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June 14, 2019

Via: email
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Public Utility Commission of Oregon
Attn: Filing Center
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RE: UE 358 – New Load Direct Access

Filing Center:

Submitted for filing in UE 358 is Direct Testimony and Exhibits of Portland General Electric Company.

- UE 358 / PGE / 100 filed electronically
- Non-confidential exhibit 101 filed electronically

If you have any questions, please call me at (503) 464-7805. Please direct all formal correspondence, questions, or requests to the following email: pge.opuc.filings@pge.com.

Sincerely,

A handwritten signature in blue ink that reads "Jay Tinker". The signature is written in a cursive, flowing style.

Jay Tinker
Director, Rates and Regulatory Affairs

Enclosure

UE 358 / PGE / 100
Sims – Tinker

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

UE 358

New Load Direct Access

PORTLAND GENERAL ELECTRIC COMPANY

Direct Testimony and Exhibits of

Brett Sims
Jay Tinker

June 14, 2019

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I. Introduction

1 **Q. Please state your names and positions with Portland General Electric (“PGE”).**

2 A. My name is Brett Sims. I am the Director of Commercial, Strategy Integration & Planning
3 for PGE.

4 My name is Jay Tinker. I am the Director of Regulatory Policy & Affairs for PGE.

5 Our qualifications are included at the end of this testimony.

6 **Q. Why is PGE proposing a NLDA program?**

7 A. PGE is filing this New Load Direct Access (NLDA) program to respond to the
8 Commission’s Order No. 18-341 in Docket No. AR 614. Consistent with the Commission’s
9 determination that unplanned for, new loads are a distinct class of customers¹, the NLDA
10 program creates the option for new large loads, the supply for which is not yet planned for
11 by the Company, to elect alternative electricity service without first subscribing to a cost-of-
12 service tariff.² To comply with Order No. 18-321, PGE submitted an advice filing on
13 February 5, 2019 outlining its proposed NLDA program. Our proposal included components
14 explicitly identified within the rules adopted in AR 614, codified as 860-038-700 to 760, as
15 well as other components PGE deems necessary to ensure fair, reliable, and equitable
16 service across all customers. At the March 21, 2019 public meeting, several stakeholders
17 requested additional consideration of PGE’s NLDA compliance filing and the Commission

¹ The Commission, after investigating questions related to the appropriate treatment of direct access transition adjustments for new customer load at a new site in UM 1837, made this determination in opening the AR 614 rulemaking docket. See PUC Staff memo that was incorporated into the Commission’s Order 18-031 (Docket AR 614), <https://apps.puc.state.or.us/orders/2018ords/18-031.pdf>

² New large loads are defined as those loads over 10MWa associated with new facilities or new large load growth at existing sites.

1 suspended the tariff filing and opened this investigation to resolve outstanding issues prior to
2 implementing the program.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of our testimony is to:

- 5 • Describe the Company's social and regulatory responsibility to fairly and
6 equitably provide reliable electric service for all customers while addressing
7 the risks and costs of providing such service;
- 8 • Describe the mechanics of the resource adequacy charge (RAD) and resource
9 intermittency charge (RIC), as well as the necessity of such charges to ensure
10 that cost of service (COS) customers are not unjustly bearing the risks to and
11 costs of system reliability created by a lack of resource adequacy to serve
12 NLDA loads;
- 13 • Describe the energy supply options proposed in PGE's NLDA filing and why
14 PGE is proposing a new option, the long-term supply option;
- 15 • Provide an overview of the remaining components of our filing and how it
16 complies with the Oregon Administrative Rules adopted in Public Utility
17 Commission of Oregon (OPUC or PUC) Order 18-341 in Docket No. AR 614;
- 18 • Detail PGE's plans in managing the current customer queue and program
19 eligibility, including the program cap.

20 **Q. What is PGE asking of the Commission?**

21 A. PGE requests that the Commission approve PGE's NLDA Tariff Schedule 689, including
22 the RIC and RAD charges and to allow the company to include NLDA loads as part of long-
23 term resource adequacy assessment and planning within the integrated resource plan (IRP).

1 **Q. What are the principles that guided the development of this NLDA program?**

2 A. PGE serves the public interest by providing an essential service that is vital to the health and
3 well-being of our customers and communities. PGE is charged with the duty of ensuring
4 that electric service remains reliable, safe, and affordable; and it must also be increasingly
5 clean, green, and equitably paid for and provided to all. In order to fairly serve the public
6 interest, PGE must ensure that the benefits, costs and risks of a reliable electric system are
7 shared fairly by all customers. PGE's proposed NLDA tariff accomplishes this aim by
8 ensuring robust and transparent reliability planning and procurement, and by requiring large
9 sophisticated customers with substantial single loads to contribute directly toward system
10 reliability. If NLDA customers are not required to contribute toward the system's reliability
11 requirements, then a small number of economically capable and influential customers will
12 freely socialize the risks of their supply choices across all users of the system.

13 **Q. Did Oregon's historic electricity restructuring law, SB 1149, inform the development of**
14 **PGE's NLDA program?**

15 A. Yes. Oregon SB 1149 directs the PUC to develop policies to foster a competitive retail
16 market structure while preventing direct access customers from unduly shifting cost and
17 risks onto cost of service supply customers. When the PUC directed electric companies not
18 to plan for long-term direct access loads, it made that decision at a different time when the
19 direct access program was in a fledgling state and regional resource adequacy was not a
20 preeminent concern. Times have changed and its appropriate for the Commission to
21 reconsider the balance between promoting competitive supply and shifting cost and risks to
22 COS customers.

1 **Q. If not addressed, would COS customers face unwarranted cost and risk shifts due to**
2 **NLDA service?**

3 A. Yes. NLDA customers are bringing new large loads to the system for which PGE has not
4 planned for or procured capacity. Yet, PGE must act as the reliability provider and ensure
5 reliable service for all loads, including direct access loads. PGE is required to provide non-
6 discriminatory service that ensures reliability for NLDA loads. Under extreme conditions, if
7 load curtailment is required, COS customers must be curtailed equally to NLDA loads. If
8 NLDA customers are not subject to reliability planning and do not fairly contribute towards
9 the cost of resource adequacy, COS customers would unjustly bear the increased reliability
10 risks and costs stemming from supply choices made by NLDA customers. Such a shifting
11 of risks and costs is irresponsible, unwarranted and inequitable.

12 **Q. Please briefly describe PGE's responsibility to provide reliable service.**

13 A. Providing reliable service is central to PGE's mission and responsibility. PGE is the
14 reliability provider within its service territory. This exclusive responsibility has been
15 entrusted to PGE for over a century. Electric utility regulations recognize that the societal
16 costs associated with reliable electrical service are minimized through a service area with a
17 single reliability provider that need not duplicate large investments with other providers.
18 PGE's obligation to provide safe, reliable, and non-discriminatory service for all customers
19 in its service area is a bedrock principle that underlies the role of PGE within Oregon's
20 framework of utility regulation. PGE meets its reliability responsibility in part by publicly
21 and transparently planning and procuring supply and demand side resources to meet its
22 identified resource adequacy standards.

23 **Q. What is resource adequacy and why is it relevant to this docket?**

1 A. Resource adequacy, or the ability of supply-side and demand-side resources to reliably serve
2 load across a broad range of weather and other system conditions, is an essential component
3 of providing reliable service. The resource adequacy of a system depends on the
4 characteristics of its load—seasonal patterns, weather sensitivity, hourly patterns and well as
5 its resources—size, dispatchability, outage rates, and other limitations on availability³
6 Typically, resource adequacy is assessed through a planning process using a long run
7 standard on the maximum frequency of reliability events where generation is insufficient to
8 serve all loads (e.g. loss of load probability or loss of load expectation).

9 Resource adequacy is a vital part of resource planning and enables safe, reliable electric
10 service for customers. It is a key issue in this docket because the Commission’s existing
11 NLDA policy would allow for a select group of very large loads in PGE’s service territory
12 to be without an established mechanism to maintain resource adequacy and reliability.
13 Standing Commission policy would prevent PGE from ensuring that the necessary capacity
14 resources are secured, thereby undermining PGE’s ability to meet resource adequacy targets
15 within its service area. While PGE has been directed not to plan for and procure capacity
16 for long-term non-cost-of-service loads, the Company remains responsible to supply
17 capacity for those loads as a reliability provider. This disconnect is of growing concern to
18 PGE due to the size of the loads participating in PGE’s long-term direct access program, the
19 nature of the loads that have expressed interest in PGE’s NDLA by taking a place in the
20 queue, and the forecasted capacity constrained conditions in the Pacific Northwest.

³ Resource Adequacy in the Pacific Northwest, March 2019 (Report by Energy and Environmental Economics), page 4. http://www.publicgeneratingpool.com/wp-content/uploads/2019/03/E3_NW-Resource-Adequacy_Final-March-2019.pdf.

1 **Q. How does PGE ensure that it provides reliable service and maintains resource**
2 **adequacy?**

3 A. Central to our long-term planning and procurement, as documented in its IRP, is to ensure
4 resource adequacy to support reliable service. PGE develops an integrated resource plan
5 (IRP) through a robust public process and files a final IRP with the OPUC two years
6 following the approval of the preceding plan.⁴ Essential to the IRP process, is a forecast of
7 future loads, an assessment of existing resources, and the identification of additional
8 generating capacity needed to support customer demands. We use a loss of load expectation
9 (LOLE) of 2.4 hours per year as its planning standard to evaluate the quantity of additional
10 capacity resources necessary to reasonably support our system reliability (e.g. any given
11 customer could expect a loss of resource supply of 2.4 hours or less per year.) Capacity, or
12 the ability to meet load at any particular time with supply and demand resources, is a
13 necessary instrument for reliability entities like PGE to maintain resource adequacy and
14 ensure reliability. PGE's IRP plans to achieve resource adequacy by identifying our
15 customers' long-term capacity needs and proposing procurement actions to secure adequate
16 capacity resources following a four-year action plan. Taken together, PGE's forward-
17 looking planning and procurement process is designed to secure required resources in a
18 timely manner to maintain confidence in electrical supply.

19 **Q. Has PGE accounted for its reliability responsibility and overall resource adequacy**
20 **requirements in its NLDA tariff filing?**

⁴ Commission Order No. 07-002 from Docket UM 1056 sets forth the guidelines and requirements for utilities in their least-cost planning efforts.

1 A. Yes. In addition to NLDA standard program requirements contained in OAR 860-038-0700
2 -0760 PGE is asking the Commission to approve its proposed RIC and RAD mechanisms to
3 support resource adequacy and to ensure costs and risks are fairly shared by all customers.
4 We discuss the RIC and RAD in more detail later in our testimony.

5 **Q. Does implementing resource adequacy for PGE’s NLDA program require action from**
6 **the Commission?**

7 A. Yes. In addition to approving the RIC and RAD, we are asking the Commission to direct
8 the electric utilities to plan for NLDA loads as part of PGE’s resource adequacy planning
9 conducted via the IRP process. In 2007, at the conclusion of Docket UM 1056, which
10 commenced in 2002, the Commission created IRP Guideline #9: “An electric utility’s load-
11 resource balance should exclude customer loads that are effectively committed to service by
12 an alternative electricity supplier.”⁵ We are asking that the Commission provide explicit
13 direction that IRP Guideline #9 applies to energy load-resource balance for customer loads
14 that are committed to energy service by an alternative electricity supplier, but that it does
15 not apply to resource adequacy because alternative electricity suppliers do not provide a
16 reliability service.

17 **Q. Why should the Commission now clarify the applicability of Guideline #9?**

18 A. The Commission should clarify the applicability of Guideline 9 in recognition that the
19 context has changed in two key ways: 1) the status of regional capacity and 2) the amount of
20 load now not being planned for. In 2007, when the Commission last considered Guideline
21 #9, the region was experiencing a capacity surplus.⁶ Due to the abundance of regional

⁵ See UM 1056 Order No. 07-002, At Page 19.

⁶ See Biennial Monitoring Report on the Fifth Power Plan, 2007. Retrieved from
https://www.nwcouncil.org/sites/default/files/2007_4_1.pdf

1 generation, resource adequacy was not threatened and the capacity necessary to serve load
2 was generally freely exchanged and bundled with marginal energy sales in the wholesale
3 market. More recently, the region is experiencing a tightening in available capacity under
4 constrained conditions and is quickly approaching capacity inadequacy. The upcoming coal
5 plant retirements at Boardman, Centralia, and Colstrip will remove substantial amounts of
6 firm capacity. Several regional planning bodies have recently forecasted resource adequacy
7 challenges in the coming decade; those challenges were not present in 2007⁷.

8 Also, the amount of eligible load taking service from ESS has grown. The Commission
9 cited ICNU's testimony that in 2005, 11.3% of eligible loads took service from ESSs⁸. As
10 of 2018, roughly 32% of eligible load has opted out of PGE's cost of service supply.
11 Following the adoption of NLDA, the amount of eligible load under direct access is
12 expected to grow substantially as evidenced by the PGE NLDA queue filling so quickly.
13 The current policy in which PGE retains reliability responsibility for all customers but lacks
14 the ability to plan and implement what is necessary to achieve such reliability, places the
15 integrity of the electric system unnecessarily at risk.

16 **Q. Is PGE proposing to apply these concepts to the existing long-term direct access**
17 **(LTDA)?**

18 A. No. We are not proposing any changes to LTDA policy within this filing. PGE signed a
19 stipulation in UE 335, approved in Commission Order 19-129, and agreed not to propose
20 changes to the LTDA program through service year 2021⁹. Once the stipulation period

⁷ See Energy Environmental Economics. Resource Adequacy in the Pacific Northwest Report, 2019. Retrieved from https://www.ethree.com/wp-content/uploads/2019/03/E3_Resource_Adequacy_in_the_Pacific-Northwest_March_2019.pdf

⁸ See UM 1056 Order No. 07-002, At Page 19.

⁹ See UE 335 Order No. 19-129, Appendix B, At Page 3.

1 passes, we will examine the appropriateness of applying the RIC and RAD to the LTDA
2 program.

II. Capacity Charges within PGE's NLDA Tariff Filing

1 **Q. Please discuss your filed Schedule 689 as it complies with the Commission's minimum**
2 **requirements for a NLDA program?**

3 A. Per Docket No. AR 614 and Order No. 18-341, PGE's Schedule 689 tariff incorporates the
4 following requirements set forth by the Commission:

- 5 • Customer eligibility of new load customers who are of 10 average megawatts
6 (MWa) or higher, *See* OAR 860-038-030(3);
- 7 • Customer must reach the 10 MWa in a 12-month period within the first three
8 years of service, *See* OAR 860-038-030(3);
- 9 • The program is capped at 119 MWa, *See* Order No. 18-341 at Page 7;
- 10 • Customers must procure transmission service under PGE's Open Access
11 Transmission Tariff (OATT), *See* OAR 860-038-0590(1);
- 12 • Customer pays a 5-year transition adjustment (20% of fixed generation costs),
13 *See* OAR 860-038-0740(3)(a) & (b).

14 In addition to the standard program requirements set forth in PUC rules, we are proposing
15 two new mechanisms and charges in the NLDA tariff to address resource adequacy planning
16 and procurement. These two mechanisms, the Resource Intermittency Charge, and the
17 Resource Adequacy Charge are discussed below.

18 **Q. Please describe the capacity charges proposed in PGE's Schedule 689 tariff.**

19 A. We are proposing two new mechanisms and charges in the NLDA tariff to prevent our cost
20 of service supply customers from bearing new, large load reliability risks. The charges
21 would fairly allocate the costs of assuring system reliability and promote resource adequacy
22 through planning and procurement. The proposed RIC is a fee for the additional capacity

1 necessary due to energy supplier's practices of scheduling energy. The proposed RAD
2 charges for the costs associated with planning for and securing the necessary capacity to
3 support resource adequacy and effectuate PGE's reliability provider responsibility.

4 **Q. Why are the electricity supply services provided by an electricity service supplier
5 (ESS) inadequate to meet PGE's identified reliability concerns?**

6 A. An ESS is not required or responsible to provide an amount or quality of electricity to
7 ensure reliable service. ESS's have no planning or reliability obligations and are not subject
8 to any planning or adequacy standards that would ensure sufficient capacity is procured to
9 reliably serve customer demand. Furthermore, ESS's are free to generally market electricity
10 products that do not support resource adequacy, instead lowering product costs by relying
11 on short-term energy market purchases with no certainty of availability or capacity.

12 **Q. Please explain further.**

13 A. While energy markets efficiently price marginal costs of energy supply, they do not
14 guarantee adequate volumes necessary to ensure reliability and adequacy. When generators
15 are unable to participate in the market due to constrained conditions and are withheld to
16 meet the competing need to serve native loads, energy market supply quickly fades. To
17 avoid such conditions, it is necessary rely on robust and reviewed planning and procurement
18 to meet resource adequacy targets to allow the necessary time to develop or secure
19 additional supply or demand side resources.

A. Resource Intermittency Charge

20 **Q. What is the RIC designed to address?**

21 A. When alternative energy suppliers deliver the power to their customers, they are required to
22 schedule the amount of energy to be delivered to PGE's balancing area authority (BAA) for

1 those customers. While in theory, the scheduled amount should closely match the actual
2 loads of the customers, in practice, there are frequently deviations between customer loads
3 and ESS deliveries. These deviations arise for many reasons, but also due to a general ESS
4 practice of relying on day-ahead market energy purchases, which is primarily a heavy-
5 load/light-load hour¹⁰ block commodity market, to supply customers' energy. Due to
6 customer load changes occurring hour to hour, PGE is responsible for adjusting its own
7 system to make up for ESS scheduling imbalances. The RIC is designed to address events
8 where an ESS under-schedules (e.g. load exceeds scheduled energy) because we must
9 ensure adequate capacity is available to create the energy needed to supply customer loads.

10 **Q. Please explain further. Does ESS under-scheduling increase PGE's capacity needs?**

11 A. Yes. As we previously stated, PGE has the responsibility of ensuring there is sufficient
12 capacity available to account for ESS under-schedule events that require additional capacity
13 be available reliably to serve load.

14 **Q. How often does this ESS mismatch in scheduling occur?**

15 A. Based on 2018 historical data, approximately 40% of the hours during calendar year 2018
16 were under-scheduled.

17 **Q. How is the RIC different from Energy Imbalance Service (Schedule 4R) provided
18 under PGE's OATT?**

19 A. The RIC is not to be confused with OATT Energy Imbalance Service. Currently under
20 PGE's OATT, the ESS pays us for energy used to balance Direct Access load in PGE's
21 BAA through Schedule 4R. This schedule recovers only energy costs, which are based on a

¹⁰ Light load hours (LLH) are times of low electricity usage during the hours of 10 p.m. to 6 a.m. Monday through Saturday and all of Sunday. Heavy load hours (HLH) are times of heavy electricity usage during the hours of 7 a.m. to 9 p.m. Monday through Saturday.

1 market index not necessarily the cost of providing the energy, and does not account for the
2 capacity that we must have available to reliably serve the additional load during times of
3 ESS under-scheduling. The RIC is designed to account for the fact that PGE must have and
4 make capacity, paid for by COS supply customers, available to meet these under-scheduling
5 events. The RIC recovers costs of this capacity.

6 **Q. How is the RIC different from Regulation and Frequency Response Service (Schedule**
7 **3) provided under PGE’s OATT?**

8 A. Our OATT defines Regulation and Frequency Response Service as “accomplished by
9 committing on-line generation whose output is raised or lowered...as necessary to follow
10 the *moment-by-moment* changes in load.” This service is designed to account for relatively
11 small, and short duration, changes in load on a granular basis. The RIC is designed to
12 address situations where PGE and COS customers must make capacity available ahead of
13 the hour due to ESS scheduling behavior that results in inadequate supply. The two services
14 are distinct, and even if an ESS had scheduled exactly to the actual load of the customer,
15 Schedule 3 is still necessary to address the moment-by-moment variations in load.

16 **Q. Please describe PGE’s methodology for calculating the RIC.**

17 A. We determined a capacity requirement by analyzing a subset of historic Direct Access
18 electricity schedules and actual loads using the RECAP model.¹¹ Using the historic data, we
19 isolated the hours where scheduled supply was less than actual load. These hours were then
20 input into the RECAP model as incremental load to determine the amount of additional

¹¹ RECAP is an acronym for Renewable Energy Capacity Planning Model which is a loss of load probability model used extensively to test the resource adequacy of electric systems across the North American continent, including California, Hawaii, Canada, the Pacific Northwest, the Upper Midwest, and Florida.
http://www.publicgeneratingpool.com/wp-content/uploads/2019/03/E3_NW-Resource-Adequacy_Final-March-2019.pdf, page 9.

1 capacity needed to maintain the LOLE standard of 2.4 hours per year. For our initial filing,
2 the additional capacity was then multiplied by the net cost of incremental capacity from the
3 IRP and converted to a monthly on-peak charge.

4 **Q. How will the RIC be implemented?**

5 A. If approved, the RIC will be applied when the electricity schedules for all of the Customers
6 for which the suppliers' schedules is lower than the actual amount of associated customer
7 load. The charge is set as a \$ per kW of on-peak demand charge, and at this time, our
8 proposal does not distinguish the cost by supplier or by customer. This charge applies to all
9 energy supply options for NLDA service, including ESS provided service and our company
10 supplied options. The cost of supplying energy is not included in this charge as that is
11 collected via Schedule 4R of our OATT. If there are no deviations in scheduled energy to
12 actual load during the monthly billing period, this charge will not be applied.

13 **Q. Does the RIC apply to all NLDA supply options, including the company supplied**
14 **options?**

15 A. Yes. As proposed, the RIC applies to all supply options under NLDA, which includes the
16 PGE proposed company supply options.

17 **Q. Can the RIC charge be avoided?**

18 A. Yes. PGE is proposing that for billing periods where there are no under-scheduling events
19 (e.g. the scheduled load matched the actual load), the RIC will not be assessed.

20 **Q. Will the RIC be updated to reflect behavioral changes?**

21 A. Yes. As detailed above, we initially based the RIC on a subset of historic Direct Access
22 schedules and actual loads; however, we intend to update the RIC according to the above-
23 detailed methodology on a regular basis to incorporate NLDA performance data and adjust

1 for changing behaviors, should they occur. The intent is that over time, if in aggregate all
2 ESS scheduling practices improve (scheduling to actual deliveries are close to or equal to
3 actual demand), then the RIC price would decrease over time to reflect the change in ESS's
4 scheduling practices. Additionally, for billing periods where there are no under-scheduling
5 events, the RIC will not be applied.

6 **Q. How frequently is PGE proposing to update the RIC charge?**

7 A. We propose that the RIC charge be updated annually for a period of three years to account
8 for scheduling behavioral changes. Following the first three years program, we recommend
9 that updates to the RIC be made every two years going forward.

B. Resource Adequacy Charge

10 **Q. What is the RAD charge and why is it necessary?**

11 A. The RAD charge is necessary to allow PGE to maintain resource adequacy and to prevent
12 new, large loads from shifting reliability risks to our cost of service customers. Functionally,
13 the RAD is a capacity charge that recovers the costs associated with the procurement of
14 capacity resources necessary to ensure resource adequacy and provide generation reliability
15 services for NLDA customers.

16 Without a RAD charge, PGE may be unable to effectively act as reliability provider for
17 its customers. PGE cannot expect to rely on short-term market purchases to meet NLDA
18 demand. In the event that supply is inadequate, we are obligated to take actions, such as
19 curtail service, on a non-discriminatory basis and cannot discriminate against direct access
20 loads in favor of its cost of service supply customers.¹² To prevent this inequitable

¹² Order No. 01-777, Entered Aug 31, 2001, At Pages 38 -39.

1 outcome, a RAD charge is necessary to allow for forward procurement of capacity resources
2 and to allow sufficient time to secure additional resources to avoid adverse impacts to
3 system reliability. The cost of PGE's capacity procurement would be borne by NLDA
4 customers.

5 **Q. How will PGE plan for the resources necessary for the RAD?**

6 A. We propose a two-step methodology in its filing. The first component is the determination
7 of the capacity requirement. We are proposing to determine a capacity requirement by using
8 the RECAP model, and would input the forecasted incremental NLDA load into the RECAP
9 model to determine the amount of incremental capacity needed to maintain PGE's resource
10 adequacy standard of 2.4 hours LOLE per year. The resulting output is a capacity
11 requirement, expressed in MW, that is needed to maintain the LOLE standard when
12 accounting for PGE's NLDA reliability responsibility.

13 Once the capacity requirement is determined, we propose to then conduct a resource
14 procurement process whereby PGE would secure the necessary amount of capacity to
15 reasonably satisfy the requirement. Our procurement would be conducted in a transparent
16 and fair manner through a competitive process consistent with the OPUC's Competitive
17 Bidding Rules. The cost and prudence of the acquired capacity for resource adequacy will
18 be determined in a future regulatory proceeding.

19 **Q. How will PGE implement the RAD?**

20 A. The RAD charge will be applied during all years of service on Schedule 689. This charge
21 applies regardless of the supplier or supply option the customer elects under Schedule 689.
22 The RAD charge also applies during Emergency Default Service. In the current tariff as
23 filed, the RAD rates are set to zero. After securing incremental capacity resources, PGE

1 would determine NLDA customers' proportional share of our capacity costs through
2 standard ratemaking practices. The RAD rates will then be updated by the Company
3 through pricing tariff updates, or similar filings to recover costs associated with procured
4 capacity resources. The RAD rate be consistent across all NLDA customers.

5 **Q. If the Commission approves the RAD charge policy but the rate is not determined until**
6 **a future pricing tariff update, how would NLDA customers plan for the charge?**

7 A. We included the RAD as part of Schedule 689's filing (Advice No. 19-02) to ensure that
8 customers were made aware of the charge and new cost category prior to prices being set.
9 Also included in the letter was the estimated RAD pricing based off the PGE IRP planning
10 and pricing of a proxy resource.

11 **Q. How would the RAD apply if a customer was moved to PGE's retail tariff Schedule 81**
12 **– Nonresidential Emergency Default Service?**

13 A. If an ESS terminates service to their customer or is no longer a registered ESS, the customer
14 is provided default service under Schedule 81. Under Schedule 81, the customer's energy
15 daily charge is 125% of market for a period of 5 business days and then moved to the PGE
16 daily market supply option. Prior to, during, and after a customer being placed on Schedule
17 81, the RAD charge applies regardless of supplier. The RAD capacity charge and the
18 Schedule 81 energy charge are not duplicative charges as the RAD charge recovers costs
19 associated with capacity to ensure resource adequacy while the Schedule 81 energy charge
20 recovers the cost of supplying energy to the customer.

21 **Q. Is the RAD different than the NLDA transition charges?**

22 A. Yes. Under the NLDA Administrative Rules, the Customer pays a NLDA transition
23 adjustment (Schedule 139) for the first 60 months that include 20% of the fixed generation

1 cost of energy supply. The RAD charge will be applied during all years of service on
2 Schedule 689. The customer will pay transition adjustments that include 20% of the fixed
3 generation cost of energy supply and a RAD charge less the amount of the transition
4 adjustment.

III. Other Aspects of PGE's NLDA Tariff Filing

A. PGE Service Options

1 **Q. What energy supply options did PGE propose for Schedule 689?**

2 A. In our Schedule 689 filing, the Company proposed three energy supply options:

3 1. **PGE Daily Market Energy Option** - The Customer will receive energy
4 supply from PGE. This will be priced on the Mid-Columbia daily index with
5 a margin, a separate wheeling and ancillary services charge as specified, and
6 additional costs to meet Oregon's Renewable Portfolio Standard (RPS), and
7 other applicable legislative requirements.

8 2. **PGE Long-Term Energy Option** - This option is PGE's standard offer
9 service for NLDA. The Customer will receive energy from PGE. This will be
10 based on a resource contract with a margin and other charges (e.g. wheeling
11 and ancillary services) applicable to the contract(s) secured between the
12 company and energy suppliers. This service will comply with Oregon's RPS
13 and other applicable legislative requirements. Prices between PGE and the
14 Customer will be based on the underlying contract between the Company and
15 the supplier.

16 3. **Third Party Direct Access Service** - The Customer will receive energy from
17 an ESS. The Customer will also pay for transmission and required ancillary
18 services through their energy supplier.

19 **Q. Are any of the above listed options new?**

20 A. Yes. The long-term energy option does not currently exist in PGE's LTDA program.

21 **Q. Why is PGE proposing new standard offer service options?**

1 A. OAR 860-038-0250 allows an electric company to “provide one or more standard offer rate
2 options.” We developed the long-term energy option as a means of meeting state policy
3 requirements and customer needs to comply with legislative requirements, such as the
4 Renewable Portfolio Standard (RPS). The daily market energy option is explicitly tied to the
5 Mid-Columbia day-ahead price index and no indices exist for RPS products (or other
6 products that meet legislative requirements such as low or carbon free). For customers
7 looking for these types of products, the market in the Northwest is determined by procuring
8 a resource that meets these needs. PGE interprets this to be consistent with the provision of
9 OAR 860-038-0250 requiring “a standard offer rate option shall be a tariff approved by the
10 Commission, which is price based on supply purchases made on a competitive basis from
11 the wholesale market...”

12 **Q. Please provide an overview of how the long-term energy option functions?**

13 A. As requested by the customer, we will engage in fair and transparent procurement efforts to
14 secure a contracted resource to meet the customer’s energy and legislative requirements.
15 PGE will then pass these costs through to the customer, plus a margin and any incremental
16 costs (e.g. ancillary services) to the customer via a supply agreement between the customer
17 and the Company. The rate for the supply agreement will be based on the contracted
18 resource’s pricing and the incremental costs of providing the supply agreement. No cost of
19 service assets will be used outside of those explicitly allowed under other frameworks (e.g.
20 OATT transmission service and ancillary services, if provided, under the OATT.)
21 Additionally, as we stated above, the RIC and the RAD still apply under the long-term
22 energy option to ensure there is no risk transfer and no cost shifting to cost of service
23 customers.

B. Other Aspects of PGE's Filing*Administrative*

1 **Q. Is PGE proposing an administrative charge for its NLDA program?**

2 A. Yes. We included in Schedule 689 an administrative charge with zero prices as a
3 placeholder. Currently, we do not have a well-developed estimate of the incremental
4 administrative costs, if any, associated with administering the NLDA Schedule 689 tariff.
5 However, as costs become identified and known, PGE will update the charge accordingly.

Enrollment

6 **Q. How does a Customer inform PGE that they want to participate in the NLDA**
7 **program?**

8 A. In accordance with PUC rules, the Customer must notify PGE of their intent to enroll in the
9 NLDA program and opt out of COS rates at the earlier of one year prior to the expected
10 energization date of the new meter or upon entering a written and binding agreement with
11 PGE. After receiving notice from the customer, we will work with each customer to
12 finalize the signing of a customer contract between the customer and PGE for NLDA
13 service. We will not accept contracts for NLDA service that exceed the current program
14 cap, or the room remaining under the cap.

NLDA Eligibility and Cap

15 **Q. Please provide a summary of the NLDA eligibility requirements and the cap.**

16 A. Order No. 18-341 from the AR 614 docket defined the guidelines for which utilities will
17 calculate their NLDA cap amounts. We have applied the order's directives and calculated
18 the cap to be 119 MWa. Customers' eligibility for Schedule 689 will be contingent on their

1 respective loads being within the cap amount, per their NLDA agreement and distribution
2 requirements.

3 **Q. Can a customer be enrolled in the NLDA program if their expected load exceeds the**
4 **amount remaining under the cap?**

5 A. No. For example, if a customer is expecting 30 MWa of load and only 20 MWa is available
6 under the cap, then the customer will be deemed ineligible as there is not enough room
7 under the cap to accommodate the customer's projected load.

8 **Q. If a customer participates in the NLDA program, will all of their future load growth**
9 **also be in the program?**

10 A. No. The expected load of the Customer, as stated in the NLDA contract between the
11 Customer and the Company, as well as the facility design characteristics, will be the amount
12 of load that applies toward the NLDA cap. The expected load will apply toward the cap
13 limit for the first 60 months of service. Following 60 months of service on Sch 689, the
14 actual load of the Customer will apply toward the NLDA cap and will be used in
15 calculations to determine the total amount of load under the cap.

16 **Q. If a customer is building out their load in phases and subsequent phases exceed PGE's**
17 **NLDA cap, how is that load treated?**

18 A. In the case of a Customer planning a multi-phase build out, to the extent we are planning for
19 and designing our system around the projected load at full build out, we will use the
20 projected full build out in determining whether the load fits under the cap.

21 **Q. What will PGE do if a customer is de-enrolled from the NLDA program, for example**
22 **from failing to reach the 10 MWa threshold, and room remains under the 119MWa**
23 **cap?**

- 1 A. We will maintain a participation queue and will go to the next customer in the queue. To the
2 extent the next customer meets the eligibility requirements (e.g. one year prior to meter
3 energization, etc.); they can opt into the NLDA program. If the customer's location has
4 been energized, then they are, by definition, not new load and are ineligible for NLDA.

Returning to Cost of Service

5 **Q. How does a customer on the NLDA program return to PGE's cost of service pricing?**

- 6 A. Once the Customer applying for the NLDA program notifies us of their intent to opt out of
7 COS supply, by signing a binding contract, they are subject to the same return provisions as
8 those customers participating in our long-term cost of service opt out program, which is
9 currently three years notice to us. However, should a Customer on the NLDA program fail
10 to meet requirements of OAR 860-038-0730(3) they may be de-enrolled from the program
11 per OAR 860-038-0750 and placed on the appropriate COS rate schedule.

III. Implementation of the Queue

1 **Q. Please describe PGE's NLDA Queue?**

2 A. The Commission approved our NLDA queue as a way for interested customers to provide us
3 one year's notice of their intent to participate in the NLDA program as required per the
4 NLDA rules, while still allowing them the flexibility to revoke their notice once the Sch 689
5 pricing and terms are finalized. The queue is tracked by PGE and each customer's place in
6 the queue is documented by a time stamp that the customer email was received following
7 the opening of the queue on April 15, 2019 at 8am Pacific Standard Time.

8 **Q. Please provide an update on the current state of the queue.**

9 A. Customers in the NLDA queue were notified via an emailed letter either in early June 2019
10 of their position on the queue and an estimated range of load ahead of them in the queue,
11 based on information PGE has gathered from communications with those in the queue or
12 their representatives. Since it is a non-binding queue, any or all customers currently ahead
13 of them in the queue may choose to revoke their notice prior to the tariff effective date. The
14 letter also notified customers that questions around load eligibility and the cap may be taken
15 up by the Commission in this proceeding¹³.

16 **Q. Can a customer who has a place in the NLDA program queue energize their site prior
17 to the effective date for Sch 689 and participate in the NLDA program?**

18 A. No. If a customer energizes their site prior to the effective date of Sch 689, they cannot
19 participate in Sch 689. Participating load must have never been contracted for or committed
20 to in writing.¹⁴ If PGE energizes a Customer's service, we are planning for their load, so it

¹³ See Exhibit 101

¹⁴ OAR 860-038-0710(2)

1 is no longer new load. The rules state “Each New Large Load consumer must notify the
2 electric company of its intent to enroll...at the earlier of either: (a) A binding written
3 agreement with the utility for eligible new load, or (b) One year prior to the expected
4 starting date of the incremental load.”¹⁵

5 **Q. If a customer requires a network transmission upgrade that takes years to complete,
6 do they get to maintain their place in the queue?**

7 A. Yes. OAR 860-038-740 requires a customer to provide notification of its intent to
8 participate in NLDA “...at the earlier of either: (a) A binding written agreement with the
9 utility for eligible new load, or (b) One year prior to the expected starting date of the
10 incremental load.” It has no requirements regarding how early a customer can provide
11 notification and once notification is received, the customer is in the queue.

12 **Q. Can a place in the NLDA program queue be transferrable to another party or
13 customer?**

14 A. No. The place in the queue is specific to the company and may not be held by someone
15 acting in the capacity of a broker. No customer or entity may sell or transfer their place in
16 the queue to any other customer or entity.

17 **Q. Can a Customer hold a place in the queue for some future projected site?**

18 A. Yes. A customer with a new load that meets the eligibility requirements for NLDA service
19 under Schedule 689 would be viewed as eligible to maintain a place in the queue for NLDA
20 service for the duration of their construction project.

21 **Q. What if part of a customer’s load falls outside PGE’s NLDA cap size?**

¹⁵ OAR 860-038-0740(1)

1 A. Under this scenario of a customer's load exceeding the cap, the customer would not be
2 eligible for NLDA service under Schedule 689. Any load beyond the cap will not be
3 eligible for NLDA service and will be obligated to be served under an appropriate COS rate
4 schedule. We will only plan for the load up to the amount stated in their planning agreements
5 with our distribution planning.

IV. Conclusion

1 **Q. Why is it essential for the Commission to revisit its policy regarding the reliability**
2 **planning for NLDA loads?**

3 A. As is evidenced by our NLDA queue, a small group of customers with new large loads
4 intend to begin operation within our service area. These NLDA customers are coming
5 online at a time when regional resource adequacy is stressed, and the availability of surplus
6 capacity should not be assumed. These NLDA customers will be supplied from suppliers
7 who have no reliability role or function, who do not engage in transparent capacity planning,
8 and who are incentivized to lower costs by relying on short-run market purchases while
9 socializing any reliability risk onto all users of the system. As the reliability provider, we
10 have a responsibility to procure capacity to support reliable service for these NLDA
11 customers. It is essential that the Commission reconsider its policy that would prevent PGE
12 from planning for the capacity needs of NLDA customers to protect the integrity of the
13 electric system.

14 **Q. What policy outcomes does PGE's NLDA filing help to achieve?**

15 A. By approving our tariff filing, adopting the RIC and the RAD, and providing explicit
16 direction on IRP Guideline #9 the Commission would further its specified policy aims. By
17 allowing PGE to plan for resource adequacy for NLDA loads, the Commission would bring
18 further transparency to the status of capacity planning and procurement efforts for those
19 loads under the Commission's jurisdiction. By allowing PGE to recover capacity costs from
20 NDLA customers, the Commission would prevent unwarranted cost and risk shifting onto
21 COS customers as is required by SB 1149. Lastly, adopting this tariff furthers a more

1 equitable ratemaking outcome, as large, capable, and sophisticated customers would be
2 required to contribute toward system reliability resources that benefit all.

3 **Q: Does this conclude your testimony?**

4 A: Yes.

5

V. Qualifications

1 **Q. Mr. Sims, please state your educational background and experience.**

2 A. I received a Bachelor of Arts degree in Business with a focus in Economics from Linfield
3 College in 1990, and a Master of Business Administration degree from George Fox
4 University in 2001. Prior to my current position, I was the Director of Origination,
5 Structuring, and Resource Strategy at PGE. I have also held other managerial positions at
6 banking, technology and energy companies prior to working at PGE.

7 **Q. Mr. Tinker, please state your educational background and experience.**

8 A. I received a Bachelor of Science degree in Finance and Economics from Portland State
9 University in 1993 and a Master of Science degree in Economics from Portland State
10 University in 1995. In 1999, I obtained the Chartered Financial Analyst (CFA) designation.
11 I have worked in the Rates and Regulatory Affairs department at PGE since 1996.

List of Exhibits

<u>PGE Exhibit</u>	<u>Description</u>
101	Queue notification letter sent to customers in the NLDA queue.



pge.opuc filings@pgn.com

DRAFT letter to customers in the NLDA Queue

Date

Name

Company

Address

City State Zip

Dear [Name]:

Pursuant to Commission Order 19-03, PGE opened a non-binding queue for customers interested in Portland General Electric's (PGE) New Load Direct Access (NLDA) program on April 15, 2019. We have been requested to inform customers as to their position in the queue and the approximate amount of customer load ahead of them in the queue. The purpose of this letter is to provide such notification given that you have notified PGE of your intent to enroll in the NLDA program.

Be advised that this notification is based on information PGE has gathered from communications with those in the queue or their representatives, and rather than a specific load number, in some instances PGE has been provided a load range. We have not verified statements provided. In this notice we provide you an estimate of the amount of load ahead of you in the queue at this time. It is only an estimate and could change. Our proposed tariff, filed with the Oregon Public Utility Commission (OPUC), provides that we will determine the amount of load taken by a given customer under the cap, as the amount identified when a distribution services agreement is signed by the customer and the company. In all instances of customers in the queue, not one has signed a services agreement.

[INSERT THE PARAGRAPH BELOW THAT APPLIES TO THE SPECIFIC CUSTOMER IN THE LETTER]

For customer 1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[END OF CUSTOMER-SPECIFIC INFO]

Eligible load for the program will be determined by the distribution services agreement you sign with PGE and will be for the load you identify in that agreement. This is according to PGE's proposed NLDA tariff which is under investigation by the OPUC. Questions of determining load eligibility and the cap may be taken up by the OPUC in its current investigation of PGE's NLDA program. Since this is a non-binding queue, any or all parties currently ahead of you in the queue may choose to revoke their notice prior to the tariff effective date.

Please direct any questions on the New Load Direct Access program to Andrew Speer at (503) 464-7486 or Andrew.Speer@pgn.com.

Sincerely,

Karla Wenzel
Manager, Pricing and Tariffs