

ORDER NO. 19-329

ENTERED Oct 03 2019

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 359

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

2020 Annual Power Cost Update Tariff
(Schedule 125).

ORDER

DISPOSITION: NET VARIABLE POWER COST UPDATE STIPULATION
ADOPTED

In this Order, we adopt the stipulation of the parties regarding Portland General Electric Company's (PGE's) 2020 proposed net variable power costs (NVPC). Through the stipulation, attached as Appendix A to this order, PGE, the Staff of the Public Utility Commission of Oregon (Staff), Oregon Citizens' Utility Board, and the Alliance of Western Energy Consumers, collectively, the stipulating parties, resolved all issues related to the request by PGE for a revised Annual Power Cost Update Tariff (APCU).

PGE is a public utility providing electric utility service within the meaning of ORS 757.005, and is subject to our jurisdiction with respect to the prices and terms of service for its retail customers. Each year, PGE is required to file its forecast of the company's upcoming NVPC. NVPC include wholesale power purchases and sales, fuel costs, and other costs that generally change as power output changes. The updated power cost forecast must be filed and updated in a manner consistent with the requirements of PGE's Tariff Schedules 125 and 128, prior to the November direct access window.

PGE submitted its APCU filing on April 1, 2019, for its 2020 NVPC. The filing included the minimum filing requirements required by Schedule 125, along with supporting testimony and exhibits. PGE also provided the stipulating parties with work papers to support its filings and responses to numerous data requests for additional information.

In the initial APCU, PGE's forecasted a 2020 NVPC of \$422.0 million, based on contracts and forward curves as of March 7, 2019, which was \$60.5 million greater than

its final 2019 NVPC forecast. On June 4, 2019, the stipulating parties held a workshop to discuss issues and review PGE's Multi-area Optimization Network Energy Transaction power cost forecasting model (MONET).

The stipulating parties conducted discovery, filed testimony, and engaged in a settlement discussion. The issues were ultimately resolved by the stipulating parties through the execution and filing with the Commission of an all-party stipulation and associated joint testimony on September 5, 2019. The stipulating parties reached agreements on forecasting methodologies for anticipating benefits in market participation, the costs and benefits of operating assets, inputs to PGE's Multi-area Optimization Network Energy Transaction power cost forecasting model (MONET) forecasting model and all other matters.

At the time of the settlement, PGE's 2020 NVPC forecast, inclusive of the UE 359 Stipulation terms, was approximately \$395.2 million, representing a \$33.6 million increase relative to PGE's final 2019 NVPC forecast, but a \$26.8 million decrease from PGE's initial filing. The change in forecast will result in estimated increases in customer rates of 1.7 percent for residential and small business customers, and between 2.1 percent and 2.9 percent for larger commercial and industrial users.¹

In addition to settling issues related to the forecasting of NVPC, the stipulating parties agreed that they would not propose any changes to PGE's wind forecasting methodology until its next rate case and that they would hold a workshop on gas optimization before PGE's 2021 NVPC filing. PGE also agreed to propose forecasting methods for gas optimization modeling that may arise out of the workshop.

We adopt the stipulation and find that the proposed adjustments and actions represent appropriate and reasonable resolutions to the issues in this docket. Rates reflecting these adjustments will be fair, just, and reasonable and provide PGE with adequate revenues, consistent with the standard in ORS 756.040.

ORDER

IT IS ORDERED that:

1. The Stipulation between Portland General Electric Company, the Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board, and the Alliance of Western Energy Consumers, attached as Appendix A, is adopted.

¹ Stipulating Parties /100, Gibbens-Gehrke-Kaufman-Niman/14

2. Portland General Electric Company must file its final MONET run on or before November 15, 2019, producing the final Annual Update Tariff Adjustment for 2020.
3. Portland General Electric Company must file revised rate schedules consistent with this order to be effective no earlier than January 1, 2020.
4. Portland General Electric Company shall conduct a workshop, no later than March 15, 2020, to address gas optimization, and shall provide the stipulating parties with presentation materials no later than two weeks prior thereto.

Made, entered, and effective Oct 03 2019.

Megan W Decker

Megan W. Decker
Chair

S Bloom

Stephen M. Bloom
Commissioner



Letha Tawney

Letha Tawney
Commissioner

A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 359

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

2020 Annual Power Cost Update Tariff
(Schedule 125)

STIPULATION

This Stipulation is between Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), the Oregon Citizens' Utility Board ("CUB"), and the Alliance of Western Energy Consumers ("AWEC") (collectively, the "Stipulating Parties").

PGE filed this Annual Power Cost Update Tariff filing on April 1, 2019, for 2020 net variable power costs ("NVPC"). The filing included the minimum filing requirements required by Schedule 125 and testimony and exhibits. PGE also provided to Staff and other parties work papers in support of its filing. Since that time, Staff and intervening parties have submitted numerous data requests obtaining additional information. On June 25, 2019, Staff, CUB and AWEC filed their opening testimony in this docket. On July 16, 2019, PGE filed reply testimony. On July 25, 2019, the Stipulating Parties participated in a settlement conference. As a result of those discussions, the Stipulating Parties have reached a compromise settlement of all issues in this docket, as described in detail below.

TERMS OF STIPULATION

1. This Stipulation resolves all issues in this docket.
2. Western Energy Imbalance Market (“Western EIM”), California-Oregon Border (“COB”) Trading Margins, Wind Capacity Factor, Gas Optimization, and any remaining issues not identified below. The Stipulating Parties agree that the 2020 forecast NVPC will be reduced by \$7.0 million in a compromise settlement of the Western EIM, COB trading margins, wind capacity factor, gas optimization and all other issues not specifically addressed below. In addition, the Stipulating Parties agree to the following:
 - a. The Stipulating Parties will not propose changes to PGE’s wind forecast methodology until PGE’s next general rate case (“GRC”).
 - b. PGE will remove the transmission derate within the COB trading margin forecast methodology.
 - c. PGE will hold a workshop with the other Stipulating Parties on gas optimization prior to PGE’s initial 2021 Schedule 125 NVPC filing. Presentation materials, including any workpapers used in developing the presentation materials, will be provided to the parties no later than two weeks prior to the date of the workshop.
 - d. PGE agrees that it will propose a method for forecasting gas optimization modeling in the initial 2021 NVPC filing, which will be informed by the workshop discussed above.
3. Qualifying Facilities. The Stipulating Parties agree to continue to use PGE’s Qualifying Facilities (“QF”) track and true-up mechanism approved in PGE’s 2019 NVPC filing (Order No. 18-405), with the following modifications:

- a. PGE will derate the expected generation of new QFs that have not achieved commercial operation by November 1st of each year.¹ Additionally, PGE will make reasonable efforts to update any known changes to QF commercial operation dates (“CODs”) between November 2nd and PGE’s final November MONET update. The energy derate will be based on the most recent four-year historical annual average of actual versus projected QF costs, which for the 2020 NVPC forecast translates into a 54% derate of the expected generation of new QFs.
- b. In addition to on-line dates, the QF track and true-up mechanism will true-up actual QF generation to the final forecast of QF generation for all forecasted QF projects that have not achieved commercial operation, consistent with the projects identified in part (a) above.
- c. Cure period payments will no longer be included in the QF track and true-up mechanism.
- d. Including the above modifications, the revised methodology is as follows:
 - i. PGE will update the QF CODs through the final (November 15th) MONET update in each year’s power cost proceeding. PGE will update all project CODs through November 1st and make reasonable efforts to update any known changes to QF CODs between November 2nd and PGE’s final November MONET update.
 - ii. PGE will derate the expected generation of new QFs that have not been identified as having achieved commercial operation by PGE’s final November

¹ This will allow PGE time to process the data related to QF CODs and ensure they are reflected in the final November 15 NVPC update.

MONET update. The energy derate will be based on the most recent four-year historical annual average of actual costs versus projected QF costs.

- iii. PGE will continue to file deferred accounting applications to defer the difference between actual and forecasted QF costs to recover or credit the variance in QF costs in the next power cost proceeding.
- iv. The variance to be refunded or collected from customers will be determined by re-running the final November 15th NVPC MONET forecast and replacing (1) the estimated QF CODs with actual recorded CODs and (2) the forecast QF generation for projects subject to the derate in part (ii) above with actual QF generation.

4. Boardman 2020 Operations.

- a. PGE will move the Boardman 100% maintenance derate in MONET modeling from October 1 through December 31, 2020, to the period November 1 through December 31, 2020.
- b. PGE will model the Boardman 2020 starting coal pile at the 2019 GRC delivered coal cost including commodity, rail transportation, and dust suppression costs.

5. Wheatridge. The Stipulating Parties agree that PGE will not include a forecast of variable costs and benefits related to the Wheatridge Renewable Energy Facility in the 2020 NVPC forecast.

6. Standard Inputs in MONET. The Stipulating Parties agree that PGE will round thermal plant forced outage rates to the nearest two decimal places.

7. Inflation Rate in MONET. The Stipulating Parties agree that PGE will not adjust the inflation rate used in MONET for the 2020 NVPC forecast. The Stipulating Parties further

agree that PGE will use the inflation rate modeled in PGE's most recently acknowledged Integrated Resource Plan for future annual power cost proceedings.

8. Short Term Direct Access. There will be no adjustment related to Short Term Direct Access load in the 2020 NVPC forecast.
9. The Stipulating Parties recommend and request that the Commission approve the adjustments and provisions described herein as appropriate and reasonable resolutions of all issues in this docket.
10. The Stipulating Parties agree that this Stipulation is in the public interest, and will contribute to rates that are fair, just and reasonable, consistent with the standard in ORS 756.040.
11. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all of the Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.
12. The Stipulating Parties have negotiated this Stipulation as an integrated document. The Stipulating Parties, after consultation, may seek to obtain Commission approval of this Stipulation prior to evidentiary hearings. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Stipulating Party reserves its right: (i) to withdraw from the Stipulation, upon written notice to the Commission and the other Parties within five (5) business days of service of the final order that rejects this Stipulation, in whole or material

part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission's final order. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

13. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.
14. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 5th day of September, 2019.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN
ENERGY CONSUMERS

DATED this 3RD day of September, 2019.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN
ENERGY CONSUMERS

DATED this 3rd day of September, 2019.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN
ENERGY CONSUMERS

DATED this 14th day of September, 2019.

PORTLAND GENERAL ELECTRIC
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STAFF OF THE PUBLIC UTILITY
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ALLIANCE OF WESTERN
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