

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 370 and UE 372

In the Matters of

PORTLAND GENERAL ELECTRIC
COMPANY,

Renewable Resource Automatic Adjustment
Clause (Schedule 122) (Wheatridge
Renewable Energy Farm) (UE 370), and

Renewable Resource Automatic Adjustment
Clause (Schedule 122)
(BPSC Energy Storage Microgrid and ARC
Energy Storage) (UE 372).

ORDER

DISPOSITION: CONTESTED ISSUES RESOLVED

I. SUMMARY

In this order, we address the remaining contested issues that were not resolved by our Order No. 20-279 adopting the parties' stipulation in this joint proceeding. Those issues, which relate to the request by Portland General Electric Company to use its renewable resource automatic adjustment clause (RAC) Schedule 122 tariff to recover costs associated with construction and operation of the Wheatridge Renewable Energy Facility (Wheatridge), are as follows:

- Did PGE prudently select Wheatridge over other renewable energy facilities?
- What ratemaking approach is appropriate for Wheatridge?
- Do we adopt PGE's proposal to return the value of some Wheatridge RECs to customers?

We find that PGE's decision to proceed with Wheatridge over other facilities was prudent, and conclude that the performance of the Wheatridge facility is best reviewed on an ongoing basis in future proceedings where we have actual data upon which to determine just and reasonable rates, such as in PGE's future power cost filings. We adopt certain reporting requirements to assist us in that future review. We support future

consideration of Staff and intervenors' proposals in future cases, as methods for dealing with certain regulatory challenges that were highlighted and explored in this case. We adopt, with modifications, PGE's proposal to return the value of Renewable Energy Credits (RECs) to customers.

II. BACKGROUND

ORS Chapter 469A sets forth Renewable Portfolio Standards requiring large utilities, such as PGE, to achieve specific benchmarks regarding the sale of renewable energy.¹ ORS 469A.120 provides that the utility may recover the prudently incurred costs for a renewable energy resource under a RAC, subject to meeting certain requirements. The contested issues addressed here arose in docket UE 370, in which PGE proposed changes to its renewable resource automatic adjustment clause tariff Schedule 122 to recover its costs and earn a return on specific investments made in accordance with Section 469A.120.

III. PROCEDURAL HISTORY

PGE filed proposed RAC tariffs for Wheatridge on December 3, 2019. The Oregon Citizens' Utility Board (CUB) intervened as a matter of right under ORS 774.180, and the Alliance of Western Energy Consumers (AWEC) was granted party status.

A prehearing conference was held on January 16, 2020, at which time dockets UE 370 and UE 372 were consolidated and a common procedural schedule was established. The parties and Commission Staff conducted discovery, filed testimony, and engaged in settlement discussions.

In its initial filing, PGE requested an increase of \$26.5 million to its annual revenue requirement to reflect the investment in Wheatridge, based on a December 31, 2020, in-service date. Following updates that moved up Wheatridge's in-service date, PGE added 2020 Net Variable Power Costs (NVPC) Schedule 122 benefits that reduced PGE's revenue requirement request by \$9.3 million. The increased benefit reflected a credit offset to the Bonneville Power Administration's transmission charges. Ultimately, PGE revised its annualized 2020 revenue requirement for Wheatridge to approximately \$15.5 million, down from its original \$26.5 million request.

On May 19, 2020, the parties and the Commission Staff filed an all-party stipulation, supported by joint testimony, resolving all of the issues in docket UE 372 and most of the issues raised by Staff and intervenors in docket UE 370. The stipulation, which we

¹ See ORS 469A.010.

adopted in Order No. 20-279, resolved issues impacting the revenue requirement, including treatment of construction contractor payments, depreciation rates, operation and maintenance costs, rate base adjustments and procedural matters.

After a final round of testimony on the remaining contested issues, the parties waived their rights to a hearing and the evidentiary records in both dockets were closed. An oral argument was held on August 17, 2020. In this order, we address the remaining contested issues in docket UE 370.

IV. DISCUSSION

A. Selection of the Wheatridge Renewable Energy Facility

Wheatridge consists of a 300 megawatt (MW) wind generation facility, a 50 MW solar facility, and a 30 MW 4-hour duration energy storage facility located in Morrow County, Oregon. PGE will own 100 MW of the wind facility, which is comprised of 40 wind turbine generators constructed by NextEra Energy subsidiaries pursuant to a build-own-transfer agreement. The remaining output will come from facilities owned by NextEra and sold to PGE under two power purchase agreements (PPAs), one PPA for wind and the other for solar and storage. Wheatridge is expected to begin commercial operation in early October 2020.

PGE selected Wheatridge through its 2018 Request for Proposals for Renewable Resources (2018 RFP), which followed the competitive bidding process that we require for all major resource acquisitions (for resources with durations greater than five years and quantities greater than 100 MW). Wheatridge was one of several projects on PGE's final shortlist of bidders, which we acknowledged in Order No. 18-483.²

The events immediately surrounding our acknowledgement of PGE's 2018 RFP shortlist form the basis for AWEC's position that PGE's decision to invest in the Wheatridge facility was imprudent.

1. Positions of the Parties

AWEC asserts that PGE's selection of Wheatridge was imprudent because a lower risk, lower cost resource was available. At the time of shortlist acknowledgement, AWEC notes there was another viable project. Although the other projects withdrew immediately after shortlist acknowledgement, AWEC highlights that it sought to submit a revised

² *In the Matter of Portland General Electric Company 2018 Request for Proposals for Renewable Resources*, Docket No. UM 1934, Order No. 18-483 (Dec 19, 2018).

proposal. AWEC is concerned that PGE declined to accept revised proposals, leaving Wheatridge as the only qualifying bid.

AWEC states that, although the bidder's request to revise its bids occurred after the Commission's acknowledgment of the shortlist at the public meeting, PGE's decision not to evaluate the revised bids was made prior to the project selection, which is the relevant point for prudence review. AWEC contends that PGE could have, but chose not to bring the matter to the attention of the Commission and seek guidance as to whether the bidder should be allowed to amend its bids. AWEC claims PGE erred in its refusal to allow the highest rated bidder, who had made an error, to resubmit an alternative bid for consideration after the bidding process had closed. Because PGE's refusal to receive substitute information denied parties and the Commission an opportunity to compare the value of a substitute bid, AWEC proposes a prudence disallowance equal to 50 percent of the cost difference between the bid that AWEC contends should have been selected and Wheatridge costs, applied on a dollars-per-MWh basis.³

Staff concludes that PGE's investment in Wheatridge was prudent, based on analysis of the 2016 IRP and the 2018 RFP, and assuming the accuracy of the forecasted benefits and costs that served as the basis for the Commission's decision to acknowledge the IRP and RFP short list. Similarly, CUB finds that PGE's project selection decision was reasonable and prudent and PGE should be able to recover all costs reasonably incurred, but, like Staff, contends that PGE does need to bear the risks if some of the customer benefits are not met.⁴

PGE states that its selection of Wheatridge was prudent. PGE asserts that the analysis performed on the Wheatridge bid calculated a high net present value for customers and PGE and NextEra were able to deliver on the bid submitted into the process, while other competitive offerings were not able to deliver on their bids. Wheatridge was therefore the clear and prudent choice in the RFP, PGE argues.⁵ In rejecting AWEC's position, PGE argues that allowing a resubmission of a bid five months after the deadline for bids would have undermined the integrity of the RFP process, would have been unfair to other RFP bidders that provided complete and accurate bids, and might have delayed the RFP process to the detriment of customers. PGE emphasizes that it consulted with the IE and obtained the IE's concurrence before responding to the bidder. The unsuccessful bidder did not dispute PGE's and the IE's position that the revision should not be allowed.

³ AWEC/100, Mullins/18-20.

⁴ CUB/100, Gehrke/4-5.

⁵ PGE/300, Armstrong-Batzler/11-12.

2. *Commission Resolution*

We conclude that PGE's decision to invest in the Wheatridge facility was prudent. We find that PGE's decision, made in consultation with the IE, to decline to accept new proposals after the RFP process had concluded was reasonable. We agree that accepting the untimely revised proposals for review and analysis would have undermined the integrity of the RFP process and potentially delayed the resource startup date to the detriment of customers. Prior to inclusion in rates, we require that a PGE executive attest that the Wheatridge facility has been placed in service.

Though we find that the selection of the Wheatridge project was prudent, we recognize, as discussed in greater detail below, that this does not preclude further ratemaking adjustments related to the recovery of project costs for Wheatridge to appropriately allocate performance risks.

B. *Proposed Mechanisms to Protect Customer Benefits*

Staff, CUB, and AWEC each propose that we adopt various mechanisms or performance assumptions that would govern the manner in which PGE recovers Wheatridge's costs or forecasts Wheatridge's performance in power cost cases over time. The parties' proposals are each driven by an understanding that customer benefits based on long-term project performance and value were central to PGE's IRP and RFP justifications for the resource and, therefore, by a desire to ensure that some or all of the customer benefits that PGE forecast during its IRP and RFP process are realized by customers. The proposals seek to allocate, between PGE and its customers, the risks that the project may not produce the expected benefits.

1. *Positions of the Parties*

Staff, CUB, and AWEC each argue that our acknowledgements of the IRP and RFP that led to the acquisition of Wheatridge were primarily based upon PGE's expected financial benefits to customers from the project, rather than a need to meet near-term load or RPS needs. They generally argue that, under these circumstances, customers are entitled to greater protections against variations in the resource's performance or other factors that may diminish the benefits that ratepayers actually realize. Each party proposes a different methodology for us to adopt that would mitigate some or all of the negative impacts on customers, should detrimental variations occur.

Staff advocates that, for the first ten years of operation, PGE's NVPC for the PGE-owned portion of Wheatridge should be calculated using the highest stated capacity factor used by PGE in the RFP process. Staff uses this time period because it is commensurate with

the term for anticipated production tax credit (PTC) benefits and would ensure that customers receive the modeled energy production and PTC value assumed in the RFP.⁶ Staff does not believe that its proposal changes PGE's risk profile, as we had communicated the potential of including customer protections associated with investments made for economic purposes in other proceedings, such as those involving PacifiCorp, dba Pacific Power.⁷

CUB proposes that PGE forecast the non-PPA portion of Wheatridge using a capacity factor assumption that is a 50 percent blend of a five-year rolling average and the P50 forecast from the RFP for ten years after the commercial operation date.⁸ CUB supports its specific proposal, in part, based on principles of fairness, noting that PGE will make millions of dollars of profit over the life of the project from the owned portion of Wheatridge, while customers will bear the risk that the benefits articulated in PGE's cost containment screen may not materialize.

AWEC proposes a different mechanism to capture and address future risks. AWEC states that the Commission should hold PGE to its promise of economic net benefits for customers by adopting a mechanism that would defer, for potential later recovery, the differences between expected revenue requirement and actual revenue requirement, taking into consideration both capital costs and power cost benefits. AWEC proposes that the Commission match the revenue requirement for Wheatridge in 2021 with the estimated costs and benefits from the RFP process for that year, and that this be done over time for future years as well. Under AWEC's proposal, PGE would record the difference between the forecast revenue requirement and actual revenue requirement as a regulatory asset, and then PGE could recover that asset in the future, after estimated benefits materialize, or else it would be subject to a disallowance of those amounts to the extent the forecast benefits failed to materialize.⁹

PGE responds that all three proposals increase PGE's overall risk profile outside of a general rate case proceeding and fall outside the scope of the conditions outlined in our acknowledgement of PGE's revised IRP in Order No. 18-044, the RFP design approved via Order No. 18-171, and the intent and design of the RAC.¹⁰ PGE states that the proposals are contrary to the IRP process and approved RFP, which PGE fully addressed and complied with. PGE argues that the parties' references to PacifiCorp's proceedings as support for their proposals are not relevant to PGE's circumstances.¹¹

⁶ Staff/400, Storm/18.

⁷ Staff/400, Storm/21-22.

⁸ CUB/200, Gehrke/8-9.

⁹ AWEC/100, Mullins/22-26.

¹⁰ PGE/600, Armstrong-Batzler/7.

¹¹ PGE/600, Armstrong-Batzler/15.

PGE adds that Staff, CUB, and AWEC are all seeking a radical change in the current regulatory construct in isolation, and that their proposals would result in an unjustified requirement that PGE extend its capital to ensure specific rate making outcomes. PGE argues that if such a proposal were to be adopted, it would be necessary to review PGE's return on equity requirements in order to reflect this substantially increased risk to the company. PGE further argues that it is inappropriate to recommend PGE adjust its overall project risk profile at the conclusion of a well-documented and prudently executed procurement process in isolation from the review of PGE's risk-weighted return requirements.¹² PGE argues that the parties' proposals are also in conflict with the Commission's prudence standard for ratemaking, and its use of cost-of-service methods for setting rates. PGE also argues that AWEC's proposal might arguably be inconsistent with ORS 469A.210(2)(a), which provides that renewable resource costs associated with the RPS are recoverable in a timely manner under an automatic adjustment clause.¹³

PGE also contends that its justification for acquiring the Wheatridge facility was not based solely on its ability to provide economic benefits to customers over the long term. Rather, PGE argues, the economics of Wheatridge were but one consideration in the process, which included an analysis of capacity contribution under a variety of circumstances.

PGE faults Staff's and CUB's proposals on procedural grounds as well, noting that Staff and CUB did not make specific proposals in their first round of testimony, and contending that their actions in raising the proposals in later testimony deprived PGE of a fair opportunity to respond.¹⁴ PGE also argues that Staff and CUB are seeking to address an issue that they and AWEC had previously agreed, by stipulation in PGE's power cost docket, could be addressed only in the Company's next rate case.¹⁵

2. Commission Resolution

Although we generally agree with Staff, CUB, and AWEC that our regulatory approach to risk allocation should be modified where estimated and difficult-to-predict future conditions play a large role in the justification for a resource acquisition, we decline to adopt any of the specific mechanisms proposed by the parties in this case. In our resolution, we first explain the reasons why we are inclined to modify our regulatory

¹² PGE/600, Armstrong-Batzler/11.

¹³ PGE/600, Armstrong-Batzler/16, 18.

¹⁴ PGE/600, Armstrong-Batzler/9.

¹⁵ *In the Matter of Portland General Electric Company, 2020 Annual Power Cost Update Tariff*, Docket No. UE 359, Order No. 19-329 at 2 (Oct 3, 2019). "[T]he stipulating parties agreed that they would not propose any changes to PGE's wind forecasting methodology until its next rate case..."

approach going forward, and then explain why we do not adopt adjustments for the Wheatridge facility in this case.

a. Wheatridge and Related Trends in Resource Acquisition

PGE's acquisition of Wheatridge was justified in the IRP and RFP processes on grounds that are unique in significant ways. The acquisition of the Wheatridge project was timed such that it would come online earlier than capacity needs or RPS requirements demanded, and it was justified at least in part on the basis that acting early to pursue a lower cost, tax-advantaged renewable resource would benefit customers over the long term that PGE evaluated in the IRP and RFP.

This acquisition reflects a recent trend. Since PGE's 2016 IRP, utility IRPs have continued to present early additions of tax-advantaged renewable resources as a way to supply near-term capacity and energy at the lowest long-term portfolio cost. Relying on long-term projections of energy and federal PTC value and market conditions, IRPs have increasingly presented new renewable resources to supplant short-term resource strategies, such as front-office transactions, that may otherwise be available to meet demonstrated capacity needs, or to meet near-term capacity needs with greater resource quantities of lower capacity value resources whose projected energy and PTC value lowers portfolio costs.

This trend has significant impacts on our regulation of electric utilities. First, it involves a new level of reliance on long-term forward market price projections and fine-grained projections of resource performance as well as uncertainty about whether resource acquisition will benefit customers. Customers pay for resources whose ultimate value depends to a much greater degree on whether the fixed price customers pay for the resource will be lower than the future price of serving load with market power in the hours the resource can generate. In some cases, value may even depend on the revenues that can be achieved from selling excess energy into the wholesale market. In a real sense, acquisitions of this type represent some level of speculation on customers' behalf.

This fact puts new pressure on our processes by forcing the Commission to review resource acquisitions where the ultimate economic value and cost of the resources is unclear, and dependent on future market prices and the resource's specific performance profile that are difficult, if not impossible, to precisely predict. The value of such resources can also be affected by future changes in the depth or liquidity of the market,

which is influenced by other entities' resource acquisitions, and changes in the structure of the market itself.¹⁶

Under these circumstances, parties and the Commission struggle, for example, with whether an IRP should be acknowledged if it proposes an acquisition that reflects these increased uncertainties regarding ultimate customer impacts. Similarly, parties and the Commission struggle in the RFP process, where these concerns over uncertainty of the resources' costs and benefits arise again, and are compounded by questions about customers' appropriate role in backstopping the performance of utility-owned resources when performance risks are presumably priced into power purchase agreement bids. Additionally, in both of those processes, timing pressures driven by issues such as expiring PTCs can make it difficult to fully explore even the information and analysis that can be had around expected future conditions.

We understand that the proposals from Staff, CUB, and AWEC are all intended to represent a logical and reasonable approach to this new trend and the associated increased uncertainty and regulatory challenges. We appreciate the parties' efforts to develop and vet their proposals through this process. Any of these proposals may be helpful in preventing the consequences of enumerated risks from falling entirely on customers in situations where the utility may be in the best position to take actions to mitigate those risks through the procurement process and in operation of the resource.

CUB's and Staff's proposals would lock in resource output assumptions based upon PGE's performance forecast in the RFP. These proposals would operate to hold PGE accountable for performance forecasts for a utility-owned resource by protecting customers from the downside risk of unrealized performance benefits, while also providing PGE an economic incentive if it outperforms its forecasts. Their proposals are, on the other hand, somewhat conservative in mitigating risks of forecast benefits from the market, since they do not take into account changes in the pricing or depth of the wholesale market from those that were assumed when the resource was acquired. AWEC's proposal, while more complicated, represents a more holistic approach to dealing with uncertainty, by ensuring that the expected benefits are realized (almost regardless of the cause of any deviation) before allowing for full cost recovery.

We find that these types of proposals are important to consider as methods for dealing with this new trend in resource acquisitions, and the implications for customer risk and our regulatory processes. Each party's proposal contains elements that are likely useful

¹⁶ In the future, the current bi-lateral wholesale market hub construct may be supplanted by locational marginal pricing in a security-constrained economic dispatch model, whether through utility specific protocols or through expansions of regional markets. This transition adds to the uncertainty when the value of projects to customers is highly dependent on market price projections.

in developing the right balance in any particular case. For the reasons described below, however, we decline to adopt any of them at this time for the Wheatridge facility.

b. Regulatory Processes Surrounding Wheatridge

Although we find merit in these proposals going forward to respond to the issues and challenges discussed above, we decline to impose a change with respect to the Wheatridge facility in this case. PGE fully engaged in our regulatory processes leading up to its acquisition of Wheatridge. PGE's IRP process took place over a significant span of time, during which its resource acquisition approach was modified and refined. In response to our doubts, expressed in Order No. 17-386, whether PGE's proposal to pursue an RFP for 175 average megawatts (MWa) of new renewable energy resources by 2020 was a least-cost, least-risk action to achieve the 2040 renewable energy target required by the RPS, the company engaged with stakeholders over a three-month period and addressed concerns raised, including long-term uncertainties, incrementalism, near-term cost impacts, and overall cost effectiveness. PGE's revised plan to acquire approximately 100 MWa of renewable energy resources also included a cost containment screen within the RFP and a commitment to return the value of RECs procured before 2025 to customers. We acknowledged this plan, with certain conditions, in Order No. 18-044. In Order No. 18-145, we adopted the Staff recommendation to acknowledge PGE's 2016 IRP update, which stated that the 2016 IRP update met the IRP guidelines and described what actions have been taken to implement the IRP action plan.

Consistent with PGE's acknowledged 2016 IRP, we then opened docket UM 1934 to consider PGE's 2018 RFP for the acknowledged renewable resources. In Order No. 18-171, we approved, with modifications and guidance, the draft RFP. PGE subsequently issued its RFP seeking approximately 100 MWa of long-term renewable energy supply, bundled with associated RECs. Although there were some concerns expressed throughout that process, and a time crunch due to a short window of time to acquire PTC-eligible resources before that tax credit began to phase out, PGE ultimately presented a short list of projects that included the Wheatridge facility, which we acknowledged in Order No. 18-483.

We find that PGE's engagement throughout this process, the efforts of the parties, and our ultimate determinations are best characterized as a good faith effort to wrestle with a unique resource acquisition opportunity under important time constraints. Through the IRP and RFP process, PGE addressed some of the important structural challenges we describe in this order. We find that through PGE's engagement throughout the IRP and RFP process, our expressed concerns with long-term customer risks were addressed in numerous ways by the company, importantly through a change in the proposed size of the resource and responsive changes to PGE's RFP. We find this proactive engagement to

minimize customer risks through the IRP and RFP process to be sufficient enough that a risk-sharing mechanism is not necessary at this time, without data that demonstrates PGE's performance as compared to its forecasted benefits.

c. Future Approach to Risk Allocation - Wheatridge

Although we decline to impose any of the parties' proposed cost recovery restrictions at this time, we intend to closely monitor the performance and economic impact of Wheatridge on customer rates, and reserve our authority to make adjustments to rates that are necessary in order to ensure that customer rates are just and reasonable.

In the specific case of Wheatridge, we prefer, for the reasons stated above and if facts develop around significant deviations from expected benefits, to make appropriate adjustments with the benefit of those facts rather than through adopting a forward-looking mechanism, such as those proposed by the parties. At this stage, we have no evidence that PGE's investments will not perform to provide forecasted customer benefits, and we have found that PGE has sufficiently reduced customer risks so that such a mechanism is not necessary in the absence of that data. In the future, if circumstances were to arise that pointed to performance that did not realize PGE's forecasted customer benefits, however, we could impose an appropriate adjustment at that time, with the benefit of a review of the facts associated with that deviation. Such circumstances could arise, for example, with respect to PGE's ongoing operation of the facility, or its actions with respect to how it engages in the wholesale market with the output of the resource. Such circumstances could also arise, hypothetically, if significant departures from forecast benefits were to occur.

In order to assist us and the parties in an appropriate ongoing review of the Wheatridge facility, we direct PGE to file a report with its annual power cost filings, detailing the performance of the Wheatridge facility, compared to the estimated performance that was used to justify the acquisition of the project. This report should include information that allows transparency into whether the expected benefits and costs to customers over time are similar to those originally projected, and should include an evaluation of expected and realized PTCs, project output and capacity, and revenue requirement, including ongoing operating and maintenance costs. The report will help us assess what factors may cause a deviation from forecast costs and benefits and will assist us in determining whether any adjustments based on the just and reasonable standard are warranted. We direct PGE to work with Staff and the parties to this proceeding on the format and particulars of the report, and any challenges in providing the information specified.

d. General Observations on Risk and Cost Recovery

We find that risk allocation is an important consideration with respect to resources that are justified, in significant part, on assumptions about future conditions that are highly uncertain (such as future wholesale market prices, depth, and structure).

Although our IRP and RFP processes have historically not included consideration of risk allocation or our likely approach to future rate proceedings, we have recently found it necessary to introduce such considerations. In Order No. 18-138, issued in PacifiCorp's 2017 IRP docket, we described our acknowledgment as conditional, and provided statements regarding cost recovery limitations and risk allocation that we indicated could be imposed on the resources that were acquired pursuant to PacifiCorp's proposed action plan.¹⁷

In IRPs and RFPs since, parties have pushed back on discussions about rate impacts and cost recovery as part of the IRP and RFP processes. We recognize that IRP and RFP processes may not be an appropriate forum for detailed review of cost recovery mechanisms, but we reaffirm that considerations of risk allocation may be relevant to our acknowledgment decisions and consistent with the IRP guidelines' mandate that "risk and uncertainty must be considered."

In all IRPs and RFPs, we expect customer rate impacts and risks associated with a preferred portfolio of resources to be identified and well understood, and we expect utilities to engage in discussion of portfolio alternatives to mitigate customer risks, as PGE did here. In instances where an appropriate consideration of such risks is not made, or for some reason is unable to be satisfactorily completed before action must be taken on the IRP or RFP, we may decline to acknowledge utilities' proposed actions or may make clear that its acknowledgment has limited significance with respect to future consideration of cost recovery methods that will be applied to a resource, including

¹⁷ *In the Matter of PacifiCorp, dba Pacific Power, 2017 Integrated Resource Plan*, Docket No. LC 67, Order No. 18-138 (Apr 27, 2018) at Appendix A 40-41. "The risk of proceeding with the Energy Vision 2020 projects remains with PacifiCorp unless and until the Commission completes a prudence review and approves cost recovery of these resources in rates. Recovery may be conditioned or limited to ensure customer benefits remain at least as favorable as IRP planning assumptions. For uncertainties that will be resolved by the time of the projects' commercial operation date (pre-COD risks), we acknowledge the projects only insofar as customers do not bear the risk of construction cost overruns, delays or other factors that impact PTC value, or project costs and expected capacity factors that are less favorable than the assumptions presented in the IRP. For uncertainties that may persist beyond project commercial operation date (post-COD risks), such as project performance, tax policy changes, and resource value relative to market, we will carefully scrutinize the net benefits during future shortlist acknowledgement, IRP Update filing, and rate recovery proceedings. We intend to ensure that customer risk exposure is mitigated appropriately, and recovery may be structured to hold PacifiCorp to the cost and benefit projections in its analysis."

methods like the regulatory asset method that AWEC advanced here. Under this approach, a utility will be put on notice ahead of time that its resource acquisition may entail additional capital cost recovery risks.

We recognize that new considerations will continue to arise within the landscape surrounding resource planning and procurement. Emerging issues like the role of greenhouse gas reduction targets and the further development of organized wholesale markets may further inform how we consider risk on behalf of utility customers.

C. REC MONETIZATION

As noted above, PGE recognized that procuring a renewable resource prior to the expiration of available federal PTCs would reduce future RPS compliance costs while contributing to near-term energy and capacity needs. To further reduce the costs associated with near-term renewables, PGE committed to return to customers the value associated with RECs procured prior to 2025 through its revised renewable action plan.

1. Positions of the Parties

PGE proposes to monetize Wheatridge RECs by selling RECs generated through December 31, 2024, to residential and small commercial voluntary renewable portfolio options customers under Schedule 7 and Schedule 32. PGE offers that this will reduce the near-term cost impacts of the Wheatridge facility, consistent with the Revised Addendum to PGE's 2016 IRP.

PGE asks that we approve PGE's plan for REC monetization as proposed in its Revised Renewable Action Plan, including the sale of the RECs that reflect the earlier, pre-2021 in-service date. PGE cites the time sensitivity and the need to supply the voluntary REC programs before 2021. PGE also states that these RECs provide additional value because they are local, support additionality and are Green-E certified.¹⁸ The PGE proposal provides for a fixed, non-escalating price for five years and a substantial volume of RECs compared to typical market bid/offer volumes.¹⁹

Staff asks that we reject PGE's request and instead open a docket to investigate mechanisms to return value to customers, if RECs generated from RPS-eligible resources are not retained or used for RPS compliance. Staff explains that PGE has provided no evidence that Wheatridge-generated RECs are highly valuable for use in supplying its

¹⁸ The Center for Resource Solutions manages a clean energy certification program which, using the Green-e trade name, certifies energy that is marketed from new facilities. RECs are among the Green-e certified renewable energy options offered to a variety of customers.

¹⁹ PGE/100, Armstrong –Batzler/20, 22.

voluntary programs. Staff argues that the Wheatridge RECs' values are not above and beyond what ratepayers already paid for and had access to and are therefore not worth the price proposed by PGE.²⁰ Staff cites ORS 469A.140(3)(c), which allows RECs associated with the first five years of generation from facilities that become operational between March 8, 2016 and December 31, 2022 to be banked and carried indefinitely for the purpose of complying with a renewable portfolio standard.²¹ Since Wheatridge is expected to enter service in 2020, Wheatridge RECs would be allowed to be banked and carried indefinitely, as they are "golden RECs" under ORS 469A.140(3)(c). Staff argues that since Wheatridge RECs have an infinite life and therefore a unique value, they should be retained until a means to give full value to customers is determined.

CUB notes that it represents customers who participate in the voluntary renewable portfolio options plans and supports PGE's REC proposal, concluding that it is better to capture the benefit now, rather than to hold RECs for the uncertain future. CUB also proposes to adjust the value of the RECs to account for the large volume of RECs that would be purchased by portfolio options customers. CUB states that PGE has indicated its willingness to consider such an adjustment.²² CUB disagrees with Staff's view that there should be a separate investigation, as RECs were specifically addressed as part of the IRP order.

AWEC argues that PGE should bank these RECs, impute a value to them, and offset PGE's rate base by the total value of these RECs, in order to recognize the timing difference between when customers purchase these RECs and when they are used for customer benefit. AWEC rejects PGE's analysis showing that 100 percent physical RPS compliance is a lower cost RPS compliance path than using banked RECs to defer future resource additions.²³

In response, PGE argues that monetizing Wheatridge RECs through 2024 reduces near-term cost impacts and provides value directly to customers, which is the general principle that all parties advocate. PGE also responds that renewable portfolio options customers receive high quality, local RECs at no additional cost and notes that CUB supports its view on REC monetization, subject to a slight modification to reflect the volume of RECs generated by Wheatridge. Furthermore, PGE states that it does not make sense to bank RECs for future use as Staff and AWEC advocate, because PGE already has a substantial existing bank of approximately 9.6 million golden RECs for hedging purposes,²⁴ and

²⁰ Staff/500, Moore/9-10 citing CUB/100, Gehrke/5-7.

²¹ Staff/200, Moore/5.

²² CUB/200, Gehrke/13 citing PGE/300, Armstrong-Batzler/25, lines 15-17.

²³ *Id.*

²⁴ PGE/600. Armstrong-Batzler/22.

there is little likelihood that increasing the already robust REC bank will be beneficial to customers at a later date.²⁵

2. *Commission Resolution*

We adopt CUB's proposed modification to PGE's REC monetization program. In acknowledging PGE's RFP, our priority with respect to the anticipated generation of Wheatridge RECs has consistently been to maximize the benefit of the investment to customers, even as there was uncertainty as to how best to capture the value associated with those RECs. Reducing the risks associated with the potential benefits is integral to these efforts. While there will always be unknowns with respect to PGE's future REC needs and the costs of physical RPS compliance versus REC purchases to meet RPS compliance, we find that PGE's effort to hedge against future needs via its current bank of RECs acts as a significant buffer and helps to counter-balance any potential future value of the Wheatridge RECs to PGE, when compared to returning the value to customers immediately, as proposed by PGE and CUB. We also conclude that CUB's proposal to apply a volume sensitivity factor to PGE's REC pricing will benefit both portfolio options customers and ratepayers by stimulating market transaction activity. We therefore adopt CUB's proposed modification to PGE's REC monetization program and decline to adopt Staff's proposal to open an investigation to determine a new mechanism to return Wheatridge's REC value to customers. We note that PGE indicated a willingness to discuss CUB's proposal. Accordingly, we direct the parties to review and negotiate a modified REC value consistent with CUB's proposal.

We recognize that there are a significant number of interrelated issues concerning voluntary customer commitments that Staff would like to reconcile, and we appreciate Staff's ongoing work to do so. In approving a modified version of PGE's proposal for Wheatridge RECs, we do not intend to approve of this particular treatment as a precedent or template. In fact, we share many of the larger concerns Staff expresses. We simply conclude that returning REC value from Wheatridge was largely decided as part of the 2016 IRP, and on the whole the proposal as modified is reasonable enough to put this issue in the past and focus any Staff investigation on emerging issues.

V. ORDER

IT IS ORDERED that:

1. Portland General Electric Company is authorized to recover the revenue requirement for the Wheatridge Renewable Energy Facility via Tariff Schedule

²⁵ PGE/600, Armstrong-Batzler/23.

122 in a manner consistent with the terms set forth in Order No. 20-279, Appendix A, and must file tariffs consistent with this order no later than October 3, 2020, to be effective on October 5, 2020, or the date that a PGE executive attests that the Wheatridge facility has been placed into service, whichever comes later..

2. Advice No. 19-34 and supplemental filing of Advice No. 19-34 are permanently suspended.
3. A PGE shall file an attestation that the Wheatridge facility is in service before the Wheatridge renewable facility is reflected in rates.
4. Commencing with its next AUT, Portland General Electric Company shall file a report as outlined in this order. PGE is directed to engage with Commission Staff and the parties to this docket on the format and particulars of report.
5. These dockets are closed.

Made, entered, and effective Sep 29 2020.

Megan W. Decker

Megan W. Decker
Chair

Letha Tawney

Letha Tawney
Commissioner

Mark R. Thompson

Mark R. Thompson
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.