

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2202

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY and QTS INVESTMENT
PROPERTIES HILLSBORO, LLC,

Joint Petition to Increase Green Tariff
Customer Supply Option Capacity.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 14, 2021, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.



BY THE COMMISSION:

A handwritten signature in blue ink, appearing to read "Nolan Moser".

Nolan Moser
Chief Administrative Law Judge

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 Circuit Court for Marion County in compliance with ORS 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 14, 2021**

REGULAR X **CONSENT** **EFFECTIVE DATE** **N/A**

DATE: December 6, 2021

TO: Public Utility Commission

FROM: Madison Bolton

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2202)
PGE and QTS Investment Properties Hillsboro, LLC. Joint Petition to
Increase GEAR Tariff Customer Supply Option Capacity.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) and QTS Investment Properties Hillsboro, LLC's (QTS) joint petition to authorize 250 megawatts (MW) of additional renewable energy nameplate capacity in the Customer Supply Option (CSO) portion of PGE's Green Energy Affinity Rider (GEAR) program.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (OPUC or Commission) should approve PGE and QTS's petition to increase Customer Supply Option Capacity in PGE's GEAR Tariff.

Applicable Law

House Bill (HB) 4126 (2016) directed the Commission to conduct a study to consider the impact of allowing electric utilities to offer Voluntary Renewable Energy Tariffs (VRETs) to their non-residential customers. Upon the conclusion of the study and in consideration of five factors set forth in the bill, the Commission was also charged with determining whether, and under what conditions, a VRET would be in the public interest. The Commission ultimately concluded that a VRET could be in the public

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interest, subject to nine conditions and approved Phase I of PGE's proposed Green Energy Affinity Rider (GEAR) program in March 2019.¹ Phase I of PGE's program was capped at 100 MW on the PGE Supply Option (PSO) and 200 MW for the Customer Supply Option (CSO). Between the PSO and CSO, the Phase I capacity represents roughly 100 aMW of the overall program cap of 300 aMW for PGE pursuant to VRET Condition 4.

In Order No. 21-091, the Commission approved Phase II of PGE's GEAR program, subject to updated VRET conditions as established therein. For Phase II, the Commission approved a 200 MW expansion of PGE's current offering, placing the total program capacity at 500 MW or roughly 160 aMW of the 300 aMW cap.² PGE committed to provide portfolio analysis before expanding its VRET program to 500 MW,³ and ahead of any expansion. The Commission adopted PGE's proposal to initiate any future expansion of the program with a filing that would be discussed and decided upon in a public meeting no later than 90 days after its submission to the Commission.⁴ This timing was intended to provide Staff and stakeholder review for consistency with the Commission's orders and nine VRET conditions, as well as examination of PGE's analysis of the expansion's effect on its IRP and its current and planned portfolio of resources.⁵

VRET Condition 7 permits utility ownership of VRET resources with requirements related to cost recovery and sharing of benefits between shareholders and customers.

Background

On September 17, 2021, PGE and QTS jointly filed to approve additional renewable energy capacity in the Customer Supply Option (CSO) portion of PGE's GEAR program.⁶

QTS is currently a new load direct access (NLDA) customer and provides data center co-location services for its clients, many of which have large renewable energy targets or goals. The customers at QTS' Hillsboro facility, such as Facebook, require a significant amount of capacity to meet their corporate renewable energy commitments.

¹ *In re Portland General Electric*, OPUC Docket No. UM 1953, Order No. 19-075 (Mar. 5, 2019).

² *In re Portland General Electric*, OPUC Docket No. UM 1953, Order No. 21-091 at 9 (Mar. 29, 2021).

³ *Id.*

⁴ Order No. 21-091 at 16.

⁵ *Id.*

⁶ The initial petition filed under docket no. UM 1953 was eventually withdrawn and refiled under UM 2202. PGE's GEAR program is offered under Schedule 55 and consists of the CSO and the PGE Supply Option (PSO), the main difference being that the CSO allows certain qualifying customers to bring their own renewable energy resource to the GEAR program, as opposed to PGE finding the resource as is the case with the PSO.

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To meet this demand, QTS plans to utilize its portion of NLDA combined with PGE's GEAR offering. However, this strategy requires more GEAR program capacity than is available under Phase II.

In an attempt not to prevent other customers from accessing the Phase II capacity, the proposed additional 250 MW of nameplate capacity for QTS would be in addition to the currently authorized 500 MW program cap established in Phase II, resulting in an overall program size of 750 MW. This capacity increase would not exceed the total 300 aMW VRET cap.

As part of its filing, PGE submitted IRP sensitivity analysis of the proposed CSO expansion. The analysis indicates that the 200 MW of Phase II and additional 250 MW requested in this petition will reduce PGE's net market shortage by approximately 52-124 aMW and reduce PGE's capacity need by 18-65 MW.⁷ PGE did not propose to change the participant crediting methodology previously approved by the Commission.

As of the time this memo was published, QTS has not identified a CSO resource for PGE's consideration in the program. QTS has indicated that it will not consider a PGE-owned or PGE-affiliate owned resource as the supplier for this particular project.⁸

Stakeholder Comments

On October 20, 2021, Staff held a workshop with stakeholders to discuss its review, gauge positions and learn about any additional potential issues. Some parties expressed concerns with the possibility of PGE owning the additional 250 MW renewable energy project. At the workshop, Staff noted that if PGE ownership was going to be considered, additional process would be required in order to work through the VRET requirements of utility-ownership, and asked for feedback on whether an initial decision from the Commission on the expansion of the Phase II cap should occur without the benefit of knowing the underlying resource. Staff also encouraged parties to file comments regarding PGE's proposal.

Renewable Northwest supports the petition as it promotes further adoption of green energy resources and helps achieve recent legislative direction codified in Governor Brown's Executive Order 20-04 and HB 2021.

NIPPC does not oppose the joint petition from QTS and PGE, noting a "desire to avoid jeopardizing business commitments entered into by third parties."⁹ However, NIPPC

⁷ UM 2202 Initial Application at 10 and Attachment 1.

⁸ QTS Letter to UM 2202 Parties and Staff (November 4, 2021).

⁹ Comments of Northwest and Intermountain Power Producers Coalition, filed November 16, 2021, in Docket No. UM 2202.

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requests a similar 90-day review for potential expansion of Direct Access programs. Staff appreciates NIPPC raising competitive issues and looks forward to considering this suggestion in UM 2024.

Calpine Solutions filed comments in support of the petition due to the fact that the overall project, which includes NLDA load served by Calpine, relies on the approval of this petition to move forward.

Mayor of Hillsboro, Steve Callaway, filed comments in support of the petition noting the economic impact of the project for the city and surrounding area.

Staff Analysis

Staff reviewed PGE's and QTS' joint petition to increase the GEAR program CSO cap to accommodate QTS' demand for 250 MW of GEAR.

Staff analyzed the petition for compliance with the Commission's VRET conditions while also considering important competitive and customer protection issues, including the timeline of past tranches in PGE's VRET, the size of this expansion compared to the overall capacity cap, QTS' project timeline, and project ownership. Since the renewable resource has not yet been identified, Staff examined factors related to PGE and QTS' preparedness for the costs and risks of this program, as well as the impact to cost of service customers. The capacity expansion remains within PGE's overall VRET cap of 300 aMW and Staff believes this does not present an unreasonable level of risk for over procurement or cost shifting. With QTS' additional load, PGE reduces its capacity need by 18-65 MW, but remains an energy net market purchaser as displayed in the IRP analysis provided in the joint petition filing.

Staff questioned how battery storage would impact PGE's IRP analysis and did not find initial cause for concern related to the overall VRET cap. However, a more thorough analysis should be conducted when QTS identifies a renewable project. Staff explains their recommendation on battery storage later in this memorandum.

Staff's review also raised the issue of whether an increase to the participation cap to accommodate a specific customer in the CSO program should be considered without the CSO resource being identified, including whether the resource may be PGE-owned given the lack of certainty with how a utility-owned resource would be treated in a VRET.

On November 14, 2021, QTS' representative filed a notice stating that PGE and any affiliate of PGE will not be considered for supplying the 250 MW of CSO renewable energy given the timeline necessary for such approval and the need to move more

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quickly on the resource. QTS maintained that the amount of time required to investigate PGE-owned resources in the CSO is not feasible for its development timeline.

Staff recommends that the Commission approve the 250 MW capacity expansion prior to QTS' identification of a CSO resource. QTS has indicated that Commission approval is necessary in order to commence and finalize negotiations with potential resource suppliers. Staff understands that there could be negative impacts on the development timeline, QTS' business reputation, and the project's financial health if QTS is required to enter into project identification and contracting processes prior to Commission approval of the capacity expansion. This approach also means that a future decision regarding approval of the renewable energy resource itself will be necessary. Staff encourages QTS to consider the Commission's approval process of the identified resource in its timeline for procurement.

While Staff recognizes QTS' situation, there are details about the renewable project that need to be identified to make a future decision or approval in this matter. By requesting a capacity expansion before a renewable project is identified, QTS takes on a level of risk regarding the timeline of future Commission decisions on the renewable resource type. Staff has identified three topics that will lead to further questions and investigation when the renewable resource has been chosen.

First, QTS and PGE have expressed that battery storage may be considered when identifying the renewable energy project. Staff recognizes the potential public benefit of battery storage, but there are questions that still need to be investigated regarding how storage applies to the overall cap and its impact in an integrated resource plan. Given that on-site storage would likely not change the amount of energy generated but instead alter the generation profile to better meet demand, Staff's initial recommendation is that the cap calculation reflect the risks to COS customers and not penalize a project in a way that may provide more benefits overall.

Second, Staff notes that the Commission is continuing to investigate capacity evaluation, crediting methodologies, and forecasting through Docket No. UM 2011. While the current methodology is not intended to change for this particular project, Staff will continue to evaluate the current methodology compared to what is identified as best practices. Staff also notes that there is limited data to evaluate how earlier tranches in the VRET are performing compared to the forecasting methodologies. Capacity evaluation will be considered when making Staff recommendations on a renewable energy resource project.

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Third, the resource may require a waiver of the Commission's Competitive Bidding Rules (CBRs) as set forth in Order No. 21-091.¹⁰ In PGE's waiver request, PGE must provide its proposed process and review criteria and all interested parties will have the opportunity to comment upon the specific aspects of the waiver requests as they are tailored to the specific circumstances of the VRET offering.

Finally, Staff notes that PGE-ownership of VRET resources requires additional detail and review of a PGE-specific proposal, which will take time. Staff understands that PGE ownership is not under consideration for the resource sought under this petition; however, Staff takes this opportunity to continue to encourage PGE to consider proposing an ownership structure prior to the need to request approval of a specific GEAR resource or offering.

Conclusion

Staff recommends the Commission approve PGE's and QTS' petition to authorize 250 MW of additional renewable energy nameplate capacity in the CSO of PGE's GEAR program, while acknowledging there will be future review, discussion, and Commission decision when the renewable energy project resource is identified.

PROPOSED COMMISSION MOTION:

Approve PGE's and QTS' joint petition to authorize 250 MW of additional renewable energy nameplate capacity in the CSO portion of PGE's GEAR program.

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¹⁰ Order No. 21-091 at 17-18.