ORDER NO. 23-060

ENTERED Feb 23 2023

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2225

In the Matter of

PUBLIC UTILITY COMMISSION OF OREGON,

Request to Waive IRP Guideline 1(c) for Pacific Power and Portland General Electric for the First Clean Energy Plans.

ORDER

DISPOSITION: STAFF'S REVISED RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at our February 21, 2023 Regular Public Meeting, to partially waive OAR 860-027-0400(2), the requirement to comply with IRP Guideline 1(c) for PacifiCorp, dba Pacific Power, and Portland General Electric Company, to approve Staff's planning guidance for the first IRPs/CEPs, and to direct PacifiCorp and PGE to consider this guidance in developing each utility's first IRP/CEP. The Staff Report with the recommendation that our order partially modifies is attached as Appendix A.

Made, entered, and effective Feb 23 2023.

Megan W. Decker
Chair

Letha Tawney
Commissioner

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 Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA12

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 21, 2023

REGULAR ____ **CONSENT** _X_ **EFFECTIVE DATE** _____N/A_____

DATE: February 14, 2023

TO: Public Utility Commission

FROM: Caroline Moore

THROUGH: Bryan Conway **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 2225)
Request to waive IRP Guideline 1(c) for Pacific Power and Portland General Electric for the first Clean Energy Plans.

STAFF RECOMMENDATION:

Staff recommends that the Commission grant a partial waiver of OAR 860-027-0400(2), specifically the requirements of IRP Guideline 1.c., for Pacific Power (PAC) and Portland General Electric (PGE), and direct both companies to follow Staff's revised planning guidance for the IRP associated with the first CEP.

DISCUSSION:

Issues

Whether the Commission should grant a partial waiver of OAR 860-027-0400(2), and waive IRP Guideline 1.c. for PAC and PGE, and whether the Commission should direct both companies to follow Staff's revised planning guidance for the IRP associated with the first CEP.

Applicable Rule or Law

Requirements for the filing, review, and update of Integrated Resource Plans (IRPs) provided in OAR 860-027-0400. Per OAR 860-027-0400(2), IRPs must satisfy the requirements of Commission Order Nos. 07-002, 07-047, and 08-339.

In Order No. 07-022, the Commission first adopted guidelines for the development utility IRPs that included Guideline 1.c.:

> *The primary goal must be the selection of a portfolio of resources with the best combination of expected costs and associated risks and uncertainties for the utility and its customers.*
>
> - *The planning horizon for analyzing resource choices should be at least 20 years and account for end effects. Utilities should consider all costs with a reasonable likelihood of being included in rates over the long term, which extends beyond the planning horizon and the life of the resource.*
> - *Utilities should use present value of revenue requirement (PVRR) as the key cost metric. The plan should include analysis of current and estimated future costs for all long-lived resources such as power plants, gas storage facilities, and pipelines, as well as all short-lived resources such as gas supply and short-term power purchases.*
> - *To address risk, the plan should include, at a minimum:*
>
>   *1. Two measures of PVRR risk: one that measures the variability of costs and one that measures the severity of bad outcomes.*
>
>   *2. Discussion of the proposed use and impact on costs and risks of physical and financial hedging.*
>
> - *The utility should explain in its plan how its resource choices appropriately balance cost and risk.*[1]

Under OAR 860-027-0400(1), the Commission may waive any obligations imposed on the utility under this rule upon application by an entity subject to the rule for a showing of good cause. In addition, under OAR 860-027-0000(2), upon written request or the Commission's own motion, any of the Division 27 rules may be waived upon a showing of good cause.

<u>Analysis</u>

Background
Oregon House Bill (HB) 2021 Sections 1–15, codified as ORS 469A.400 to 469A.475, require the state's large investor-owned utilities (IOUs) and electricity service suppliers

[1] See Docket No. 1056, Commission Order No. 07-047, February 9, 2007, Appendix, pp. 1-2.

(ESSs) to decarbonize their retail electricity sales with consideration for direct benefits to local communities. The Commission's first action taken to implement HB 2021 was to open Docket No. UM 2225 Investigation into Clean Energy Plans on January 11, 2022. The UM 2225 investigation focused on identifying near-term guidance that is most needed prior to the first CEPs in March 2023 and resulted in several Commission decisions guiding the development and review of the utilities' first CEPs and associated IRPs.[2]

The Roadmap Acknowledgement work stream of the CEP Investigation focused on the utilities' approach to developing a roadmap of actions to comply with HB 2021's emissions reduction targets and other policies. At the October 4, 2022, Special Public Meeting, Staff proposed seven recommendations which were the result of an intensive process to discuss Roadmap Acknowledgement issues with stakeholders. One of Staff's recommendations, labeled *Topic #5 Continual Progress and IRP Cost/Risk Framework*, recommended a temporary revision of IRP Guideline 1.c., so that PAC and PGE could balance additional, high priority, considerations from HB 2021 in selecting the best portfolio of actions for the IRP and associated CEP. Staff explained:

> *To avoid conflicting priorities between the CEP and IRP, [Staff's original Straw Proposal] incorporated interim modifications to IRP guidance to ensure that the pace of GHG reductions and impacts to communities could be considered alongside cost and risk in the selection of the Preferred Portfolio[…]*
>
> *IRP Guideline 1.c. directs the utilities to make the primary goal of the IRP the selection of a portfolio of resources with the best combination of expected costs and associated risks and uncertainties for the utility and its customer. Staff believes that the best way to implement an updated version of this guidance is to waive it for PAC and PGE on an interim basis and direct PAC and PGE apply the following modified version for the first CEP. Staff plans to file a waiver request following Commission consideration of this recommendation.*[3]

---

[2] See Docket No. UM 2225 wherein Order No. 22-206 requires first CEPs to be filed with next IRP end of Q1 2023; Order No. 22-390 sets expectations for the roadmap of actions in the CEP, community-based resource acquisition targets, and the use of metrics; Order No. 22-446 sets expectations for planning analysis, including modeling scenarios, options for reducing emissions from fossil fuel resources, and data to be included in the first CEPs; Order No. 22-477 adopted Staff's recommendation to move basic procedural rules for the CEP.
[3] Id., Staff Report, September 28, 2022, pp. 15, 17.

Staff's primary goal in making this proposal is to re-orient least cost, least risk portfolio analysis so that it balances the PVRR against the pace of emissions reduction and the impacts and benefits to communities. Staff's recommendation also highlighted priorities for how the utilities will weigh these additional criteria, including:

- An expectation that any GHG reduction pace tested will demonstrate, at minimum, a year-over-year reduction of emissions on an expected basis;
- Recognition that the utilities should weigh emissions reductions based on the current HB 2021 emissions accounting methodology; however, they are not restricted from voluntarily testing GHG reduction paces that go above and beyond the emissions targets identified by the HB 2021 methodology e.g., restrict emissions from utility resources beyond those attributed retail sales under current methods; and
- An expectation that the community benefits indicators developed by the utility for the CEP will factor into the weighing of this balance.

During the October 6, 2022 Special Public Meeting, the Commission expressed comfort with the concepts driving Staff's recommendation and provided a few main points of discussion. First, the Commission emphasized that its near-term CBI guidance is focused on utility reasonable best efforts and the same approach should be applied to using CBIs when weighing the balance between cost, GHGs, and community benefits and impacts.[4] Second, the Commission confirmed that, while some parties advocated for a higher or lower minimum expectation, they are reasonably comfortable with Staff's proposal for the year-over-year emission reduction as a minimum expectation for portfolios.[5] Further, the Commission said that it enables a rigorous conversation about pacing options and emerging technologies.[6] Finally, the Commission recognized that Staff was proposing to "bake" the HB 2021 emissions accounting methodology into this alternative guideline, even as a minimum expectation.[7]

---

[4] Docket UM 2225, October 6, 2022, special public meeting, video recording at 01:01:15 (comments of Chair Decker).
[5] Docket UM 2225, October 6, 2022, special public meeting, video recording at 01:36:55 (comments of Chair Decker).
[6] Docket UM 2225, October 6, 2022, special public meeting, video recording at 01:39:34 (comments of Commissioner Tawney) and video recording at 01:44:15 (comments of Commissioner Thompson).
[7] Docket UM 2225, October 6, 2022, special public meeting, video recording at 01:00:57 (comments of Chair Decker).

As a result of this discussion, the Commission determined that:

> *We are supportive of Staff's approach as described in Topic #5 [...]"Continual Progress and IRP Cost/Risk Framework" but we will wait to approve any interim guidance until after Staff brings it forward in a formal waiver request with respect to IRP guidelines, with refinements to the interim guidelines reflecting the discussion during the Special Public Meeting.*[8]

The remainder of this Staff report provides an updated recommendation to partially waive the rule requiring compliance with IRP Guideline 1.c. and explains why there is good cause to adopt it.

Revised Proposal
Staff appreciates the Commission's thoughtful discussion of refinements during the Special Public Meeting. Staff provides the following update in response to this helpful direction:

Staff recommends that the Commission partially waive OAR 860-027-0400(2), requiring compliance with IRP Guideline 1.c. for PAC and PGE for the 2023 IRP and associated CEP and direct the utilities to apply Staff's revised planning guidance in the first IRP/CEP filing:

> The primary goal must be the selection of a portfolio of resources with the best combination of expected costs and associated risks and uncertainties for the utility and its customers, **the pace of greenhouse gas emissions reductions, and community impacts and benefits.**
>
> - The planning horizon for analyzing resource choices should be at least 20 years and account for end effects. Utilities should consider all costs with a reasonable likelihood of being included in rates over the long term, which extends beyond the planning horizon and the life of the resource.
>
> - Utilities should use present value of revenue requirement (PVRR) as the key cost metric. The plan should include analysis of current and estimated future costs for all long-lived resources such as power plants, gas storage facilities, and pipelines, as well as all short-lived resources such as gas supply and short-term power purchases.

---

[8] Id., Commission Order No. 22-390, as corrected by Order No. 22-470, December 5, 2022, to reflect the intended Staff recommendation (*Topic #5 Continual Progress and IRP Cost/Risk Framework).*

- To address risk, the plan should include, at a minimum:

  1. Two measures of PVRR risk: one that measures the variability of costs and one that measures the severity of bad outcomes.

  2. Discussion of the proposed use and impact on costs and risks of physical and financial hedging.

- **The pace of greenhouse gas emissions reductions should be evaluated, at a minimum, in a manner consistent with the methodology approved by the Oregon Department of Environmental Quality. In testing different paces of GHG emissions reductions, all portfolios should, at minimum, demonstrate year-over-year emissions reductions on an expected basis.**

- **Community impacts and benefits of different portfolios of actions should be evaluated using available interim CBIs developed by the utilities using reasonable best efforts for use in the first CEP.**

- The utility should explain in its plan how its resource choices appropriately balance cost, risk**, and the pace of greenhouse gas emissions reductions, and community impacts and benefit.**

Staff does not intend for this waiver to extend beyond the first planning cycle. Staff expects that a more comprehensive effort to adapt the IRP Guidelines and other key aspects of the utility planning framework to the opportunities and requirements of the modern policy landscape will occur prior to the next round of PAC and PGE IRPs.

<u>Conclusion</u>

Staff finds that there is good cause to grant this waiver request, in light of the discussion at the October 6, 2022, special public meeting, and so that important new considerations from HB 2021 can be weighed against traditional cost metrics in the utilities' upcoming IRPs and associated CEPs, provided the utilities are directed to apply Staff's revised planning guidance set forth above. The revised guidelines make the priorities raised by the Commission, stakeholders, and Staff in the CEP Investigation clear to PAC and PGE before the plans are finalized, while granting flexibility to make best efforts in this planning cycle without delay.

PROPOSED COMMISSION MOTION:

Partially waive OAR 860-027-0400(2), the requirement to comply with IRP Guideline 1.c. for PAC and PGE, and direct both companies to follow Staff's revised planning guidance for the IRP associated with the first CEP.

UM 2225 Waiver