediting methodology would likely be pointless. With no opportunity to save money relative to the cost-of-service rate, any rational customer that wishes to purchase additional renewable energy above what is already embedded in PGE's generation portfolio would select direct access over the green tariff program. AWEC supports the development of a robust direct access program, but also supports optionality for customers who are sophisticated enough to manage their own resource portfolio (and understand and accept the risks associated with this option) but prefer to remain committed to their incumbent utility. AWEC believes both can exist as effective programs simultaneously.

Finally, AWEC supports PGE's proposal to bifurcate this proceeding into separate phases so that a workable green tariff product can be developed immediately to meet existing customer demand. More difficult issues such as utility resource ownership and whether changes should be made to direct access to ensure equivalent treatment between the green tariff program and direct access (including a capacity payment for direct access customers) can then be fully litigated in a second phase.

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Dated this 11th day of December, 2018.

Respectfully submitted,

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