



Portland General Electric
121 SW Salmon Street · Portland, Ore. 97204
PortlandGeneral.com

March 29, 2019

Via email

puc.filingcenter@state.or.us

Public Utility Commission of Oregon
201 High St. SE, Suite 100
P. O. Box 1088
Salem, OR 97308-1088

RE: UM 1953 – Portland General Electric (PGE) Notice of Exception and Waiver

Enclosed please find Portland General Electric's notice of exception of Oregon Administrative Rules (OAR) Chapter 860, Division 89, and, in the alternative, a request for waiver under OAR 860-089-0010(2) for PGE's procurement of a power purchase agreement(s) to supply Phase I of PGE's approved Green Tariff, filed earlier this month as PGE Schedule 55.

Should you have any questions or comments regarding this filing, please contact Jacob Goodspeed at (503) 464-7806.

Please direct all formal correspondence and requests to the following email address:
pge.opuc.filings@pgn.com

Sincerely,

A handwritten signature in black ink, appearing to read "Karla Wenzel". The signature is written in a cursive, flowing style.

Karla Wenzel
Manager, Pricing and Tariffs

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1953**

In the Matter of:

PORTLAND GENERAL ELECTRIC
COMPANY,

Investigation into Proposed Green Tariff -
Notice of Exception, and Request for Waiver
of Requirements of OAR 860-089-0010,
RESOURCE PROCUREMENT FOR
ELECTRIC COMPANIES

**NOTICE OF PORTLAND GENERAL
ELECTRIC COMPANY OF
EXCEPTION OF OAR CHAPTER 860,
DIVISION 089, AND IN THE
ALTERNATIVE, REQUEST FOR
WAIVER OF OAR 860-089-0010,
RESOURCE PROCUREMENT FOR
ELECTRIC COMPANIES.**

Portland General Electric Company (PGE) is filing this notice of exception of Oregon Administrative Rules (OAR) Chapter 860, Division 89, and in the alternative, a request for waiver under OAR 860-089-0010(2) for PGE's procurement of a power purchase agreement(s) (PPA) to supply Phase I of PGE's approved Green Tariff¹. For this phase of PGE's Green Tariff program, the Public Utility Commission of Oregon (OPUC or Commission) approved up to 300 MW of total procurement at a credit rate directed by the Commission.

I. BACKGROUND

While the magnitude of the Commission directed acquisition in Docket No. UM 1953 qualifies as a Major Resource under the Rules², PGE's interpretation is that the Rules do not apply to the implementation of the Commission's specific direction to procure up to 300 MW of qualifying resources under a Commission approved program at a prescribed credit rate. PGE

¹ See Order No. 19-075 (Docket No. UM 1953).

² Greater than 80 MW and more than five years in length – See OAR 860-089-0100 (1).

respectfully requests that the Commission accept PGE's interpretation. Alternatively, PGE requests that the Commission waive the Competitive Bidding Rules for good cause shown and because this acquisition is time sensitive, will provide unique value to both subscribing and non-subscribing customers, offers procurement from the competitive market, and shields non-subscribing cost of service customers from risk. For the Commission to consider a waiver of the Competitive Bidding Rules³ (Rules), the electric company must file a request for waiver prior to or concurrent with the initiation of a resource acquisition⁴. PGE is filing this request ahead of initiating a resource acquisition.

II. THE COMPETITIVE BIDDING RULES DO NOT APPLY TO THE GREEN TARIFF PROGRAM

The Commission's Competitive Bidding Rules should not apply to PGE's proposed renewable PPA procurement to support Phase I of PGE's approved Green Tariff program, which has been designed to minimize long term energy costs and risks. First, the program design has been reviewed and approved by the Commission. Second, the proposed procurement is assigned to voluntary customers and non-participating cost of service customers are protected from cost-shifting. Third, the underlying PPA and the subscriber agreements executed between PGE and subscribing customers will be subject to review by Commission Staff. Lastly, the proposed procurement will be limited to PPA that offer a time-limited opportunity for participating customers at comparable costs to resources evaluated in the 2018 Renewable Request for Proposals (RFP). The program falls outside the applicability and purpose of the Rules.

III. REQUEST FOR WAIVER OF THE RULES FOR IMPLEMENTATION OF THE GREEN TARIFF PROGRAM

³ OAR Chapter 860, Division 89.

⁴ OAR 860-089-0010 (2).

If the Commission does not accept PGE's interpretation that the program falls outside the applicability and purpose of the Rules, PGE respectfully requests that pursuant to OAR 860-089-0010(2)⁵ that the Commission waive the Rules for purposes of procurement to implement the program because good cause exists.

a) PGE'S APPROVED GREEN TARIFF PROGRAM PROTECTS NON-PARTICIPATING COST OF SERVICE CUSTOMERS

PGE's Green Tariff was specifically designed to avoid any cost shifting to non-subscribing cost of service customers. Subscribing customers will remain on their current, applicable cost of service schedule (including all applicable rates, riders, supplemental schedules, and regulatory adjustments), and participate in the Green Tariff program through an additional voluntary supplemental rider. The program as designed and approved by the Commission places on subscribers all the costs of the PPA supporting the program and risks associated with subscriber contract obligations. Resource production variances and/or asset availability will be borne only by subscribing customers, PGE, and the PPA supplier. Additionally, customers subscribing to this program are likely to be those that have concrete climate action goals, and therefore have a higher level of sophistication relating to the renewable products to be acquired under this program to serve them.

Under the Green Tariff construct, subscribers would receive—from non-subscribing cost of service customers—a credit for the value of the incremental energy and capacity provided to PGE's system by the renewable resource(s) procured for this program. The method by which the

⁵ OAR 860-089-0010(2) "Upon request or its own motion the Commission may waive any of the Division 089 rules for good cause shown. A request for waiver must be made in writing to the Commission prior to or concurrent with the initiation of a resource acquisition."

energy and capacity values will be calculated has been explicitly defined by the OPUC as part of Phase I of this program based on currently approved methods⁶.

Under the approved program, any PPA cost above the energy and capacity value defined by the OPUC will be paid by subscribers to the program. Thus, the approved energy and capacity credit mechanisms serve as a risk screen to non-subscribing customers, ensuring that they will only be providing credits for the value of the energy and capacity they receive, and not be exposed to any additional costs of a PPA that is higher than those values. Additionally, the OPUC's prohibition of incremental credits⁷ means that if procurement results in a PPA and overall program cost below the total credit value, non-subscribing customers will share in the savings because the energy and capacity credits will be reduced. Responsibility for PPA costs by subscribers, and the limited energy and capacity credits paid by non-subscribers is shown in Figure 1 below.

⁶ Energy will be valued per AURORA forward energy prices, while capacity will use the IRP valuation methodology, at the time of contract execution.

⁷ Order No 19-075, p. 5-6.

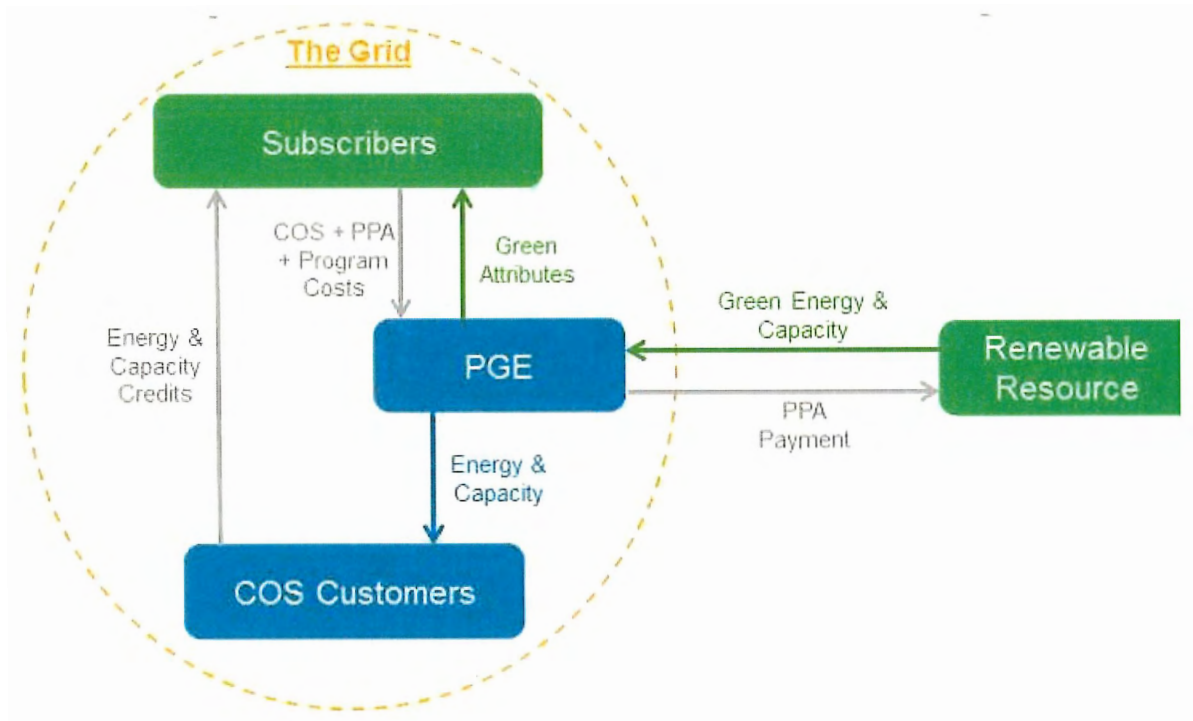


Figure 1 – Green Tariff Design

b) PGE’S PROPOSED PROCUREMENT TARGETS TIME-LIMITED PPA OFFERS

Given the imminent decrease in the value of the federal tax credits for renewable energy (the Production Tax Credit (PTC) and Investment Tax Credit (ITC)), PGE and subscribers risk losing those values if PGE were to conduct an RFP under the Rules and in the time required by the Rules. This will in turn delay initiating Phase I of this program, which customers have expressed their strong desire to participate in as soon as possible. The Commission-approved credit rates, ability to co-procure, and capped procurement amounts for Phase I will ensure the program provides value to subscribers and non-subscribers and does not harm the competitive market.

In addition, the subscriber agreements will be reviewed by Staff per the “Credits” section of PGE’s Schedule 55.

IV. Communications.

Communications regarding this notice and request should be addressed to the following

email address: pge.opuc.filings@pgn.com.

With copies to:

Jay Tinker
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V. CONCLUSION

As PGE noted throughout UM 1953 and as evidenced by the testimony and letters of support, PGE's customers have indicated a strong desire and need for renewable electricity supply that goes beyond Oregon's current renewable portfolio standard. More of PGE's large and small business and government customers want and need carbon free energy now to achieve their aggressive sustainability goals. PGE's Green Tariff would help many of these customers reach their goals or take significant steps towards those goals.

As outlined above, PGE believes that the Rules do not apply to the program as designed and requests the Commission's concurrence. In the alternative, if the Commission does not concur with PGE's interpretation, PGE respectfully requests a waiver of the Rules to enable PGE to meet our customers' renewable energy needs faster, to access projects that are currently available in the

market, and take advantage of federal incentives that buy-down the cost for subscribers.

Dated this 29th day of March, 2019.

Respectfully submitted,

A handwritten signature in blue ink that reads "Loretta Mabinton". The signature is written in a cursive style and is positioned above a horizontal line.

Loretta Mabinton, OSB No. 020710
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