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October 22, 2018

Via Electronic Filing

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX: 1088
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RE: Docket No. UM 1953 – In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Investigation into Proposed Green Tariff.

Attached are Staff Cross-Answering Testimony Exhibits 200-201 Gibbens for today's filing.

/s/ Kay Barnes
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CASE: UM 1953
WITNESS: SCOTT GIBBENS

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 200

Cross-Answering Testimony

October 22, 2018

Q. Please state your name, occupation, and business address.

A. My name is Scott Gibbens. I am a Senior Economist employed in the Energy Rates, Finance and Audit Division of the Public Utility Commission of Oregon (OPUC or Commission). My business address is 201 High Street SE., Suite 100, Salem, Oregon 97301.

Q. Have you previously provided testimony in this case?

A. No. However, Dr. Lance Kaufman provided Response Testimony (Staff/100-102) in this proceeding. As Dr. Kaufman is no longer employed with the Commission, I am the sole Staff witness sponsoring testimony in this case.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to respond to intervenors' initial testimony as well as PGE's supplement testimony filed on August 17, 2018. My testimony first provides a brief summary of PGE's green tariff proposal, as well as the regulatory framework for a voluntary renewable energy tariff (VRET) program. Then I will discuss the following program design issues:

- Risk Adjustment
- Procurement Proposals
- Energy and Capacity Credits, including a floating credit
- Compliance with Guidelines
- REC Retirement
- Administrative Charge
- Transmission and Integration Costs
- Utility Ownership
- Subscriber Agreement

Q. How is your testimony organized?

A. My testimony is organized as follows:

BACKGROUND AND REGULATORY FRAMEWORK

Q. Please provide a brief summary of PGE's current green tariff proposal following its Supplemental Testimony.

A. In its Initial Filing, PGE proposed to purchase renewable energy for the program through a PPA, with the renewable attributes of that energy going to subscribing customers. Green tariff customers would continue to pay the cost of service (COS) rate, plus the difference between the QF rate and the PPA cost. All COS customers would pay for the energy and capacity associated with the PPA at PGE's qualified facility (QF) rates listed on Schedule 201. Credits would be fixed at the outset of the program. Green tariff customers could also pay a risk premium depending on the commitment length and PPA subscription rate. Any unrecovered costs for the PPA or other green tariff program costs would be borne by shareholders.

In its Supplemental Filing, PGE's proposal remains largely unchanged. PGE's filing provided clarification and more detailed information (including workpapers) related to the calculation of the risk adjustment, the calculation of the administrative charge, the treatment of transmission and/or integration costs in the green tariff. Its filing also provided a draft subscriber agreement. PGE's supplemental testimony indicated that the Company was willing to offer a product with a floating credit structure. PGE also clarified that if the Commission does not adopt its position on the calculation of the capacity credit, PGE urges the Commission to either order the removal of a capacity credit in the green tariff product or to direct PGE to withdraw the request to use a capacity credit during the deficiency period.

Q. Please summarize the regulatory framework for a VRET.

A. Staff finds it important to consider the specific program design elements of PGE's green tariff program within the overall regulatory context for a VRET program, particularly as a VRET program relates to direct access. However, I am not an attorney, and therefore legal arguments related to VRETs, generally, and PGE's proposed green energy program specifically, will be addressed in Staff's briefs in this case.

Staff set forth the background on the VRET, including requirements that the Commission find that a utility offering such a program is reasonable and in the public interest, in its Response Testimony, and will therefore not reiterate that here.[1] In addition to these requirements, however, the Commission must consider, among other factors, "the effect of allowing electric companies to offer voluntary renewable energy tariffs on the development of a competitive retail market."[2] ORS 757.646(1) states:

> The duties, functions and power of the [Commission] shall include developing policies to eliminate barriers to the development of a competitive retail market structure. The policies shall be designed to mitigate the vertical and horizontal market power of incumbent electric companies, prohibit preferential treatment, or the appearance of such treatment, of generation or market affiliates and determine the electricity services likely to be competitive.

[1] Staff/100, Kaufman/2-4.
[2] HB 4126.

Generally, Staff is concerned that a green tariff program designed to have more favorable terms (such as enrollment at any time, lower size threshold for participation, payment of a capacity credit, etc.) and pricing (compared to cost of service (COS) rates), may be a barrier to the competitive energy market. In this way, the Commission must ensure that the program's design does not inappropriately undermine the competitive market, including direct access offerings.

Staff also has concerns regarding the program in that it has the potential to replace 300 MW of generation or market purchases for all COS customers without going through rigorous Commission processes to ensure this is the least cost, least risk option. This program would circumvent RFP and IRP processes, which are constructed to mitigate risk and ensure the utility takes actions which are in the public interest. Although this is not a reason for Staff to recommend the Commission not approve the program in and of itself, it should be considered in the context of setting energy and capacity credits, and underscores why green tariff customers should not have the opportunity to pay less than cost of service rates.

Staff's goal is to articulate both the opportunities and risks that the Commission must navigate through its decision in this docket. Staff remains generally supportive of PGE's green tariff program, as indicated in its Response Testimony, but again emphasizes that program design is paramount in protecting cost of service customers and in ensuring that this program does not undermine the competitive retail market. It is clear that the potential program could take many different forms, and each decision that the Commission ultimately makes alters the risks, benefits, and impacts to many different parties.

ISSUE 1: ENERGY AND CAPACITY CREDITS

Fixed versus Floating Credits

Q. Please describe Staff's understanding of a fixed credit.

A. Staff's understanding of a fixed energy credit is that it would be fixed from the outset of a green tariff customer's subscription term, and fixed for the duration of the term selected. As discussed more fully below, AWEC has proposed that credits be updated with general rate proceedings based on PGE's updated marginal cost study. Although this could mean that a credit would be updated during the pendency of a subscription term, it would be dependent on PGE's general rate case timing. Staff would consider this type of update to be more in line with a "fixed" credit, rather than a floating credit.

Q. Please describe Staff's understanding of a floating credit.

A. Staff's understanding and use of the term "floating credit" means that the credits paid to green tariff participants by cost-of-service (COS) customers for the energy and capacity benefits of the underlying power purchase agreement (PPA) would be allowed to float over the term of the green tariff participant's subscription term (generally updated at least annually),[3] rather than be fixed at the outset. Staff notes that the valuation methodology for energy and capacity credits is addressed more fully, below.

[3] Walmart/100, Chriss/14.

Q. Please summarize the parties' positions on a floating credit.

A. In its Direct Testimony, Walmart argues that customers should be allowed to choose a floating energy credit structure that would transfer some of the price risk from the utility to the subscriber. Walmart argues that in exchange for taking on the risk, subscribers would have a greater ability to reap the rewards of resource performance including a net reduction to their bill.

In response to the proposal, PGE noted it would be willing to offer a floating credit structure.

Q. What are Staff's concerns with Walmart's proposal for a floating credit?

A. The implementation of a floating credit changes the dynamics of the green tariff program. Staff sees that the Commission has four options with regard to fixed versus floating credits.

First, the Commission can determine that a fixed credit is appropriate. Staff's position in its Response Testimony was that any potential green tariff program should not allow the total rate a green tariff participant pays to be below the customer's total rate under COS. Staff continues to believe that this is the most prudent action for a program with a fixed credit as PGE proposed. The main concern is that COS customers would be asked to bear the risk inherent in a 20-year price forecast, while VRET customers would bear no price risk and could potentially save money. This is unfair and has many opportunities for cost shifting. If the Commission decides to implement a fixed credit, it should ensure that there is no ability for the price to go below COS rates (i.e., negative).

Second, the Commission can determine that a floating credit is appropriate. Generally, with a floating energy credit, the price risk could shift from COS customers to green tariff subscribers. This is because under a fixed credit program design, the risk of a market price change lies with COS customers. Staff finds it important that the credit pricing methodology be correct; however, with a floating credit, if the power purchased from the PPA is priced the same as the power that COS would have otherwise purchased, then COS customers are indifferent. In that sense, no matter how market prices change, COS customers would always pay the same as they otherwise would have. Should the Commission determine that a floating credit is optimal, the three variations Staff views are:

A. Adopt a floating credit, but with a maximum that would not allow the credit to exceed the all-in cost of the PPA. This is the safest option for COS customers, but may be the least palatable for potential program participants. Because the credit is not fixed, there is less risk that COS customers will overpay for power based on an economically biased forecast. This also reduces the risk that the green tariff program would compete with Direct Access options that allow the participant to take advantage of market pricing that may be more favorable than COS rates. Further, it achieves the goal of providing optionality for green power to customers, while not allowing the biggest customers to have an opportunity for cheaper, fully green products that other customers do not. Residential customers currently pay a premium for optional utility green power programs. In that sense, it seems unfair to allow larger, more sophisticated customers to participate in a green tariff program that could allow them to pay less than COS rates. Staff understands, however, that this option does not provide an opportunity for additional financial benefits to green tariff customers; rather, this option would provide only downside risks to green tariff program subscribers. For this reason, Staff finds that a fixed credit option is more optimal, as it does not require the green tariff participant to assume risk without a corresponding opportunity for price savings.[4]

B. Allow the credit to float freely. As stated above, if the energy credits are priced the same as the cost of the energy being replaced, then COS customers are unharmed. Green tariff participants who are bearing the price risk of the credit moving up and down have the potential to save money on their power bill. This would be the result of the green tariff PPA costing less than what PGE could provide by market or portfolio. The green tariff saves the Company money, so the participants save money. This results in a more attractive program for potential participants and helps COS customers by

[4] Staff notes that the likelihood of the all-in-PPA price being lower than PGE's COS rate may be minimal, however, the potential exists.

keeping green tariff participants as part of the system, paying into the pool which covers all fixed costs. However, such a program could potentially be a more attractive competitor to Direct Access, as participants would receive most of the benefits of Direct Access without the same requirements to transition. Additionally, as discussed more fully below, there are program design issues that should be considered in order to ensure that the green tariff program does not have an unfair advantage over LTDA.

C. Allow the credit to float, but require the benefits be shared between COS and green tariff participants in some manner, such as a 50/50 sharing. This would provide a benefit to everyone who may want to participate but is not able to because of size or other restriction.

Q. What is Staff's recommendation to the Commission regarding a fixed or floating credit?

A. Staff recommends that the commission adopt a fixed credit for the reasons discussed above. If the commission believes that a negative price as part of the program is fair and does not create a barrier to direct access markets, then staff recommends that the credit float freely, or more specifically, it be updated annually (which is consistent with the treatment of power costs), with potential sharing.

Methodology for Calculating Credits

Q. Please summarize the parties' positions on energy and capacity credits.

A. PGE proposes to use QF avoided cost rates as the basis for capacity and energy credits for the PPA. A capacity credit would only be available to the extent that PGE is resource deficient. PGE further proposes that both credits be fixed at the outset of the customer's subscription term, but did not specify whether the rate would vary year-to-year or be calculated on a levelized basis. As discussed above, PGE indicated it is open to a "floating" credit in their Supplemental Testimony, which is addressed above.

In response to PGE's proposal, Staff raised concerns that the QF rate may provide too much value for capacity and energy of the PPA. VRET customer subscription may not align with PGE's capacity and energy needs, thereby obscuring the credits. Further ancillary services of the PPA may not reflect those of the optimal capacity expansion resource.[5] Staff therefore recommended that the Commission order PGE to: (1) use a forward-looking net power cost model to calculate the energy credit for the PPA, (2) apply the same methodology to calculate the capacity value of the PPA as it does for the capacity value of long-term direct access, and (3) apply a consistent theory of cost-shifting for green tariff customers and direct access programs.[6] Such treatment addressed Staff's concerns over cost-shifting.[7]

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[5] Staff/100, Kaufman/9.
[6] Staff/100, Kaufman/12.
[7] Consistency with current Direct Access programs is addressed more fully, below.

AWEC argued that the program should utilize the marginal cost of generation as calculated from its most recent general rate case, and that these should be updated every rate case. If costs allocated to the subscriber's rate class exceed marginal cost, the excess would be allocated to the subscriber's rate class. AWEC argues that unlike a QF, subscribers to the VRET have load which is being served by PGE. The marginal cost of serving the customer is the value being avoided through the renewable resource.

NIPPC expressed "concern" over the proposed calculation but declined to make a specific recommendation.

Renewable Northwest argued that subscribers should receive a capacity credit at all times, during both times of insufficiency and sufficiency, citing the pending Resource Value of Solar (RVOS) in Docket No. UM 1716.

In its Supplemental Testimony, PGE argued that contrary to Staff's position, it does not view the "generation addition" capacity benefit of the green tariff as similarly beneficial to the hypothetical "beneficial loss of load" benefit of direct access.[8] PGE urges the Commission to order the removal of the capacity credit if it does not adopt PGE's methodology.

Q. What is Staff's view of AWEC's proposal?

A. Although Staff agrees that avoided cost pricing might not be the ideal mechanism to value the energy and capacity generated through the VRET program, Staff does not agree that the marginal cost study is the appropriate solution. First, marginal cost is exactly that, the cost at the margin. Depending

[8] PGE/300, Tinker-Sims/4-5.

on the size of the customer and the program, the margin might not remain constant even over a single customer's load. It might be properly defined when considering one more MW or one less MW, but may not be when considering much higher orders of magnitude such as an entire customer's load. Second, the metric does not directly measure the main impact of the green tariff program. As Staff sees it, the main impact of the green tariff program will be to power costs. The differences between what the green tariff customer pays in the PPA and what the costs would have been without the green tariff program lie mainly in how costs will appear in net variable power costs. This is why Staff prefers a methodology that utilizes a power cost model. The power purchased through the green tariff will be "replacing" power that would have otherwise have been generated or purchased, and estimating the cost of this power is what power cost models are designed to do. Using any other means raises the possibility of cost shifting.[9] Similarly, Staff prefers the use of a capacity credit as estimated in the IRP as opposed to the marginal cost number. Again, this is because the IRP number considers the value of capacity in the context of planning in a long-run, forward-looking manner.

Q. What is Staff's view of Renewable Northwest's proposal?

A. As stated above, Renewable Northwest argued that subscribers should receive a capacity credit at all times, during both times of insufficiency and sufficiency.

[9] In terms of cost shifting, a MONET "with and without" model would remove any possible cost shifts. However, as discussed in testimony, a fixed credit is recommended. A 20 year forecast will include potential cost shifts, but a power cost based model will minimize those risks.

Staff believes this approach would lead to cost shifting unless the Company can demonstrate that there are equivalent cost savings during sufficiency periods. The capacity credit makes sense during deficiency periods because that is when PGE will be looking to increase or pay for capacity. In that sense, the green tariff program is then providing value to all customers and the subscribers should be compensated. When PGE does not need capacity, however, there is no value in extra capacity, and thus no potential cost savings. Providing a credit in this circumstance would put an undue burden on COS customers who would not receive any benefit in response to paying for the credit.

Q. What is Staff's recommendation for the valuation of Capacity and Energy credits?

A. Staff remains concerned that the proper methodology to calculate energy and capacity credits is the most difficult and critical step in the implementation process. If the calculation is done improperly, it will lead to cost shifting and subsidization. Staff urges the Commission, should it choose to implement a program, to include a time to review the performance of the green tariff program once it has been in operation for a few years.

For the calculation of energy credits, as Staff stated in its Response Testimony, it recommends a power cost based model. For Staff's recommended fixed credit approach, PGE utilizes Aurora to make long-term power cost forecasts. Aurora is a third-party program utilized by many utilities to make long-term power cost forecasts. Staff recommends the use of this model as it is consistent with PGE's IRP and is familiar to stakeholders.

If the Commission were to approve a floating credit, the easiest and most straightforward approach is to perform a "with and without" MONET model run on an annual basis to calculate the energy credit. This directly quantifies the cost differences achieved through the green tariff program for all COS customers. Further, should the Commission decide to include a sharing mechanism, this can be easily done at the time of the annual power cost filing. The "with and without" runs will specifically show what the cost or benefit of the VRET program is, and the surplus or deficit can be spread accordingly.

Regarding capacity credits, Staff finds that there should be consistency between Direct Access programs and the green tariff program. If there is a capacity credit, Staff recommends the IRP-valuation methodology.

ISSUE 3: RISK ADJUSTMENT

Q. Please describe PGE's proposed risk adjustment.

A. PGE's initial testimony stated that "PGE anticipates adding a risk premium to the program cost, which is intended to balance the inherent uncertainties that result from a program that incorporates specific generation resources, differing contract lengths and individual subscriber performance obligations."[10] The Company's testimony also suggested that the risk premium would be paid and retained by the Company regardless of whether the risk comes to pass.[11]

Staff, along with several intervenors, was critical of the risk premium because PGE's initial filing lacked detail, including how it would be calculated and when it would apply. Specifically, Staff argued that PGE had "not provided a detailed description of how this premium will be calculated or accounted for" and noted that the premium should be priced and accounted for in a manner that fully mitigates the effect of the green tariff risk on COS customers.[12] Walmart recommended rejection of the adjustment based on the lack of information.[13] AWEC stated that large customers should be able to avoid the premium under certain circumstances.[14] Renewable Northwest argued that approval should be conditioned on future review.[15]

[10] PGE/200, Sims-Tinker/15-16.
[11] PGE/200, Sims-Tinker/16.
[12] Staff/100, Kaufman/11.
[13] Walmart/100, Chriss/15-16.
[14] AWEC/100, Mullins/14-15.
[15] RNW/100, O'Brien/5-6.

In response to these criticisms, PGE’s Supplemental Testimony addressed the risk premium in more detail, and PGE provided a workpaper detailing how the risk premium would be calculated.

Q. What is Staff’s recommendation regarding the risk premium proposal?

A. Staff appreciates PGE’s attempt to clarify the impetus and methodology. Staff has no issues regarding the inclusion of a risk premium adjustment so long as the calculation is made clear to the subscriber prior to entering into the agreement and the subscriber has the option to reduce or eliminate the adjustment if they so choose by electing a participation term that aligns with the duration of the PPA. Staff also understands, and does not oppose, PGE’s proposal that the risk premium be retained by shareholders even if the risk of undersubscription of the program does not come to pass.

ISSUE 4: PROCUREMENT PROPOSALS

Q. Please summarize the parties' positions on resource procurement proposals for the green tariff program.

A. AWEC and NIPPC both argue that large customers should have the ability to source their own PPAs for this program (i.e., a "bring your own PPA" option).

NIPPC argues that PGE should be required to accept pre-negotiated agreements where a customer can supply their own renewable PPA entered into with a third-party power provider.[16] NIPPC states that this provides several advantages including flexibility to the participant over its load size and start date, eliminating the risk of undersubscription to a particular resource, and removing impediments from the development of a competitive retail market.[17]

AWEC also argues that customers should be able to bring their own PPA, but recommends that this be applicable to customers over 10 MWa and that PGE would retain oversight:

> Customers with loads exceeding 10 aMW may solicit bundled RECs on their own behalf, which are deliverable to the Company's system. The Company must review and approve any such solicitation and remains ultimately responsible for contracting with the seller. The Company shall allow the customer to participate in the contract negotiation process with the seller.[18]

A "bring your own PPA" option was not part of the Company's initial proposal, nor was it addressed in the Company's Supplemental Testimony.

[16] NIPPC/100, Kahn/7.
[17] NIPPC/100, Kahn/7-8.
[18] AWEC/100, Mullins/7.

Q. What is Staff's response to parties' argument regarding customer procurement?

A. Staff is generally not opposed to the concept of a "bring your own PPA," but several implementation questions remain, including how this would interact with PGE's acknowledged cap on the size of the program,[19] whether there would be threshold size requirements more restrictive than general program participation,[20] contract terms and utility oversight. Staff looks forward to PGE's position on this issue in its forthcoming testimony. Generally, however, Staff finds that so long as the utility maintains the ability to amend or approve a contract and the contracts comply with the policies of the program, a "bring your own PPA" approach may provide additional flexibility while continuing to avoid potential cost shifting or harm to COS customers.

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[19] *See* PGE/200, Sims-Tinker/20 ("The size of PGE's initial green tariff offering will depend on customer demand. We anticipate that the initial offering will be well below the 300 aMW cap listed in the conditions.")

[20] PGE's proposal is that the green tariff program would be available to Nonresidential Customers whose aggregate demand across all retail schedules exceeds 30 kW. PGE/201, Sims-Tinker/2.

ISSUE 5: GREEN TARIFF PROGRAM CONSISTENCY WITH DIRECT ACCESS

Q. Please summarize the issues that parties have raised.

A. Staff and NIPPC raised compliance with the Commission's VRET Guideline 6 as an issue for PGE's green tariff program. Condition 6 provides that "VRET terms and conditions (including the timing and frequency of VRET offerings), as well as transition costs, must mirror those for direct access. PGE and PacifiCorp may propose VRET terms and conditions that differ from current direct access provisions but must propos[e] changes to their respective direct access programs to match those changes."

Staff's Response Testimony criticized that PGE's green tariff program did not address contract length requirements and early termination consequences for green tariff participants, both of which are addressed by the Company's direct access program.[21] Staff requested that the Company provide this information, but it was not included in the Company's Supplemental Testimony. Staff is concerned that without this information, it is impossible to determine whether there is consistency with Guideline 6.[22] Furthermore, there are programmatic differences between PGE's direct access and green tariff programs. For example, PGE proposes to include a capacity credit for its green tariff customers, but there is no capacity credit currently in its direct access program. Other differences include election windows, threshold customer size, and

[21] Staff/100, Kaufman/14.
[22] *Ibid.*

depending on the methodology applied by the Commission, how often energy credits are updated.

NIPPC also raised similar concerns, noting that modifications were needed to direct access programs to ensure that the various program attributes, such as participation, timing and frequency of offerings included in the green tariff offering are consistent with direct access. Notably, NIPPC advocates that direct access be updated to include a capacity credit, rather than removing the capacity credit from the green tariff.

Q. Please provide Staff's recommendation regarding compliance with Guideline 6.

A. Staff recommends that the Commission provide guidance in this order regarding how either or both of PGE's green tariff and direct access programs should be modified in order to ensure that the green tariff program is not more favorable than PGE's direct access programs. Staff recognizes that there may be a disconnect in timing between when the green tariff program is approved and when modifications to PGE's direct access programs may take place, but generally agrees with NIPPC that program attributes, such as election windows, threshold customer size, energy credit methodology, and the existence and methodology supporting a capacity credit, cannot favor the green tariff program over direct access programs. As mentioned above, Staff is concerned that such treatment may be inconsistent with Oregon's direct access laws, but will reserve further discussion and analysis of this issue for briefing.

ISSUE 6: REC RETIREMENT

Q. Please summarize the REC retirement issue.

A. PGE proposes that RECs will be retired on behalf of subscribers (and not used for general RPS compliance purposes) unless that use is specifically requested by the subscriber per Order No. 16-251.[23]

Although recognizing that PGE's proposal is consistent with VRET Condition 2,[24] Renewable Northwest expressed concerns over using green tariff program RECs for general RPS compliance. Renewable Northwest cautions that such treatment would "require extraordinary attention to detail in both the marketing and the claims made about such a produce" so as to ensure the integrity of the RPS and RECs, and to avoid double-claims of environmental benefits.[25]

Q. What is Staff's response to this concern?

A. Staff supports PGE's proposed treatment, which is consistent with VRET Guideline 2. The Commission engaged in a lengthy process, that included stakeholder engagement, to adopt the guidelines it deemed appropriate in balancing the interests of program participants, COS customers and the utility. Staff also notes that the "default" treatment of program RECs is that they will not be used for RPS compliance treatment unless specifically requested by the green tariff customers, which may suggest that green tariff customers will be more inclined to opt for retiring RECs on their own behalf so that they can claim

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[23] PGE/200, Sims-Tinker/11.
[24] Condition 2 provides "Voluntary renewable energy options should only include bundled REC products. Any RECs associated with serving participants must be retired by or on behalf of participants, unless the participants consent to RECs being retired by the utility developer."
[25] RNW/100, O'Brien/4-5.

the environmental attributes. Additionally, in Staff's view, the REC is paid for and owned by the subscriber, meaning the subscriber should have the ability to direct its treatment. However, Staff believes that the issue could be revisited in the future to ensure errors or added complexity are not an issue.

ISSUE 7: ADMINISTRATIVE CHARGE

Q. Please describe the administrative charge.

A. PGE proposes to collect from green tariff customers an "administrative charge" to account for program costs. The charge was not detailed in PGE's initial testimony, but was addressed in its Supplemental Testimony. In its testimony, PGE explained that the administrative charge would cover "all incremental costs that PGE incurs in offering and maintaining the green tariff product…expected to include upfront and on-going costs for: billing adjustments, IT support, resource acquisition and contracting costs, subscriber contracting costs, program marketing communications and product management."[26] PGE also provided an illustrative workpaper showing how the administrative charge may be calculated.[27]

Q. Please summarize the parties' positions on the administrative charge.

A. Walmart and Staff both raised concerns regarding the tracking and allocation of administrative costs. Walmart recommended that the Commission direct the Company to develop estimates and a more in-depth proposal for how non-project specific costs will collected as part of the program.[28]

Staff was critical that PGE had not provided a detailed explanation or supporting workpapers demonstrating how PGE would track marketing and

[26] PGE/300, Sims-Tinker/3.
[27] PGE/302.
[28] Walmart/100, Chriss/15.

administrative costs, but agrees that these costs should be identified and included in green tariff rates.[29]

Q. What is Staff's response to PGE's Supplemental Testimony?

A. Staff believes that the Company did a good job of providing greater detail about what costs would be included in the administrative charge. However, PGE failed to specify how these costs would be tracked. As Staff noted in its Reply Testimony, many of these costs for the program are common costs such as the cost of procuring a PPA and IT costs. Moreover, Staff noted that PGE maintains a marketing database on customer renewable preferences that PGE could utilize to market this program (and which was paid for by COS customers). In reply, PGE noted that all marketing costs would be borne by the program participants. Staff understands that due to the fact that green tariff customers will also be paying their standard schedule rates, it is unnecessary for the Company to add further COS charges to participants; however it is unclear how the cost of procuring a potential PPA will be tracked when PPA procurement is a standard practice to help serve COS customers. Staff further echoes Walmart's concern in that PGE was unclear if the costs listed in its example workpaper represented actual estimates or merely random numbers made up for the example.

Q. What is Staff's recommendation for this issue?

A. Staff recommends that the Commission clarify that the administrative charge should include all costs directly related to providing the program. In this way,

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[29] Staff/100, Kaufman/10-11.

Staff and intervenors are able to review for compliance to the Commission's order the tracking of costs included in the final program.

ISSUE 8: TRANSMISSION AND INTEGRATION COSTS

Q. Please summarize the parties' issues with transmission and integration costs.

A. PGE's initial testimony did not explicitly address how transmission and integration costs for the PPA would be incurred and subsequently recovered from either program participants or COS customers. AWEC and Staff both mentioned the lack of information regarding transmission and integration costs in their respective testimony,[30] and AWEC made a specific recommendation regarding the inclusion of language in PGE's tariff. In its Supplemental Testimony, PGE clarified that it intends to procure a PPA which includes transmission and integration costs in the final price.[31] Accordingly, these services would be paid for by VRET customers alone, and would not leverage current utility assets recovered in COS rates.

Q. What is Staff's recommendation regarding PGE's proposal to procure PPAs that include transmission and integration as part of the delivered product?

A. Staff supports PGE's proposal. Further, if there is in aspect of variable resource integration costs outside of the price of the PPA, PGE should ensure that COS customers do not bear the cost.

[30] Staff/100, Kaufman/5; AWEC/100, Mullins/15-17.
[31] PGE/300, Sims-Tinker/3.

ISSUE 9: "REVENUE REQUIREMENT" LANGUAGE IN TARIFF

Q. Please provide a background for this issue.

A. PGE's proposed green energy tariff includes a list of the charges and credits applicable to a green tariff participant, including "PPA cost or Revenue Requirement for each MWh under contract."[32] AWEC objects to the inclusion of the term "Revenue Requirement" as ambiguous and potentially suggesting utility ownership, which was not part of PGE's proposal in this case. AWEC recommends language in the tariff be changed to remove "Revenue Requirement" from the charges paid for by the subscriber.[33] AWEC also stated that PGE may request a change to the restriction in the future if it so wishes.

Q. What is Staff's response to this recommendation?

A. Staff agrees with AWEC's recommended change to the language. It is an undefined term in the tariff, and its application is therefore unclear in the context of PGE's current proposal. Further, Utility ownership was specifically addressed by the Commission in Docket No. UM 1690, and such a model would require additional process. Any VRET program that includes the prospect of utility ownership should fully and meaningfully addressed when the issue is ripe, and may be best addressed in a generic proceeding. Utility ownership is not contemplated in PGE's current green tariff program, and as AWEC states in its opening testimony, it would add a lot of complexity to the program. Staff supports AWEC's recommendation to remove the words

[32] PGE/201, Sims-Tinker/3.
[33] AWEC/100, Mullins/5-6.

"Revenue Requirement" from the charges paid for by the subscriber. Should utility ownership become an issue in a future green tariff offering or program, the tariff language can be appropriately amended at that time.

ISSUE 10: SUBSCRIBER AGREEMENT

Q. Please provide a background for this issue.

A. At the request of stakeholders, PGE included a draft subscriber agreement as part of its supplement testimony.

Q. Did Staff review the draft agreement?

A. Yes. Staff reviewed the draft subscriber agreement, but understands this agreement is "indicative of the type of agreement that PGE may enter into with green tariff subscribers" and is not a form agreement. Staff appreciates that PGE provided the draft agreement, but does not have a recommended action for the Commission related to this issue.

ISSUE 11: TARIFF UPDATES

Q. How does PGE propose to update pricing?

A. PGE's testimony states that "PGE will file individual agreements with customers as compliance filings to the approved green tariff."34 The language in its proposed tariff states "The Company shall allow for regulatory review of the rate and credit mechanism agreed upon by The Company and the Customer through a compliance filing to the OPUC."[35]

Q. Does Staff have concerns with this approach?

A. Yes. Staff has concerns with the limitations of a compliance filing process and the Commission's and parties' ability to review and/or oppose proposed tariff updates through this process. Staff anticipates addressing this issue more fully in briefing.

Q. What is Staff's recommendation for updating tariff provisions, including pricing?

A. Staff recommends the Commission direct PGE to update tariff provisions through standard advice filings, which can include approval on less than statutory notice, in order to allow for meaningful review of customer agreements and pricing.

[34] PGE/200, Sims-Tinker/1.
[35] PGE/201, Sims-Tinker/3.

SUMMARY

Q. After Reviewing All of Intervenor and Company testimony, what does Staff recommended program look like?

A. Staff recommends that the Commission approve a program which includes the following provisions:

1. Subscriber based rider
2. 300 MW Cap
3. 10-20 year PPA
4. 5,10,15,20 year subscription
5. Risk adjustment based on subscription to total PPA length
6. Bring your own or Company procured with PGE obtaining final approval
7. Energy credit fixed from the outset, calculated using an Aurora model
8. Capacity credit consistent with treatment in Direct Access
9. Total credit maximum equal to cost of PPA
10. Updates to the program and changes to the tariff will be addressed through advice filings, rather than through compliance filings with an order issued in this docket.

Q. Does this conclude your testimony?

A. Yes.

CASE: UM 1953
WITNESS: SCOTT GIBBENS

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 201

Witness Qualifications Statement

October 22, 2018

WITNESS QUALIFICATION STATEMENT

NAME:	Scott Gibbens
EMPLOYER:	Public Utility Commission of Oregon
TITLE:	Senior Economist Energy Rates, Finance and Audit
ADDRESS:	201 High St. SE Ste. 100 Salem, OR 97301-3612
EDUCATION:	Bachelor of Science, Economics, University of Oregon Masters of Science, Economics, University of Oregon
EXPERIENCE:	I have been employed at the Oregon Public Utility Commission (Commission) since August of 2015. My current responsibilities include analysis and technical support for electric power cost recovery proceedings with a focus in model evaluation. I also handle analysis and decision making of affiliated interest and property sale filings, rate spread and rate design, as well as operational auditing and evaluation. Prior to working for the OPUC I was the operations director at Bracket LLC. My responsibilities at Bracket included quarterly financial analysis, product pricing, cost study analysis, and production streamlining. Previous to working for Bracket, I was a manager for US Bank in San Francisco where my responsibilities included coaching and team leadership, branch sales and campaign oversight, and customer experience management.