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October 22, 2018

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Filing Center
Public Utility Commission of Oregon
201 High Street, SE Ste. 100
Salem, OR 97301

RE: UM 1953 – Green Tariff Cross-Answering Testimony

Attention Filing Center:

PGE hereby submits cross-answering testimony within UM 1953 – Investigation into Proposed Green Tariff.

Enclosed for filing in the above referenced matter please find the following:

- **Cross-answering testimony of Brett Sims and Jay Tinker (PGE/400)**

If you have any questions, 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 blue ink, appearing to read "Karla Wenzel", is written over a light blue rectangular background.

Karla Wenzel
Manager, Pricing and Tariffs

**UM 1953 / PGE / 400
Sims – Tinker**

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UM 1953

PORTLAND GENERAL ELECTRIC COMPANY

Cross-Answering Testimony of

*Brett Sims
Jay Tinker*

October 22, 2018

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I. Summary, Modifications, and Procedure

1 **Q. Please state your names and current positions.**

2 A. My name is Brett Sims, I am the Director of Commercial, Strategy Integration and Planning
3 for Portland General Electric Company (PGE or Company).

4 My name is Jay Tinker, I am the Director of Regulatory Policy and Affairs at PGE.

5 Our qualifications are listed in PGE/200.

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

7 A. The purpose of this testimony is to respond to the suggestions, questions, and concerns raised
8 by other parties to this docket in their respective testimonies. Specifically, we intend to:

9 • Propose the initiation of a second phase of this docket to examine the factors
10 and/or conditions that must be met for a utility to construct, purchase, or
11 otherwise acquire a green tariff resource other than through a power purchase
12 agreement (PPA). Phase I would contain only the proposal filed by PGE on
13 April 13, which is limited to a pilot.

14 • With regard to PGE’s proposed green tariff design:

15 ○ Respond to the recommendations of The Alliance of Western Energy
16 Consumers (AWEC) and Commission Staff of the Public Utility
17 Commission of Oregon (Staff) regarding proposed modifications to the
18 bill credit amount received by participating customers;

19 ○ Respond to the recommendations of WalMart, AWEC, and Staff
20 regarding PGE’s planned risk adjustment; and

- 1 • Address the recommendations of Northwest and Intermountain Power
2 Producers Council (NIPPC) and Calpine Energy Solutions (Calpine) regarding
3 their advocacy for using PGE’s proposed voluntary program to spur the
4 expansion of Oregon’s direct access program.

5 **Q. Is PGE modifying the proposed green tariff pilot from its original application filed**
6 **April 13?**

7 A. Yes. PGE has removed the language that would have allowed a customer to assign a
8 renewable energy certificate (REC) to the utility for compliance purposes. Also, at the
9 request of parties, PGE supports the addition of the following option to the program, subject
10 to certain caveats: a “bring your own PPA” option for subscribers with 10 MWa or greater
11 of yearly peak load to bring a PPA to PGE. PGE will retain final approval of PPA terms and
12 conditions and execution of the PPA for inclusion in the program shall be at PGE’s sole
13 discretion.

14 **Q. Please summarize PGE’s decision to remove the language stating that a “REC will be**
15 **retired on behalf of the customer and not used for compliance purposes, unless**
16 **specifically directed by a customer.”**

17 A. In the original application, we mirrored language specified in Order No. 16-251, which
18 stated that any REC produced in this program be retired on behalf of the customer, unless
19 the customer specifically requests that the REC be used for compliance purposes. Following
20 the testimony of other parties in this docket – requesting that we remove the option for
21 customers to request that a utility use the REC for compliance purposes – we have agreed to
22 modify the proposed program to remove the option for any REC produced for a subscribed
23 customer to be used for utility compliance purposes at the customer’s request.

1 **Q. Does the program retain compliance with the nine conditions specified by the**
2 **Commission in 2016 through Order No. 16-251?**

3 A. Yes, although the Commission-approved option for a subscriber to “gift” a REC to cost-of-
4 service customers for compliance purposes has been removed from the proposed program,
5 PGE’s proposed tariff still meets the nine conditions.

6 We also note that the proposed green tariff program was not only constructed with the
7 intent of meeting all nine conditions, but also with consideration of the voluntary renewable
8 energy tariff models developed by the Commission and parties to Docket No. UM 1690,
9 which evaluated ownership options, different roles for the utility, and varying transactional
10 relationships. While most of these models were variations of direct access, others were
11 utility tariff riders.

12 **Q: Is PGE’s green tariff program designed to mimic direct access, by allowing customers**
13 **to exit cost of service (with transition adjustments)?**

14 A: No. PGE’s proposed green tariff has been designed to be supplemental, with subscribers
15 remaining on cost of service and paying all rates and riders associated with cost of service,
16 while simultaneously adding renewable resources to the energy and capacity portfolio. The
17 proposed pilot has been designed with the principle that a new alternative for subscriber
18 customers should not disadvantage non-participating customers, and that fairness to non-
19 participating customers should be paramount. We urge the OPUC to determine the
20 program’s suitability through that lens as well as the nine historic conditions determined in
21 Docket No. UM 1690.

22 **Q. Please explain the ‘bring your own PPA’ option that PGE proposes for subscribers**
23 **with 10 MWa of load.**

1 A. This option would allow a customer to identify and bring a PPA from a third-party provider
2 to PGE. To prevent inappropriate risk shifting from the PPA to cost-of -service customers,
3 the proposed contract must conform to PGE’s requirements and the Company retains
4 approval rights for all terms and conditions. As with other green tariff subscribers, the bring
5 your own PPA subscriber would remain on cost of service, but would have the opportunity
6 to seek resource alternatives that more directly align with the subscriber’s renewable energy
7 goals.

II. Proposed Initiation of Phase II to this Docket

8 **Q. Please describe PGE’s proposal to create a Phase II to this docket.**

9 A. PGE’s proposal – originally filed April 13, 2018 – is for a green tariff product with the first
10 tranche procured through a PPA, and made available to potential subscribers.

11 Notwithstanding our approach for the first tranche, we note that Order 16-251 specifically
12 allows for utility ownership and outlines the conditions that must be met to ensure public
13 interest is met. One of the keys to success of the green tariff program is affordability for
14 customers, and PGE believes if the utility can provide the least cost, least risk project
15 subscribers should receive the clean energy benefits. Based on feedback from stakeholders
16 and PGE’s commitment to the successful launch of the Green Tariff, PGE asks that the
17 Commission consider splitting Docket No. UM 1953 into two phases:

- 18 • **Phase I** – examination of PGE’s ability to offer a green tariff product as proposed
19 in April. PGE is modifying the original request to meet the following
20 characteristics for the purposes of the pilot:

- 1 ▪ PGE will procure through a power purchase agreement (PPA) or
2 PPAs, and offer to subscribers, no more than 100MW of nameplate
3 capacity for Phase I;
- 4 ▪ For subscribers with a peak load greater than 10 MWa, PGE will
5 allow a bring your own PPA procurement method up to 200 MW
6 (nameplate) total for the puposes of the pilot. PGE would retain
7 final approval over terms and conditions;
- 8 ▪ PGE will offer a capacity and energy credit, with values calculated
9 using the methodology outlined in PGE’s Integrated Resource Plan
10 (IRP). The values calculated using this methodology will be those
11 in place when the PPA is executed and fixed for the term of the
12 PPA;
- 13 ▪ A risk adjustment may apply depending on the PPA term, the
14 subscription term and other terms and conditions selected by the
15 subscriber;
- 16 ▪ No second tranche of this pilot would be offered until Phase II is
17 completed.
- 18 • **Phase II** – Given that parties have raised concerns about utility ownership, and
19 the desire to expedite Phase I, Phase II would examine broader programmatic
20 concerns, such as:
 - 21 ▪ The ability for PGE to own, purchase, or otherwise acquire a
22 green tariff resource in light of the applicable conditions from UM
23 1690.

- 1 ▪ The continued applicability of the nine conditions, and whether
- 2 they continue to represent best practice for the purposes of offering
- 3 voluntary renewable products
- 4 ▪ A long-term crediting mechanism, including the calculation of a
- 5 capacity credit (if any), energy credit, and the concept of floating
- 6 credits.

7 **Q. Is PGE modifying the current ask for a PPA-based tariff?**

8 A. No. We are limiting the initial tranche – based on the proposal filed in April – to a PPA
9 based product that will not exceed 100 MW for PGE procurement (and a separate option for
10 200 MW of bring your own PPA procurement). We are not changing the underlying design
11 or offering of the proposed tariff other than as noted in Section I of this testimony, and we
12 are not contemplating ownership of a resource during this initial phase.

13 **Q. With Phase I being limited to a pilot, please describe how the 100 MW cap and the**
14 **opportunity for customers to bring up to 200 MW would interact.**

15 A. The 100 MW cap and the bring your own PPA 200 MW cap represent separate and distinct
16 products under PGE’s proposed Phase I pilot. Resources secured through the bring your
17 own PPA option would not preclude PGE from procuring up to 100 MW for subscribers that
18 do not qualify. Alternatively, if PGE has already procured 100 MW of capacity, that
19 procurement will not prevent up to 200 MW of bring your own PPA resources from being
20 accepted into the Phase I pilot.

21 **Q. Does PGE recommend that Phase II address any other issues?**

22 A. Yes. We propose that Phase II provide further guidance on the nine conditions directed in
23 Order No 16-251, including when the conditions apply, to what program structures, and the

1 overall continuing relevance of the conditions, given current nationwide best practices for
2 green tariff product offerings.

III. Bill Credit Determination

3 **Q. Please summarize PGE’s proposed calculation of bill credits in the Phase I green tariff**
4 **pilot.**

5 A. As originally described in PGE/200, Sims-Tinker/12, PGE proposes providing the green
6 tariff subscriber an energy credit and a capacity credit to compensate the subscriber for
7 making the resource’s energy and capacity available to PGE’s cost-of-service portfolio.

8 The energy credit will be calculated using the AURORA model in accordance with the
9 methodologies acknowledged in PGE’s Integrated Resource Plan (IRP), updated with
10 current assumptions.

11 The capacity credit will align with the value of PGE’s proxy capacity resource, the
12 capacity contribution of the PPA resource selected, and PGE’s sufficiency/deficiency
13 period, as determined by the most current Commission-approved sufficiency/deficiency
14 period. A capacity credit will be applied only to years of capacity deficiency.

15 Both energy and capacity credits will be levelized over the life of the agreement. The
16 subscriber will thus realize fixed and consistent energy and capacity credits in each year of
17 the subscriber’s contract.

18 **Q. Other than crediting subscribers the value of energy and capacity (as applicable) added**
19 **to the cost of service portfolio, will non-participating customers be subject to any**
20 **incremental costs or risks associated with the proposed pilot or program?**

21 A. No. non-subscribing customers will not be subject to incremental costs or risks. All
22 incremental costs will be applied to the subscriber.

1 **Q. In Staff/100, Kaufman/5, Staff recommends that PGE “use a forward-looking net**
2 **power cost model to calculate the energy credit for the PPA.” Does PGE agree with**
3 **this recommendation?**

4 A. Yes. Staff’s suggestion is consistent with PGE’s proposal in PGE/200, and PGE proposes to
5 use a forward-looking net power cost model to value the energy credit (which AURORA
6 represents).

7 In Staff/100, Kaufman/8 at 13, Staff indicates that PGE has proposed to use “QF avoided
8 cost rates as the basis for ... energy credits for the PPA.” This indicates a misunderstanding
9 of PGE’s proposed energy credit calculation mechanism. PGE and Staff are aligned
10 regarding the use of a forward-looking net power cost model to value the energy credit. For
11 the capacity credit, PGE proposes a methodology consistent with the IRP and avoided cost.

12 **Q. In Staff/100, Kaufman/9, Staff advocates that PGE not use the QF avoided cost rate for**
13 **capacity as it represents an incentive rate¹ and “may provide too much value for**
14 **capacity... of the PPA.”² Does PGE agree with this assessment?**

15 A. With regard to the reference to avoided capacity cost being an incentive rate, PGE agrees
16 that there should be a comprehensive re-examination of the timing and frequency of QF
17 avoided cost updates. As the cost of renewable resources has declined, PGE has advocated
18 for more frequent updates to the QF avoided cost price to ensure that customers are not
19 paying artificially inflated prices – based on historic cost – for a system resource. We
20 continue to recommend frequent updates to the capacity and energy values in the QF
21 avoided cost price.

¹ Staff/100, Kaufman/9 at 7

² Staff/100, Kaufman/8 at 15

1 However, with the lack of a capacity market in the Pacific Northwest, the QF avoided
2 cost price currently represents the most widely-accepted, Commission-directed way to value
3 capacity additions to the utility system. The capacity value of avoided cost is used to
4 compensate QFs, and it is used as the basis for capacity calculation within the resource
5 value of solar³ (RVOS). If Staff has concerns regarding the inaccuracy of a QF capacity
6 credit, we urge that the issue be addressed within a specific docket to examine the
7 frequency, methodology, and timing of avoided cost updates. This seems a more reasonable
8 approach than preventing the use of a Commission-directed methodology to value capacity
9 additions to the utility system.

10 **Q. If the Commission agrees with Staff’s position that the QF avoided cost capacity rate**
11 **should be corrected before it is used for the purposes of the green tariff, does PGE**
12 **have an alternate proposal?**

13 A. Yes. PGE proposes that if the QF avoided cost rate cannot be used for capacity, that the
14 capacity value as described in the IRP be used. The resource-specific capacity contribution
15 is calculated through the RECAP model. The value of that credit will be established from
16 the real levelized fixed cost of a simple cycle resource using the methodology discussed in
17 Section 6 of PGE’s IRP update filed in Docket No. LC 66. The methodology is further
18 described in Section 5.1.5 of PGE’s acknowledged IRP.

19 **Q. What is the benefit of using IRP values for capacity?**

20 A. Using the methodology described in PGE’s IRP would allow the first tranche of the green
21 tariff program to be valued using a mechanism that has been reviewed by parties and
22 acknowledged by the Commission.

³ Per Order No. 17-357 in Docket No. UM 1716

1 **Q. Please describe AWEC’s credit calculation proposal.**

2 A. AWEC recommends⁴ that rather than using a forward-looking price forecast combined with
3 the currently approved Schedule 201 avoided cost capacity price, that PGE instead credit
4 subscribers using the marginal cost of generation methodology that is used in PGE rate
5 cases. The intent of this change is to more accurately represent the way that costs are
6 allocated to customers through a general rate case proceeding. AWEC also recommends this
7 approach as it recognizes that green tariff subscribers are “also bundled service customers
8 who remain responsible for all of the costs of the base portfolio that are allocated to them.”

9 **Q. Does PGE agree with AWEC’s proposed mechanism?**

10 A. No. PGE notes that the marginal cost of generation is currently calculated for the purposes of
11 allocating retail rates only, and its comparability to market rates has not been explicitly
12 examined or determined by parties. If this mechanism is to be used for valuing power
13 acquisitions, we ask that it be fully vetted by parties in Phase II of this docket before it is
14 used for the purposes of green tariff credits.

15 **Q. Staff has expressed concern that the credits provided may exceed the cost of the PPA.
16 Does PGE agree with this concern?**

17 A. Yes, Staff’s position is reasonable and PGE advocates for this to be fully vetted within
18 Phase II. However, we note that the proposed crediting mechanism suggested by PGE will
19 levelize credits over the life of the agreement, and the credits will reflect the assumptions in
20 place at the time of contract execution. Further, the PPA cost, administrative cost, energy
21 credit, and capacity credit will be known to the Staff of the Public Utility Commission of
22 Oregon (OPUC), as PGE will file any proposed pricing.

⁴ AWEC/100, Mullins/8

1 As designed, PGE anticipates that a scenario in which subscribers would receive an
2 incremental credit is unlikely. Energy forecasts are based on the lowest marginal unit of
3 energy cost, and in a world in which the proposed PPA is lower than the wholesale marginal
4 unit, the PPA would become the marginal unit, meaning that forecast prices would lower to
5 meet the PPA price. For the 100 MW nameplate pilot, PGE will not allow an incremental
6 credit. We believe this concept should be fully vetted by parties in Phase II.

7 **Q. Would PGE also prevent an incremental credit for the 200 MW nameplate of bring**
8 **your own PPA capacity?**

9 A. We reiterate that we see a scenario in which a subscriber would receive an incremental credit
10 to be unlikely. We believe that a potential subscriber who brings a PPA that contains
11 appropriate risk protections including firm transmission to PGE's system – when combined
12 with any applicable risk adjustments and/or administrative costs – would likely be at or
13 above the energy and capacity costs as defined in PGE's proposed crediting mechanism.

14 However, for the purposes of the Phase I pilot only, if a potential subscriber is able to
15 obtain a PPA with a term and terms and conditions acceptable to PGE, at a cost below the
16 proposed credit rate, we would not be opposed to letting the customer realize that benefit.

IV. Risk Adjustment

17 **Q. Please describe PGE's proposed risk adjustment within this program.**

18 A. Risk is introduced to PGE shareholders when the length of the contract from the renewable
19 resource (PPA) is longer than an offered green tariff subscriber term, and/or when the terms
20 and conditions of a PPA may shift risk to the company. To send appropriate economic
21 signals, subscribers that sign a contract less than the term of the PPA or that request
22 materially different terms and conditions will incur a risk adjustment. This risk adjustment is

1 expressed as a percentage of the PPA price and would be added to the subscriber cost only
2 for those customers with a shorter-term contract than the PPA contract length.

3 The adjustment amount will be impacted by assumptions such as PPA term, energy
4 credit, capacity credit, and resubscription level. While those assumptions are still uncertain,
5 PGE has estimated the risk premium on a 10-year contract to be between 1% and 5% of the
6 (15-year) PPA price. These percentages are in line with similar utility offerings throughout
7 the country. An illustrative example was provided as Exhibit 301, which shows potential
8 pricing scenarios and the resulting impact of the risk adjustment on subscriber premiums.

9 **Q. Please describe AWEC’s response to PGE’s proposed risk adjustment.**

10 A. AWEC asks that the risk adjustment be “explicitly rejected,” saying instead that any risks
11 can be addressed through the contracting process. While AWEC acknowledges that “PGE
12 shareholders, not ratepayers should bear the risk associated with an undersubscribed
13 resource... the proposal should be rejected.”

14 **Q. Has the concept of a risk adjustment been used in other parts of the country with green
15 tariff offerings?**

16 A. Yes.

17 **Q. Does AWEC provide a basis for their recommendation that the adjustment be rejected?**

18 A. AWEC states that there is “no indication what PGE might charge for this risk premium or
19 how it would be calculated... This would seem to make it difficult for the Commission to
20 approve such a charge as fair and reasonable.”

21 **Q. Has PGE provided information regarding the proposed risk adjustment, including
22 indicative range and calculation methodology?**

1 A. Yes. At the request of parties to this docket, PGE filed supplemental testimony PGE/300 on
2 August 17, 2018, which included a narrative description and an illustrative workpaper
3 showing the potential calculation of a risk adjustment.

4 **Q. Is the risk adjustment something that would be included in cost of service rates?**

5 A. No. Any proposed risk adjustment would be part of the voluntary resource procurement
6 between the subscriber and PGE, as described above.

7 **Q. Is the concept of a risk adjustment broadly supported by Staff?**

8 A. Yes. Staff notes that PGE shareholders will bear the risk of under-subscription, but that too
9 much unmitigated risk may increase PGE's cost of capital, and therefore could indirectly
10 impact cost of service customers.

V. Interactions with PGE's Direct Access Program

11 **Q. Please describe the position of NIPPC in NIPPC/100, responding to PGE's proposed**
12 **green tariff product.**

13 A. NIPPC was broadly supportive of the green tariff proposal, with the added requirement that
14 the Commission "must" require PGE to modify direct access if PGE's proposal is approved.

15 More specifically, NIPPC has identified three primary conditions that they argue should
16 be required of PGE's proposed green tariff:

- 17 • **Capacity credit:** PGE has proposed to use a forward-looking price forecast to
18 value energy credits in the green tariff program, as well as a capacity credit since
19 subscribers will remain on cost of service (paying all applicable rates and riders)
20 as well as procuring a capacity and energy resource that will provide benefit to
21 cost of service customers. NIPPC advocates that direct access customers are

1 “entitled to the same level of capacity and energy crediting as offered under the
2 VRET program.”

- 3 • **Eligibility Threshold:** PGE has proposed that since the proposed green tariff is a
4 product that is supplemental to cost of service, it should be made available to
5 customers with 30kW of monthly peak demand and above. NIPPC advocates that
6 this cost of service distinction is “irrelevant” and advocates that PGE either raise
7 the green tariff eligibility threshold to match long-term direct access, or to lower
8 the long-term direct access threshold to match the proposed green tariff.
- 9 • **Pre-negotiated agreements:** NIPPC/100 Kahn/7 at 12 asks that the Commission
10 “Require PGE to accept pre-negotiated agreements where a customer can supply
11 their own renewable PPA entered into with a third-party provider.” While PGE is
12 offering a bring your own PPA program, PGE is reserving the right to reject terms
13 or conditions that shift risk to the Company or nonparticipating customers.

14 **Q. Does PGE agree with NIPPC’s assessment that the Commission “must” require PGE**
15 **to match direct access terms with the proposed green tariff?**

16 A. No. To support their argument, NIPPC sites Order No. 15-405 at 2⁵, which states that:

17 “VRET terms and conditions (including timing and frequency of VRET
18 offerings), as well as transition costs, must mirror those for direct access. PGE
19 and PacifiCorp may propose VRET terms and conditions that differ from current
20 direct access provisions, but must propose changes to their respective direct
21 access programs to match those changes.”⁶

⁵ NIPPC/100, Kahn/5 at 8

⁶ UM 1690, Order No. 15

1 However, NIPPC did not include the paragraph that precedes that condition in Order No
2 16-251, which reads, “The Commission replaced three of the nine conditions originally
3 proposed by Staff in its Phase 2 report with the following three additions. These additions
4 *allow for utility ownership* yet add further protections to minimize impact on competitive
5 retail markets and to ensure not cost shifting” (emphasis added).

6 The condition cited by NIPPC – along with the two other “further protection” conditions
7 added in 2016 to allow utility ownership – is not applicable to Phase I of PGE’s proposed
8 program, as PGE is not considering utility ownership for the first tranche of its green tariff
9 program. Only seven of the conditions should be used to evaluate PGE’s PPA-based
10 program. In Phase II of this docket, the Commission and Parties can further discuss whether
11 PGE’s proposed tariff meets the utility ownership-focused conditions from UM 1690.

12 As it stands, PGE’s proposed PPA-based green tariff meets each of the non-ownership
13 specific conditions:

- 14 • The program is under the 300 MWa limit the Commission established for PGE’s long
15 term direct access program.
- 16 • Subscribers will receive energy and RECs from a renewable energy resource as defined
17 by the Oregon Renewable Portfolio Standard.
- 18 • PGE will retire the RECs on behalf of the subscriber.
- 19 • The selected resource will be operational after 2015.
- 20 • The program’s design is unique and sufficiently differentiated from direct access, as
21 customers are able to engage in long-term renewable energy contracts and able to
22 subscribe to less than 100% of their load for the program.

1 • All costs associated with the program are borne by subscribers and PGE shareholders,
2 with no costs shifting to non-participants.

3 • PGE’s program is publicly available and subject to review by the Commission.

4 Additionally, because the Commissioners were not sure that “a utility-offered VRET
5 product that met those conditions would be in the public interest, . . . the Commission
6 invited the utilities to provide VRET proposals to provide an example against which they
7 could weigh their decision.”⁷ Therefore, based on the Commission’s request for tangible
8 proposals against which to measure the conditions, PGE does not view the nine conditions
9 as preventing the Commission from analyzing the proposal through a lens other than the
10 conditions ordered in 2016. In fact, the Commission has authority to reject and replace the
11 framework of Order 16-251 and the nine conditions.

12 **Q. Does NIPPC acknowledge that the design of PGE’s proposal is significantly different**
13 **from how a utility-ownership “VRET” program was envisioned in 2015 and 2016,**
14 **when the “further protections” conditions were added?**

15 A. Yes. NIPPC calls the distinction “irrelevant”⁸ without providing further detail other than
16 citing back to the nine conditions.

17 **Q. NIPPC’s argument that the capacity credit should be commensurate between a**
18 **supplemental cost of service product and a loss of load product seems to indicate that a**
19 **customer adding a resource – while continuing to pay all cost of service rates and**
20 **riders – is equal from a capacity perspective to a customer leaving PGE’s system to be**
21 **served by an independent power producer. Does PGE agree with that rationale?**

⁷ Order No 16-251 at 4.

⁸ NIPPC/100, Kahn/7 at 1.

1 A. No. PGE has proposed a capacity credit for green tariff subscribers because these subscribers
2 will continue paying cost-of-service prices, including Annual Update Tariff (AUT) and Net
3 Variable Power Costs (NVPC). The subscribers, in addition to paying cost of service prices,
4 are responsible for bringing forward incremental renewable resources which provide
5 additional capacity and energy to PGE’s portfolio. The additional resource will, in turn,
6 decrease the identified capacity and energy need for other customers, and serves to defer
7 and/or lessen the need during a deficiency period.

8 While customers electing to be served by an Electricity Service Supplier (ESS) receive a
9 scheduled amount of energy from a non-utility load serving entity, ESSs serving Oregon
10 customers do not currently have resource adequacy requirements, do not file Integrated
11 Resource Plans (IRPs), and in some cases do not own any physical infrastructure at all. If
12 there is not sufficient capacity provided by the ESS to meet customer metered load –
13 whether because of inaccurate scheduling, a lack of a capacity market in the region, or a
14 lack of resource adequacy/planning requirements for ESSs – PGE’s Balancing Authority
15 must provide the capacity and energy to meet the direct access customers’ metered needs
16 and may well do so using cost of service resources. The ESS is not committing incremental
17 resources for PGE’s Balancing Authority to use to meet system energy and capacity needs,
18 and in the absence of resource planning standards for ESSs, the capacity of departing direct
19 access customers should not be considered “freed up.”

1 **Q. Have other states faced similar issues?**

2 A. Yes. In 2005, the California Public Utility Commission passed Assembly Bill 380⁹, which
3 required resource adequacy standards. Senate Bill 350¹⁰, passed in 2015, further required
4 load serving entities to submit IRPs. Further, Senate Bill 1136¹¹, which was passed into law
5 late September 2018, in California, would require the California Public Utility Commission
6 to ensure that all load serving entities (including investor-owned utilities (IOUs), ESSs, or
7 community choice aggregator (CCAs)) meet specific resource adequacy requirements and to
8 maintain physical generating capacity adequate to meet its load requirements, including
9 peak demand and planning and operating reserves.

10 **Q. Given the examples you provide in California, how does Oregon compare?**

11 A. In contrast to California, in Oregon, only the IOUs engage in long-term resource planning.
12 This process allows PGE to engage in long-term planning that assesses the Company's
13 ability to reliably serve load and supply required operating reserves. While long-term direct
14 access load is not considered in IRP planning, PGE's cost-of-service system remains the
15 provider of last resort for long-term direct access customers. PGE must also balance any
16 scheduling deviations by ESSs.

17 **Q. If PGE were to provide a capacity credit to customers served by an ESS, would that**
18 **potentially shift costs to remaining cost of service customers?**

19 A. Yes. Due to this continued reliance on PGE's system, providing a capacity credit to customers
20 served by an ESS would potentially shift capacity costs to non-participating customers.

⁹ http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=200520060AB380

¹⁰ https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350

¹¹ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1136

1 PGE does not view the “generation addition” benefit and the hypothetical “beneficial
2 loss of load” as providing equivalent capacity benefit.

3 **Q. If the Commission were persuaded by the arguments of other parties suggesting an
4 equivalence between incremental generation resources and loss of load, would PGE
5 make an alternative recommendation?**

6 A. Yes. If the Commission does not agree with PGE, rather than direct that it provide a
7 capacity credit to ESS long term or new load direct access customers, PGE would choose to
8 withdraw the capacity credit in the green tariff product.

9 **Q. NIPPC advocates for the proposed green tariff and long-term direct access to be
10 “mirrored” and that the same customer size thresholds should exist for both. Does
11 PGE agree?**

12 A. No. The “further protection” conditions imposed by Order No. 16-251 were to protect the
13 competitive market in the case of utility ownership, they were not to allow the competitive
14 market to extract additional value from customers who are already having their green power
15 needs met through a competitive PPA. PGE requests that this issue be reviewed by the
16 Commission in Phase II to this docket.

17 **Q. NIPPC asks that the Commission “require” PGE to accept pre-negotiated agreements
18 between customers and third-parties as part of this program (known as a “bring your
19 own PPA” design). Does PGE agree with this request?**

20 A. No, PGE opposes any “requirement” to take energy and accept the terms and conditions of
21 an agreement negotiated between a cost of service customer and a third-party energy
22 provider. Such a requirement may essentially create a year-round direct access window, in
23 which ESSs attempt to sell energy products to customers, which PGE would then be

1 required to accept. This construct would force PGE to accept the responsibility for fulfilling
2 contract provisions that were negotiated without PGE's involvement. This construct puts
3 non-subscribing customers at risk of bearing additional costs should the contract terms and
4 conditions not fully protect PGE's customers. A non-conforming PPA could also unduly
5 increase supply and reliability risk for all customers.

6 As referenced above, if our customers are interested in having us review PPAs offered
7 to them to determine their acceptability for the green tariff program, PGE would agree to
8 review a customer supplied PPA. Under all constructs, PGE will require final approval
9 rights of all terms and conditions to ensure non-subscribing customers are protected.

10 **Q. When would PGE envision the analysis of other green tariff structures taking place?**

11 A. As mentioned in Section I of this testimony, we advocate for any alternative models raised
12 by parties, to be analyzed within Phase II of this docket.

13 **Q. Does this conclude your testimony?**

14 A. Yes.