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July 9, 2020

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.
2021 Annual Power Cost Update Tariff
Docket No. UE 377

Dear Filing Center:

Please find enclosed the Supplemental Opening Testimony and Exhibit of Lance D. Kaufman (AWEC/200 – 201) on behalf 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**

UE 377

In the Matter of)
)
PORTLAND GENERAL ELECTRIC)
COMPANY,)
)
2021 Annual Power Cost Update Tariff.)
_____)

**SUPPLEMENTAL OPENING TESTIMONY OF DR. LANCE D. KAUFMAN
ON BEHALF OF
ALLIANCE OF WESTERN ENERGY CONSUMERS**

July 9, 2020

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EXHIBIT LIST

AWEC/201 – PGE First Supplemental Response to AWEC Data Request 31

1 **I. INTRODUCTION AND SUMMARY**

2 **Q. PLEASE STATE YOUR NAME AND OCCUPATION.**

3 A. My name is Lance Kaufman. I am the principal economist of Aegis Insight. I am
4 testifying on behalf of the Alliance of Western Energy Consumers (“AWEC”).

5 **Q. ARE YOU THE SAME LANCE KAUFMAN WHO FILED OPENING**
6 **TESTIMONY ON BEHALF OF AWEC IN THIS PROCEEDING?**

7 A. Yes.

8 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL OPENING**
9 **TESTIMONY?**

10 A. My Supplemental Opening Testimony addresses Portland General Electric Company’s
11 (“PGE”) Supplemental Testimony incorporating the power cost impacts of a new
12 capacity and energy contract PGE executed with Douglas Public Utility District No. 1
13 (“Douglas Contract”).

14 **II. DOUGLAS CONTRACT**

15 **Q. PLEASE DESCRIBE THE DOUGLAS CONTRACT.**

16 A. The Douglas Contract is a capacity and energy contract allowing PGE to purchase
17 surplus capacity, energy, ancillary services, and environmental attributes associated with
18 the Douglas PUD Okanogan resource portfolios.^{1/} PGE estimates that this new contract
19 will increase net variable power costs (“NVPC”) by \$4.6 million, though it notes that this
20 amount does not include EIM benefits it will receive from the contract.^{2/}

^{1/} PGE/300 at 4:13-15.

^{2/} Id. at 11:2-3, n. 12.

1 **Q. DID PGE ESTIMATE EIM BENEFITS FROM THE DOUGLAS CONTRACT?**

2 A. In PGE’s first supplemental response to AWEC Data Request 31, included as Exhibit
3 AWEC/201, PGE stated that “[a]pplying the sub-hourly dispatch savings benefit
4 methodology PGE submitted in its April 1, 2020 filing, PGE would estimate the increase
5 in EIM benefits from the Douglas PUD contract to be approximately \$730,000”

6 **Q. DO YOU HAVE ANY CONCERNS WITH THIS ESTIMATED EIM BENEFIT?**

7 A. Yes. As I showed in my Opening Testimony, PGE’s methodology for calculating EIM
8 benefits is flawed and skews the benefits estimate downward.^{3/} This is because PGE
9 calculates the average hourly size of an increment or decrement (when PGE is paid to
10 increase or decrease generation, respectively) by the total number of hours in a month,
11 rather than only the hours in which there is an increment or decrement. By applying the
12 same methodology to estimate EIM benefits from the Douglas Contract, PGE
13 underestimates these benefits.

14 **Q. DO YOU HAVE ANY OTHER CONCERNS WITH PGE’S ESTIMATE OF EIM**
15 **BENEFITS FROM THE DOUGLAS CONTRACT?**

16 A. Yes. PGE’s estimate does not account for increased greenhouse gas (“GHG”) revenues.
17 Because imports into the California Independent System Operator (“CAISO”) are subject
18 to a charge associated with the GHG content of the import, EIM participants receive
19 GHG revenues when the energy exported to the CAISO has no GHG content. As PGE
20 states in its Opening Testimony, the GHG revenues PGE receives are “primarily
21 associated with its hydro GHG offers”^{4/} Thus, because PGE can bid its rights to the

^{3/} AWEC/100, Kaufman/13:13-17:12.

^{4/} PGE/100, Seulean-Kim-Batzler/9:4-6

1 Douglas Contract into the EIM, it should receive GHG revenues from this contract as
2 well.

3 **Q. HOW DID PGE ESTIMATE GHG REVENUES FOR 2021 IN ITS OPENING**
4 **TESTIMONY?**

5 A. PGE describes its methodology for calculating GHG revenues at PGE/100, pages 14-15.
6 At a high level, PGE calculates a weighted implied emission factor using GHG award
7 prices and 2019 GHG allowance prices, applies this to a forward price curve, and
8 multiplies the result by the award quantities PGE received in 2019. This method results
9 in \$3 million in forecasted GHG revenues for 2021.^{5/}

10 **Q. WHAT DO YOU RECOMMEND?**

11 A. I recommend PGE recalculate the EIM benefit for the Douglas Contract using the method
12 I describe in my Opening Testimony, summarized above, and identify incremental GHG
13 revenues from the Douglas Contract using PGE's method, but increasing 2019 award
14 quantities to account for this contract.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.

^{5/} Id. at 14:6-7.

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EXHIBIT AWEC/201

PGE FIRST SUPPLEMENTAL RESPONSE TO AWEC DATA REQUEST 31

July 2, 2020

TO: Jesse O. Gorsuch
Alliance of Western Energy Consumers

FROM: Jaki Ferchland
Manager, Revenue Requirement

PORTLAND GENERAL ELECTRIC
UE 377
PGE Response to AWEC Data Request No. 031
Dated June 8, 2020

Request:

Please refer to PGE's response to Staff DR 8. Please provide the expected impact of the Douglas PUD contract on the EIM benefit estimation.

Response (Dated June 22, 2020):

PGE has not yet completed the analysis to determine the impact of the Douglas PUD power purchase agreement (PPA) on the EIM benefit estimation. As noted in PGE Exhibit 300, PGE will incorporate adjustments to EIM benefits to account for the addition of the Douglas PPA in the July 15 MONET update. Should PGE finalize the analysis prior to the July 15 MONET update, we will supplement the response to this data request to provide the expected impact on the EIM benefit forecast.

First Supplemental Response (Dated July 2, 2020)

As provided in the response dated June 22, 2020, PGE is supplementing the response to this data request to provide the expected impact on the EIM benefit that results from the addition of the Douglas PPA.

Applying the sub-hourly dispatch savings benefit methodology PGE submitted in its April 1, 2020 filing, PGE would estimate the increase in EIM benefits from the Douglas PUD contract to be approximately \$730,000 in new, incremental EIM benefit. To derive this benefit estimate, PGE calculated incremental hydro trading limits that may be achieved under the increased share percentages from the Wells project.

The incremental hydro trading limits are derived by scaling the 2019 fifteen-minute market and 5-minute market movements achieved by the Douglas resource (i.e., PGE's 2019 share of the Wells project) in 2019 data to a higher MW value in 2021 based on the assumed hourly MW max limit under PGE's increase in allocated share in 2021.

For example, if Douglas PUD communicated PGE's max MW share to be 50 MW for a morning hour in January 2019, PGE will increase the max MW value to a projected limit based on PGE's increased share percentage (i.e., in this example, an increase to 200 MW). Then, using the market

instructions that occurred in 2019, PGE scales the market instructions to align proportionally with the new MW limit. The table below shows a hypothetical hour where the market decreased PGE’s 2019 base schedule from 50 MW to 25 MW. The “FMM Dec” MW value (i.e., 25 MW) is 50% of the MW Max (i.e., 50 MW), so PGE applies the same percentage to a forecast 2021 MW Max of 200 MW, producing an FMM Dec of 100 MW. The incremental impact on the trading limit would be an increase in the trading decrease (i.e., “dec”) limit of 75 MW (i.e., 100 MW minus 125 MW).

	MW Max	Base Schedule Submitted by PGE	FMM Schedule	FMM Dec	% of MW Max
2019 Douglas	50 MW	50 MW	25 MW	25 MW	50%
2021 Douglas	200 MW	200 MW	100 MW	100 MW	50%

Attachment 031-A includes the benefit result from increased hydro trading limits.

Attachment 031-B includes the calculations used to derive the incremental hydro trading limits.

Attachments 031-A and 031-B are protected information subject to Protective Order No. 20-100.