

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1466

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

2009 Renewable Portfolio Standard  
Implementation Plan.

ORDER

**DISPOSITION: PLAN ACKNOWLEDGED**

On December 31, 2009, Portland General Electric Company (PGE) filed its 2009 Renewable Portfolio Implementation Plan (RPIP) with the Public Utility Commission of Oregon (Commission) pursuant to ORS 469A.075 and OAR 860-083-0400. The details of the filing and Staff's recommendation are described in Staff's Report, attached as Appendix A, and incorporated by reference.

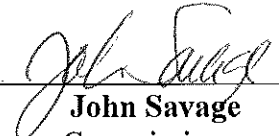
At its Public Meeting on April 26, 2010, the Commission adopted Staff's Recommendation and acknowledged PGE's RPIP. In making its decision, the Commission clarified that its decision to acknowledge PGE's RPIP does not constitute binding precedent on any of the issues raised in the filing.

**ORDER**

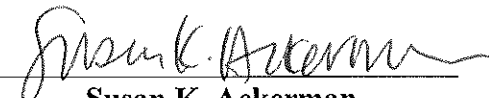
IT IS ORDERED that Portland General Electric Company's 2009 Renewable Portfolio Implementation Plan is acknowledged.

Made, entered, and effective MAY 04 2010.

  
Ray Baum  
Chairman

  
John Savage  
Commissioner



  
Susan K. Ackerman  
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

## ITEM NO. 2




**PUBLIC UTILITY COMMISSION OF OREGON**  
**STAFF REPORT**  
**PUBLIC MEETING DATE: April 26, 2010**

REGULAR   X   CONSENT        EFFECTIVE DATE        N/A       

DATE: April 16, 2010

TO: Public Utility Commission

FROM: Kelcey Brown 

THROUGH: Lee Sparling, Ed Busch and Maury Galbraith   

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1466)  
 Acknowledgment of 2009 Renewable Portfolio Implementation Plan.

**STAFF RECOMMENDATION:**

Staff recommends the Commission acknowledge PGE's 2009 Renewable Portfolio Implementation Plan (RPIP).

**DISCUSSION:**

Portland General Electric (PGE) filed its 2009 RPIP on December 31, 2009. Pursuant to ORS 469A.075 and OAR 860-083-0400 a utility must file an implementation plan on or before January 1, 2010, and subsequently on or before January 1<sup>st</sup> of even-numbered years, unless otherwise directed by the Commission. The Commission "acknowledges" resource plans that satisfy the procedural and substantive requirements of OAR 860-083-0400 and that seem reasonable at the time acknowledgment is given.

As part of its compliance with ORS 469A, the utility is required to file an implementation plan by January 1, 2010, which provides, among other things, a forecast of incremental costs of renewable resources from 2011 through 2015. The incremental cost calculation compares the levelized cost of a renewable resource against the levelized cost of a proxy resource. The annual incremental cost calculation for each year of the compliance period, 2011 through 2015, is the difference between the levelized cost of the renewable resource and the levelized cost of the proxy resource.<sup>1</sup>

<sup>1</sup> OAR 860-083-0010(30) defines a "Proxy plant" as, unless otherwise specified by the Commission, a base-load combined-cycle natural gas-fired generating facility (CCCT). The proxy plant is used to estimate the costs of non-qualifying electricity corresponding to new long-term qualifying electricity with the same beginning amortization year.

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The underlying assumptions used in developing the levelized cost of the proxy resource must be consistent with the most recently filed or updated Integrated Resource Plan (IRP). OAR 860-083-0100 contains the prescribed methodology, and a list of all required information, that the utility must use in calculating the incremental cost of the qualifying resource.

In addition to reviewing the incremental cost calculation, Staff's evaluation of the utility's implementation plan also focused on whether or not the utility used modeling and decision criteria consistent with those used to develop the utility's most recently filed or updated IRP. Any deviations from IRP methodologies or action plan items were evaluated in terms of how these changes continued to achieve an appropriate balance of risk and expected system cost, as required by the IRP Guidelines 1.b and c.

## PROCEDURAL HISTORY

PGE filed its RPIP on December 31, 2009. The Company's filed plan shows that it intends to meet the RPS targets for the time period of 2011-2015, and its incremental cost of compliance in meeting these targets is negative. Simply put, a negative incremental cost of compliance means that the cost of electricity from a proxy plant (combined cycle combustion turbine) exceeds the costs of the electricity from the renewable resource.<sup>2</sup>

Staff, the Citizens' Utility Board (CUB), the Renewable Northwest Project (RNP), and Industrial Customers of Northwest Utilities (ICNU) filed comments on PGE's RPIP on March 2, 2010. All parties attended a workshop on March 23, 2010. PGE filed reply comments on April 2, 2010.

## SUMMARY OF FILED COMMENTS

### Staff

Staff reviewed PGE's filed RPIP and found that the Company is positioned to be in compliance with ORS 469A.052, which states that at least five percent of the electricity sold by a large utility to retail electricity consumers must come from qualifying resources in each of the calendar years 2011, 2012, 2013 and 2014, and 15 percent in 2015.

In its reply comments, Staff found that PGE had not complied with the rule language of 860-083-0400 and 860-083-0100 in its incremental cost calculation methodology. However, Staff also pointed out that correcting this calculation would not change PGE's

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<sup>2</sup> In Order No. 09-406 the Commission established the methodology used to calculate the incremental cost of compliance contained in OAR 860-083-0100.

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ultimate conclusion, that the expected incremental cost of compliance is less than four percent of the annual revenue requirement. On March 22, 2010, the parties in UM 1466 conducted a workshop to discuss the methodologies and details of the calculation of incremental costs for renewable resources. As a result of those discussions and agreements made at the workshop, PGE filed a second Revised 2009 RPIP on April 7, 2010.

In its revised filing, PGE states that its revised RPIP is consistent with the methodologies and requirements in OAR 860-083-0100 and OAR 860-083-0400. As expected, there is no material impact resulting from the amended filing, and the incremental cost that PGE incurs to provide renewable resources continues to be substantially below the 4 percent cap as stated in ORS 469A.100.

With regard to the substantive requirements of OAR 860-083-0400, Staff found that PGE did not provide the required information. PGE rectified this omission in subsequent Staff data requests and its Revised 2009 RPIP filing on April 7, 2010.

More generally, Staff and all parties supported continued work on drafting standardized forms in order to streamline future RPIP filings, and further clarify assumptions and methodologies.

#### RNP and CUB

In their joint comments, RNP and CUB commended PGE for submitting a plan that "ensures cost effective compliance with the RPS for compliance years 2011-2015." However, RNP and CUB cited several concerns with the Company's filed RPIP.

Specifically, RNP and CUB sought additional cost information with regard to the proxy plant, fuel price hedging costs, the assumptions used in the high, low and base case cost summaries, the total amount of banked, bundled and unbundled renewable energy credits by year, material differences from the most recently filed IRP, and the wind integration rate used by PGE.

In its reply comments, PGE stated that it appropriately included proxy plant fuel prices, and specifically, fuel price hedging costs in a manner that was consistent with the prescribed methodology in OAR 860-083-0100(7). PGE also explained that it used the PIRA gas forecast to determine the base, high and low gas costs, that the RECs by year were provided in confidential Attachment B of its original filing, and that there are no material differences between its 2009 RPIP filing and PGE's filed 2009 IRP.

With regard to the wind integration cost PGE used in its 2009 RPIP filing, PGE responded that its wind integration rate is appropriate because "the cost of integrating

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wind is highly dependent on each utility's load and generation characteristics." In response to RNP's suggestion that it should be using BPA's wind integration rate, PGE replied that BPA's wind integration rate is not directly comparable to the PGE wind integration costs. More specifically, PGE's cost to self-integrate wind includes significant system operating requirements (related to day-ahead uncertainty) that BPA's rate does not cover.

#### ICNU

Generally, ICNU believes that the RPIP filed by PGE should be further investigated for two reasons: it does not adequately reflect the expected costs of complying with the Oregon RPS, and PGE and PacifiCorp appear to use different cost assumptions, methodologies and cost calculations in their respective filings.

In its reply comments, PGE recommended that the parties continue to work together in an effort to clarify the rules and resolve the remaining issues prior to the next RPIP filing on December 31, 2011. PGE does not believe that this docket needs to be extended for further investigation, and cited the fact that it is prepared to comply with the RPS for the relevant period (2011 through 2015) and the cost limits in the RPS law will not be triggered.

ICNU believes that PGE has incorrectly calculated the cost of non-renewable electricity (the proxy plant CCCT) because the Company "assumes that renewable resources would replace new thermal plants instead of market purchases." ICNU states that the appropriate comparison for qualifying renewable energy is not necessarily a thermal plant, but the "levelized annual delivered cost of an equivalent amount of reasonably available technology that is not qualifying electricity."<sup>3</sup> ICNU believes that in periods of resource sufficiency this comparison should be primarily market purchases. During periods of resource deficiency, ICNU stated that the equivalent non-renewable electricity should not only be thermal plants, but the appropriate mix of non-renewable resources the utility would be able to acquire or build.

In its comments, ICNU recognized that the Commission rules direct the utility to use a CCCT to estimate the cost of the non-qualifying electricity.<sup>4</sup> However, they pointed out that under these rules the Commission can specify other proxy resources.

In its reply comments, PGE stated that it is willing to discuss any improvements in the presentation or methodology in the appropriate venue. PGE pointed out that it used a CCCT as a comparator to renewable resources as specified by Division 83 of the rules, which they believe complies with the RPS requirements.

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<sup>3</sup> ORS 469A.100(4)

<sup>4</sup> *Id.* (1).

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ICNU also complained that PGE did not include shaping or firming costs in its plan.<sup>5</sup> PGE agreed with ICNU's claim and agreed to reflect the inclusion of shaping costs in its Revised RPIP. In its Revised RPIP, PGE included an estimation of shaping costs in the cost of the renewable resource.

For purposes of clarification, PGE has defined firming costs as the cost of assuring that energy will be available at times of peak load. PGE defined shaping costs as the cost of converting a variable stream of energy to a flat, constant stream of energy.

ICNU cited several issues with regard to the existing Oregon Administrative Rule language, Division 83, Renewable Portfolio Standards. Specifically, ICNU challenged the use of a CCCT as the proxy non-qualifying resource and believes that the utility should be required to take into consideration the use of market purchases in the assessment of incremental cost, and use resource sufficiency/deficiency determinations similar to that used in avoided cost filings. Additionally, ICNU is concerned that the Commission rules, or the application of the Commission rules, is inconsistent with the Oregon RPS.

## STAFF RECOMMENDATIONS

### Standardized Forms

All parties agree it is important to establish standardized forms when submitting future implementation plans and compliance reports. Many of the issues raised in this docket were primarily questioned due to different interpretations of the existing rule language. Staff believes that by adopting one consistent set of methodologies, assumptions, calculations and a filing template this will provide needed rule language clarification, greater administrative efficiency and a more streamlined proceeding. Therefore, Staff recommends that the Commission require all parties to convene subsequent workshops in order to work towards an agreement on standardized forms to be used in future RPIP filings. These standardized forms will be submitted to the Commission no later than October 31, 2011.

### Wind Integration

Staff finds that the Company filed its RPIP consistent with its filed 2009 IRP, including the calculated wind integration rate of \$10.97/MWh. While RNP and CUB correctly point out that PGE is in the process of using a technical review panel to develop an

<sup>5</sup> ICNU stated that ORS 469A.100(3)&(4) specifically requires the utility to include shaping and firming costs in its cost comparison of a qualifying and non-qualifying electric resource.

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improved wind integration study, changing this value in the 2009 RPIP does not have a material effect on the filing.

#### Fuel Price Hedging Costs

RNP and CUB raised the concern that PGE did not include the full amount of fuel price hedging costs over the entire time horizon of the thermal resource. PGE disagreed with RNP and CUB and cited its own interpretation of the applicable rule language, which they believe they appropriately followed.

Taking into consideration PGE's cost of compliance is not close to approaching the four percent cost cap, and the fact that including additional fuel price hedging costs will not change this outcome, Staff does not recommend that PGE be required to include additional fuel pricing hedging costs beyond what is included in its most recently filed IRP. Parties will continue to look at this issue, either in the context of PGE's 2009 IRP filing, or in its next RPIP filing.

#### Shaping and Firming Costs

ICNU raised the issue associated with shaping and firming costs for purposes of appropriately calculating the incremental cost of compliance of a qualifying renewable resource. ICNU correctly points out that the language in SB 838 and specifically ORS 469A.100(3)&(4), states that the cost comparison must include "the costs to integrate, firm and shape renewable energy."

Staff generally agrees with ICNU that shaping and firming costs are appropriately included in the cost of the renewable resource. At this time, Staff has not had an opportunity to fully evaluate the methodology PGE used to assess shaping costs in its Revised RPIP filing. However, as pointed out previously, PGE's current incremental cost of compliance is far below the four percent cap, therefore, Staff recommends that parties continue to work on this issue to ultimately reach an agreed upon methodology prior to the next RPIP filing.

#### Oregon Administrative Rule Language

The rulemaking language, setting forth the requirements for the RPIP filing, was only recently adopted in August 2009, in Order No. 09-299 (Docket AR 518). ICNU has raised several issues associated with its interpretation of the existing Oregon rule language in this implementation plan proceeding. While parties have discussed ICNU's issues in this proceeding we have not reached an agreement on the appropriate resolution. It is Staff's intent to continue to discuss ICNU's issues with all parties, in order to gain further understanding and clarification. At this time, Staff recommends that the Commission allow parties to continue to work to resolve these issues, potentially through workshops or additional proceedings as necessary.



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**PROPOSED COMMISSION MOTION:**

PGE's 2009 Renewable Portfolio Implementation Plan be acknowledged.

UM 1466 Staff Report