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Douglas C. Tingey
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December 21, 2018

Via Electronic Filing

Oregon Public Utility Commission
Attention: Filing Center
PO Box 1088
Salem OR 97308-1088

Re: UM 1953 - PORTLAND GENERAL ELECTRIC COMPANY, Investigation into Proposed Green Tariff

Dear Filing Center:

Enclosed is Portland General Electric Company's Closing Brief for filing in the above-referenced docket.

Thank you for your assistance.

Sincerely,

Douglas C. Tingey
Associate General Counsel

DCT:bop

Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1953

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Investigation into Proposed Green Tariff.	**CLOSING BRIEF OF PORTLAND GENERAL ELECTRIC COMPANY**

Portland General Electric Company ("PGE") submits this final brief regarding the remaining contested issues in this docket.

I. DISCUSSION

As stated in PGE's opening brief, we view this case as having two remaining issues for Commission decision:

1. PGE's request to pilot a green tariff, as described in PGE/400[1], in person before the Commission on November 20, 2018, and in PGE's opening brief filed on December 11, 2018; and
2. PGE's request to defer questions regarding long-term credit calculation, applicability of the conditions outlined in Commission Orders 15-258[2], 15-405[3], and 16-251[4], and interactions with Oregon's Direct Access Program, to a second phase of the docket.

As there has been robust and lengthy examination and debate of policy issues throughout Docket No. UM 1690 (through two phases) as well as during the opening phase of Docket No. UM 1953, we urge the Commission to approve a green tariff pilot that would allow customers to

[1] PGE/400, Sims–Tinker/4.
[2] Docket No. UM 1690, Order 15-258 (Aug. 26, 2015).
[3] Docket No. UM 1690, Order 15-405 (Dec. 15, 2015).
[4] Docket No. UM 1690, Order 16-251 (Jul. 5, 2016).

immediately begin to meet their green energy goals through a Power Purchase Agreement (PPA) based green tariff, as described in testimony[5], during Commission examination on November 20, 2018, and in PGE's opening brief.

PGE advocates for the investigation and decision of all remaining policy issues in Phase II. This two-phase approach has been supported in briefings by the Alliance of Western Energy Consumers (AWEC)[6], and the Oregon Citizens' Utility Board (CUB)[7].

I. PGE's proposed risk adjustment is not arbitrary and provides a just and reasonable sharing of risk between subscribers and shareholders.

In its opening brief, Walmart, Inc. (Walmart) requests that the Commission "reject a risk adjustment" because "the only one proposed is arbitrary and has not been proven to be just and reasonable."[8] PGE strongly disagrees with this request and believes it would be premature for the Commission to outright reject a risk adjustment before a green tariff construct has even been piloted in Oregon. Additionally, PGE has proposed this voluntary green tariff program and has a vested interest in helping customers achieve their renewable energy goals by fully subscribing the program – an "arbitrary risk adjustment" that is not just or reasonable would likely inhibit the subscription of the program and would run counter to PGE's goals.

PGE designed its green tariff to be flexible and to offer customers the option of different term lengths (5, 10, 15 and 20-year terms). These different term lengths create different risk profiles, due to the potential for the agreement signed by a subscriber to be significantly shorter than the PPA entered into by PGE. If a green tariff subscriber signs up for a term equal to the length of the underlying PPA, then this component of a risk adjustment would not be applicable.

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[5] PGE/400, Sims–Tinker/4.
[6] AWEC Opening Brief at 5.
[7] CUB Opening Brief at 2.
[8] Walmart Opening Brief at 2.

Moreover, the risk adjustment would vary based upon the term. Regardless of the term length signed by subscribers, PGE and its shareholders will remain contractually bound to the terms of the PPA.

Additionally, the risks of signing a long-term renewable contract to supply the green tariff are not arbitrary and PGE must account for these risks. One such risk is program undersubscription. While many of PGE's customers have expressed interest in and support of the green tariff program, PGE has no guarantee that these customers will subscribe to its program or that the program will remain fully subscribed for the duration of the underlying PPAs that support the pilot. There is real potential for the demand for the Company's program to be less than the PPA procured, and this risk of undersubscription remains throughout the term of the PPA. Even if the initial program was fully subscribed, there is risk that subscribers exit the program in the future as conditions change. Should the program be undersubscribed, the excess energy from the contracted resource will need to be sold to the market, and there is no guarantee that the market price will be sufficient to cover the price of the PPA. Other potential risks PGE will evaluate include counterparty credit exposure, resource variability and deliverability. As described in PGE's supplemental testimony[9], the concept of a risk adjustment is meant to help balance the program risks between subscribing entities and PGE shareholders.

Further, the risk adjustment mechanism was crafted to comply with condition eight of Order No. 15-405, which states:

> All direct and indirect costs and risks are borne by the VRET customers, shareholders of the utility, or third-party developers and suppliers with provisions allowing independent review and verification by the Commission Staff of all utility costs. Costs include but are not limited to ancillary services and stranded costs of the existing cost of service rate base system.[10]

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[9] PGE/300, Sims–Tinker/2.

[10] *In the Matter of Public Utility Commission of Oregon*, Voluntary Renewable Energy Tariffs for Non-Residential Customers, Order No. 15-405 (Dec. 15, 2015) at 2.

Removing the ability of PGE's shareholders to share risk with subscribers would severely limit the types of PPAs and subscriber terms that PGE could accept from potential subscribers. Also, Staff notes[11] that in the extreme case, the lack of a sufficient risk-sharing mechanism could negatively impact a utility's cost of capital, which would then begin to spread risk from the subscriber onto other cost of service utility customers.

Walmart's request for the Commission to preemptively prohibit PGE shareholders from having a mechanism that would share risk with subscribers is a request that could limit the flexibility of green tariff programs in Oregon. PGE asserts that subscribers and shareholders should both bear the cost of this risk to ensure that non-subscribers are held harmless.

II. Parties' concern that a green tariff program is "more favorable" than direct access does not take into consideration the unique design of each program, and Commission direction is needed during investigation of this issue in Phase II.

Throughout this docket, Staff of the Public Utility Commission of Oregon (Staff), the Northwest and Intermountain Power Producers Coalition (NIPPC), and Calpine Energy Solutions, LLC (Calpine) have expressed the belief that green tariff program attributes cannot give rise to a green tariff program that could be interpreted as more favorable than PGE's direct access program. While PGE certainly appreciates this concern, the fact is that PGE's five-year opt-out direct access program has existed since 2003, representing 16 discrete long-term direct access windows. The direct access program has been monitored, investigated, analyzed, and litigated across numerous dockets. The policies, procedures, bill credits, caps, and windows governing the direct access program have been designed to balance costs and benefits to the competitive market and remaining cost of service customers. It would be premature to modify such a carefully designed and analyzed program based solely on PGE's request to pilot a PPA-

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[11] Staff/100, Kaufman/11.

based green tariff program, responding to customer demand and drawing upon the competitive market to fill that demand. There has been no evidence or analysis presented in this docket that the green tariff would indeed be more favorable than direct access, and modifying a longstanding program without sufficient investigation could result in a cost shift from cost of service customers to customers who are exiting the system.

To minimize the impact on direct access and the competitive market, PGE designed its green tariff program to comply with the requirements of the Commission's nine conditions. PGE is limiting the first tranche of the program to a PPA, rather than pursue an ownership option. More importantly, PGE designed a program that is clearly differentiated from direct access and any other renewable product currently available in the Oregon market. PGE's proposed tariff is a cost of service-based product that focuses on incremental participation. Subscribers can sign long-term contracts less than 100 percent of their load. These features are very different than direct access, through which customers have 100 percent of their load served by an alternative energy supplier via one, three, and five-year opt out contracts.

While parties' desire to protect the competitive market is legitimate and appreciated, they have not put forward an argument for why a capacity credit is appropriate for cost of service customers to pay exiting customers, other than a stated concern that a green tariff could somehow be viewed as more favorable than direct access. Rather than Commission directed action to modify direct access programs, we instead advocate for a robust examination of this issue during Phase II of this docket, in which we also ask for Commission guidance regarding whether the nine conditions continue to represent best practice in Oregon.

Further, PGE has outlined in testimony that customers exiting the cost of service system do not "free up" capacity to serve other cost of service customers, and in fact may continue to impose a capacity burden on PGE's Balancing Authority. While we note Calpine's assertion that PGE is compensated for meeting scheduling deviations under Schedule 4-R[12], there is a distinction to be drawn as Schedule 4-R provides compensation for energy only – as it is Energy Imbalance Service. Schedule 4-R does not provide compensation for necessary capacity procured on a customer's behalf due to a scheduling deviation by a non-utility load serving entity. Thus, asking cost of service customers to pay exiting customers a capacity credit would likely only exacerbate the possible capacity burden that may exist when PGE's Balancing Authority provides capacity to a customer being served by a non-utility load serving entity.

While customers being served by an Electricity Service Supplier (ESS) receive a scheduled amount of energy from a non-utility load serving entity, ESSs serving Oregon customers do not currently have resource adequacy requirements, do not file integrated resource plans (IRPs), and in some cases do not own any physical infrastructure at all. If the ESS does not provide sufficient capacity and energy to meet customers' metered load, PGE's Balancing Authority must provide the capacity and energy to meet the customers' need and may well do so through cost of service resources.

This contrasts with PGE's green tariff pilot proposal, which would see subscribers remain on cost of service – paying all applicable rates and riders, including the Annual Update Tariff (AUT) and Net Variable Power Costs (NVPC) – while also providing a capacity resource to be used for the benefit of cost of service customers. The additional capacity resource will, in turn, decrease the identified capacity and energy need for other customers, and serves to defer and/or lessen the need during a deficiency period.

[12] Calpine Opening Briefing at 16.

II. CONCLUSION

PGE reiterates our ask for – and urges the Commission to approve – PGE's proposed green tariff pilot for Phase I, while deferring policy and broader programmatic questions to Phase II.

Dated this 21st day of December, 2018.

Respectfully submitted,

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