ORDER NO. 24-020

ENTERED Jan 24 2024

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1953

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Green Energy Affinity Rider, Schedule 55, CSO Option, Updates to Rate and Credit Calculations for 140 MW of Phase 1 Capacity and 60 MW of Phase 2 Capacity Due to Renegotiated PPA.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 23, 2024, 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:

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.

ITEM NO. CA7

PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: January 23, 2024

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** Upon Approval

DATE: January 16, 2024

TO: Public Utility Commission

FROM: Madison Bolton

THROUGH: Caroline Moore and Scott Gibbens **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1953)
Green Energy Affinity Rider, Schedule 55, CSO Option, updates to rate and credit calculations for 140 MW of Phase 1 capacity and 60 MW of Phase 2 capacity due to renegotiated PPA.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (OPUC or Commission) approve Portland General Electric's (PGE or Company) rate and credit calculations related to 140 MW of Phase 1 and 60 MW of Phase 2 capacity in its Customer Supply Option (CSO) offering and find that it is in compliance with Order No. 19-075, Order No.21-091, and PGE's Schedule 55.

DISCUSSION:

Issue

Whether the Commission should approve the rate and credit calculations for 140 MW of Phase 1 and 60 MW of Phase 2 capacity in the Green Energy Affinity Rider (GEAR) CSO tranches.

Applicable Rule or Law

ORS 757.205 requires that every public utility file with the Commission all rates, tolls, and charges which are established and in force for any service performed by it within the state. All rules and regulations that affect rates charged or to be charged must also be filed.

Analysis

Background
On April 12, 2018, the Company filed a proposal for its GEAR program, a voluntary renewable energy tariff (VRET). The Commission approved Phase 1 of the GEAR program in Order No. 19-075 under certain conditions, including a designation between a PGE supplied option (PSO) and the CSO.[1] Phase 1 includes a 100 MW cap for the PSO, available to any non-residential customer whose aggregate demand across all retail schedules exceeds 30 kW. It also includes a 200 MW cap for the CSO for customers with demand above 10 aMW.

On March 25, 2020, PGE filed a customer letter of intent in UM 1953 indicating that the entire 300 MW capacity under the GEAR Phase 1 cap was full. PGE requested an increase of 200 MW for Phase 2 of the program. The Commission approved the expansion in Order No. 21-091, with the distinction that 100 MW would be allocated for the PSO and 100 MW for the CSO. Order No. 21-091 also requires that PGE submit rate and credit calculations to Staff for review.

Schedule 55 sets forth the formula used to determine rates for subscribers, and, when the Company enters into a contract with participants in the GEAR, PGE must file the specific rate and credit calculations for review with the Commission. Upon review, Staff makes a recommendation to the Commission at a public meeting regarding compliance with the Company's Schedule 55, Order No. 19-075, and Order No. 21-091.

This memo provides Staff's recommendation on two compliance filings regarding rates and customer agreements filed December 20, 2023. The associated resources are **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** (140 MW) and **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** (60 MW). The Commission previously approved rate and credit calculations for the 140 MW resource in Order No. 21-053, and later approved new calculations for both resources in Order No. 23-035 and Order No. 23-036 to reflect renegotiated power purchase agreement (PPA). The updated rate and credit calculations addressed in this memo are the result of yet another recent renegotiation of the PPA for these resources.

In discussions with PGE, Staff learned that the most recent renegotiations were the result of **[BEGIN HIGHLY CONFIDENTIAL]** [redacted]

[1] The CSO allow certain qualifying customers to bring their own renewable energy resource to the GEAR program, whereas PGE finds the resource in the PSO.

[redacted] **[END HIGHLY CONFIDENTIAL]**

Rate Calculation and Customer Agreement
Staff has reviewed the credit methodology and rate calculations and finds it complies with the Commission-approved methodology as set forth in PGE's Schedule 55, Order No. 19-075, and Order No. 21-091. PGE utilized the same valuation methodology as previous GEAR resources and performed the cost and credit analysis with the available information at the time the resource was procured. PGE completed the analysis with the energy price curves from the AURORA forecast in PGE's 2021 request-for-proposal (RFP), a forecast of the resource's generation, the most recent cost of capacity data, and an Effective Load Carrying Capability (ELCC) analysis.

The following tables summarize the PPA prices and credit calculations. It also compares the renegotiated PPA to the previous values approved in Order No. 23-035 and Order No. 23-036. Staff notes that while the PPA price and energy and capacity credit **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**, the participant's premium is also **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** than in previous calculations. **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**

[BEGIN HIGHLY CONFIDENTIAL]

[redacted]	Terminated PPA	New PPA
PPA price per MWh	[redacted]	[redacted]
Credit value per MWh	[redacted]	$60.28
Contract Term	20 Years	25 Years

[redacted]	Terminated PPA	New PPA
PPA price per MWh	[redacted]	[redacted]

Credit value per MWh	[redacted]	$60.22
Contract Term	20 Years	25 Years

[END HIGHLY CONFIDENTIAL]

The renegotiated PPA has a longer contract term,[2] which also results in a **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** levelized energy and capacity credit. It is Staff's understanding that the extension of the contract was a strategy to maintain overall resource economics and project viability with little to no impact to COS customers. While the renegotiated PPA has **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** compared to its previous iteration, Staff believes PGE has negotiated an agreement that still benefits customers.

As Staff explained in its previous report in this docket, there are differences between the Company's underlying inputs in the rate and credit calculation and the newest vintage of forward generation curves used in PGE's 2023 Integrated Resource Plan (IRP).[3] Using the newer 2023 IRP curve generally results in a **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**. In reviewing this difference, Staff notes that the previous iteration of these resources' rate and credit calculations used the same underlying inputs as the current calculations. Staff also considered the following information that PGE provided in support of recent GEAR filings:

1) The 2023 IRP curve has not yet been acknowledged by the Commission in Docket No. LC 80.
2) The inputs from the 2021 All-Source RFP have been used recently in the last twelve months to support four separate resource decisions associated with the 2021 All-Source RFP in addition to the additional GEAR program compliance filings approved in Order Nos. 23-035, 23-036.
3) The 2021 All-Source RFP energy curve more closely approximates the current forward Mid-C energy market curve than does the 2023 IRP curve. Furthermore,

[2] While the PPA contract term is five years longer, the subscriber agreement is still only 20 years. The participant will pay for the entire cost of the 25-year PPA premium over the shorter 20-year term.
[3] Staff Report, Docket No. UM 1953, *In the Matter of Portland General Electric Company, Investigation into Proposed Green Tariff*, September 27, 2023.

a third-party market forecast of Mid-C prices from S&P Global Platts values the resource higher than the 2021 RFP values and the 2023 IRP values.[4]

Staff also compared the filings' energy and capacity credit values to similar stand-alone renewable resource bids in the Company's 2021 RFP. The energy and capacity credit values in these filings, $60.28 for the 140 MW resource and $60.22 for the 60 MW resource, are slightly lower than the average bid of $60.94 for resources in the RFP with similar capacity and generation profiles. PGE also noted that many of the projects on the 2021 RFP shortlist did not reach a final contract with PGE due to further price increases.[5] In talks with the Company, PGE reaffirmed that they expect the resources will decrease power costs. However, since PGE did not contract with the majority of the projects and there are not final price points to compare, it is somewhat difficult to make a comparison in this context.

Staff notes that it is typically supportive of VRET resources that reduce overall power costs and enable COS customers to pay less than comparable RFP bids on the Company's shortlist. A benefit of a VRET program is that it enables procurements that would have been too expensive to contract with otherwise or that were unavailable to the utility on its own. However, it is paramount that the VRET customer buy down an appropriate amount of the PPA to ensure COS customers do not end up subsidizing large customers clean energy goals. It is especially important to maintain this standard in the CSO portion of the VRET program because participants are bringing the resource to PGE.

Since the participant identifies the resource in the CSO, PGE begins procurement without the same consideration for the resource's system value and cost effectiveness compared to a PSO resource. Staff is not opposing the procurements discussed in this memo but notes these emerging considerations to ensure COS customers continue to be treated fairly. It will be important to re-evaluate crediting in voluntary programs to account for the unique dynamics in a post HB 2021 market. While the methodology should enable a voluntary product that is still attractive to participants, it must continue to provide protections and value for COS customers. At the current scale and rate of renewable procurement, VRET valuation may be more dependent on factors like resource flexibility or matched products to be effective.

Emerging HB 2021 Considerations
The Commission's consideration of HB 2021 implementation issues across multiple dockets raises some broader questions about the types of voluntary renewable

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[4] PGE Response to OPUC IR 58.
[5] PGE Response to OPUC IR 61.

procurement contemplated in this Schedule 55 agreement. Staff raised the same concerns in its recommendations for PacifiCorp's (PAC) recent procurement under its voluntary Schedule 272 program[6] and for PGE's previous rate and credit calculation filing under the GEAR program.[7] Staff reiterates these concerns below.

A recent Commission decision directly impacting this Schedule 55 agreement is related to the treatment of RECs created at the same time as generation that is reported for HB 2021 compliance. In Order No. 24-002 in Docket No. UM 2273, the Commission determined that a REC does not need to be retired by the Company to report generation as non-emitting for HB 2021 compliance, and the REC can still be retired on behalf of a specific customer. However, in the event a future Commission or court overrules this decision and determines that RECs for HB 2021 compliance must be retired by the Company, this subscriber agreement would lock Oregon customers into a long-term PPA that will not be considered emissions free under HB 2021.

Staff believes that it is important to flag that, while the current Commission's decision provides clarity at this time, there is still some level of risk by entering into a long-term VRET agreement. Staff believes that the best outcome for Oregon customers and VRET participants is to continue to move forward with a shared expectation that, no matter the future policy landscape, PGE and its VRET participants will ensure that the RECs associated with these resources will be retired in a manner that allows the Oregon share of the generation to be reported as non-emitting.

Another HB 2021 consideration for future procurements is how non-emitting resource opportunities are allocated between voluntary and non-voluntary actions. With a limited pool of non-emitting resources and the scale of non-emitting resource needs, it will be increasingly important to consider the role that voluntary actions should play. As noted previously, it will be crucial that the VRET participant's PPA premium is at a level that does not require COS customers to subsidize participant's clean energy goals. One safeguard would be to ensure a participant's premium is at a level that lowers the PPA cost below what the utility identifies in its non-voluntary procurements. Staff is interested in exploring the potential benefits of using voluntary demand to help carry the burden of HB 2021 compliance.

In addition, Staff encourages the Company and its VRET customers to work together to consider products that provide broad value and not just low costs. PGE and its VRET customers should prioritize voluntary actions with high system value and direct

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[6] Staff Report, Docket No. UM 2283, *In the Matter of PacifiCorp, dba Pacific Power Application for Waiver of Competitive Bidding Rules*, August 14, 2023.
[7] Staff Report, Docket No. UM 1953, *In the Matter of Portland General Electric Company, Investigation into Proposed Green Tariff*, September 27, 2023.

emissions reductions value, such as flexible capacity or products that reflect 24/7-matched principles.

Conclusion

Staff recommends that the Commission approve the rates and credit calculation provided in compliance with PGE's Schedule 55 tariff because the Company has correctly used the approved methodologies and has demonstrated that the resource provides value to all customers. While difficult to compare, Staff is encouraged that the energy and credit value is less than the average price for comparable bids in the 2021 RFP.

However, Staff believes that some additional considerations are necessary for future VRET procurements.

First, Staff continues to recommend that the Company consider the most recent forward energy curves, market forecasts, and cost of capacity values available at the time of VRET compliance filings. Staff is concerned that using outdated inputs and practices could pose costs and risks to COS customers in light of changing utility resource needs following HB 2021, market conditions, and resource availability. If PGE uses outdated inputs in crediting calculations without an appropriate reason, it could cause prudency concerns and potential disallowance of cost recovery from COS customers in a power cost proceeding.

Second, Staff also believes that utilities and stakeholders should discuss the implications of new tranches of GEAR procurement and the effects of the 2040 clean emissions target on the design of voluntary renewable energy programs.

Staff is open to investigating these issues further prior to approval of the rate and credit calculations for this Phase if the Commission prefers. However, Staff recommends approval because the Company has utilized the information available at the time of procurement to best update and evaluate the value that this PPA provides to COS customers.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's updated rate and credit calculations related to 140 MW of Phase 1 and 60 MW of Phase 2 capacity in its Customer Supply Option offering and find that it is in compliance with Order No. 19-075, Order No. 21-091, and PGE's Schedule 55.