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March 6, 2020

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301

Re: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY,
2019 Integrated Resource Plan.
Docket No. LC 73

Dear Filing Center:

Please find enclosed the Comments of the Alliance of Western Energy Consumers on Staff's Public Meeting Memorandum in the above-referenced docket.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 73

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, 2019 Integrated Resource Plan.	)))))))	COMMENTS OF THE ALLIANCE OF WESTERN ENERGY CONSUMERS ON STAFF'S PUBLIC MEETING MEMO

I. INTRODUCTION

Pursuant to the Administrative Law Judge's February 5, 2020 Notice, the Alliance of Western Energy Consumers ("AWEC") files these Comments on the Oregon Public Utility Commission ("Commission") Staff's Public Meeting Memo on Portland General Electric Company's ("PGE" or "Company") 2019 Integrated Resource Plan ("IRP"). AWEC commends Staff for a thorough and thoughtful analysis of PGE's IRP and supports the vast majority of Staff's recommendations.

II. COMMENTS

A. Supply-Side Actions

1. The Commission should adopt Staff's recommendation to not acknowledge PGE's Renewable Action Plan.

For the reasons provided in Staff's memo and in AWEC's previous comments in this docket, AWEC agrees with Staff's recommendation that the Commission decline to acknowledge PGE's proposed Renewable Request for Proposals ("RFP"). Instead, if an RFP is an outcome of this IRP, it should be an RFP designed to meet PGE's projected capacity need, which is pursued concurrently with bilateral negotiations for existing capacity resources. AWEC

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does not oppose PGE allowing resources eligible for the renewable portfolio standard ("RPS") to bid into this RFP, but all resources should be evaluated on their ability to meet PGE's capacity need – the only need PGE's IRP identifies – in a least-cost/least-risk manner. As Staff succinctly puts it, "[i]f PTC wind is that beneficial financially, let it compete with all other resources to meet actual needs, like PGE's capacity shortfall in 2025."[1/]

Separate RFPs for capacity and renewable resources are problematic for several reasons. First, even if PGE were able to concurrently run these RFPs and optimize procurement sizes from each at the portfolio level, the bids would be subject to different analysis and, consequently, it would be difficult, if not impossible, to compare the bids across these RFPs on an apples-to-apples basis to determine whether PGE is selecting the least-cost/least-risk *portfolio* of resources. The Commission experienced this problem recently in PacifiCorp's 2017 RFPs for wind and solar resources.[2/] As Utah's Independent Evaluator concluded from those separately conducted RFPs, "it is not possible to determine if the wind-only resources offer the lowest reasonable cost without an integrated resource procurement and evaluation process that also includes solar and potentially other resources."[3/] Consistent with this conclusion, while several stakeholders in PacifiCorp's jurisdictions identified the potential for the resources from the solar RFP to provide greater value to customers than the wind RFP, they were unable to do a truly comprehensive analysis because they were subject to different RFP criteria.[4/] Given that PGE

1/ Staff Memo at 46.

2/ Docket No. UM 1845.

3/ Utah Independent Evaluator Report at 68 (Feb. 2018), available at: https://pscdocs.utah.gov/electric/17docs/1703523/300621IERedacFinRep2-27-2018.pdf.

4/ See, e.g., Wyoming Public Service Commission Docket No. 20000-520-EA-17, Record No. 14781, Redacted Supp. Test. Of Nicholas L. Phillips at 18-19 (March 2, 2018); Utah Public Service Commission Docket No. 17-035-40, Supp. Rebuttal Test. Of Bradley G. Mullins at 18-19 (Apr. 17, 2018).

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has a single need – for capacity – there is no need to run more than one RFP, open to different resources, to meet this need.

Second, as Staff explains, any justification for pursuing RPS resources on their own is far outweighed by the risks to customers from this strategy. Staff notes that this strategy introduces risks of overbuilding, near-term resource performance, and inaccuracies in modeling future conditions.[5/] Nor does the recent extension of the Production Tax Credit ("PTC"), which led to a corresponding one-year delay in the Company's proposed procurement,[6/] enhance PGE's Renewable Action Plan. Rather, it is a vivid illustration of exactly why AWEC opposes this type of resource action. The PTC extension happened to come at a fortuitous time in the procedural schedule of this case, but it just as easily could have happened after PGE had already committed to a resource following an RFP. Indeed, such a circumstance could still happen. The risk of unanticipated future circumstances is magnified when the only justification for a resource acquisition is economics. PGE is the one pushing this action plan, but it is ratepayers who will be on the hook for the risks associated with it.

As Staff notes, the "industry should celebrate the fact that it has reached a point where PGE proposes to add RPS renewable resources as an economic opportunity irrespective of RPS need."[7/] AWEC wholeheartedly agrees. There is no need for PGE to run separate RFPs for RPS and capacity resources because RPS resources can compete on their own merits with other forms of generation in an RFP designed to meet PGE's need to achieve a least-cost and least-risk load/resource balance. Therefore, AWEC supports Staff's primary recommendation that the

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5/ Staff Memo at 29-35.
6/ PGE Final Comments at 4 (Jan. 17, 2020).
7/ Staff Memo at 43.

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Commission not acknowledge PGE's renewable action plan. AWEC could also support Staff's first alternative recommendation that PGE's capacity RFP be modified to include non-dispatchable capacity, if that recommendation also means that PGE does not run a separate RFP only for RPS-eligible resources. While Staff's other alternative recommendation, which allows for a separate RPS RFP but with substantial conditions, is preferable to PGE's proposed action plan, AWEC does not support this alternative because it does not consider a renewable-only RFP to be a least-cost, least-risk decision.

2. <u>The Commission should adopt Staff's recommendation to require PGE to conduct a market import study to inform its capacity needs.</u>

With respect to the capacity RFP, AWEC also supports Staff's recommendation that PGE update its market import assumptions and regularly update its needs assessment before committing to a new capacity resource. When performing this update in the RECAP model, AWEC recommends that the Mid-Columbia and California-Oregon Boarder import capability be modeled on the input tab "Imports", rather than PGE's current practice of modeling the market capability on the input tab "variable generation." PGE has modeled market capability as variable generation using a historical profile of imports. PGE's approach, however, results in a fixed amount of imports in each hour, whether the import capability is needed or not. The fixed profile does not correspond to PGE's peak loads or the hours in which market imports are necessary to serve loads. Accordingly, PGE's method results in virtually no import capability being counted towards its resource adequacy needs since the historical pattern of imports is not indicative of the hours when PGE will need to rely on imports in the future.

In addition to modeling market imports as imports in the RECAP model, AWEC recommends that PGE use the methodology the California Independent System Operator

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("CAISO") uses for establishing Maximum Import Capability ("MIC"). The MIC amount is allocated amongst CAISO market participants and is established in the CAISO tariff section 40.4.6.2.

The CAISO calculates available import capability for each intertie by using historical import schedule data during peak load periods for the prior two years. The CAISO selects the sample hours from these years "by choosing two hours in each year, and on different days within the same year, with the highest total import level when peak load was at least 90% of the annual system peak load."[8/] The CAISO then adds these scheduled net import values for each intertie with unused existing transmission contract rights and transmission ownership rights, averaged over the four selected historical hours, to determine the available import capability for resource adequacy purposes.[9/] AWEC recommends that PGE apply this CAISO methodology for both the Mid-Columbia and California Oregon border markets when reevaluating its resource needs assessment prior to its RFP.

B. RPS Compliance and Banking Strategy

AWEC supports Staff's recommendation that the Commission decline to acknowledge PGE's physical RPS compliance strategy.[10/] As Staff's thorough analysis shows, this strategy results in a massive buildup of RECs in PGE's bank, without any demonstration that these RECs, which are customer property, will ever be used for customer benefit. PGE's argument that 100% physical compliance aligns with the policy objectives of SB 1547 is plainly erroneous, as this legislation continued to allow for REC banking. Indeed, the Legislature

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8/ CAISO Business Practice Manual for Reliability Requirements at 68, available at: https://bpmcm.caiso.com/Pages/BPMDetails.aspx?BPM=Reliability%20Requirements.

9/ Id. at 66-69. Note that this CAISO methodology is currently being considered in a stakeholder process.

10/ Staff Memo at 43-47.

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specified that RECs may be "banked and carried forward [] *for the purpose* of complying with a renewable portfolio standard in a subsequent year."[11/] By forecasting RPS compliance entirely through physical generation, PGE never uses its REC bank for the purpose of complying with the RPS.[12/] Unless PGE uses its REC bank to defer additional RPS resource acquisitions, these RECs become worthless to customers, raising questions about the value customers are receiving from previous RPS resource acquisitions that are currently feeding more RECs into PGE's bank.

AWEC also strongly supports Staff's recommendation that PGE forecast the acquisition of 20% unbundled RECs in future RPS need forecasts and related modeling. As AWEC has noted in prior comments, in its acknowledgement order for the 2016 IRP, the Commission required PGE to "demonstrate it has followed industry best practices for incorporating unbundled REC market projections into its least-cost, least-risk RPS compliance strategy."[13/] PGE has never followed this direction. While it modeled the impact of unbundled RECs on the net present value of its preferred portfolio, PGE has steadfastly refused to forecast the acquisition of unbundled RECs solely based on the assertion that "[f]orward unbundled REC forecasts are not reliable predictors of the cost of unbundled RECs."[14/] PGE has not demonstrated that this mere assertion reflects "industry best practices," and its portfolio analysis incorporating unbundled RECs misses the reason why it is important to forecast them. Assuming the procurement of unbundled RECs delays the need for incremental physical

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11/ ORS 469A.140(3)(a) (emphasis added).

12/ AWEC recognizes that, as a technical matter, PGE does use banked RECs for RPS compliance to avoid allowing RECs of older vintage to expire; but every REC it uses from its bank is then replaced by a newer vintage REC, meaning that the number of RECs in its bank never declines. Thus, the REC bank itself is not used for RPS compliance.

13/ LC 66, Order No. 17-386 at 20-21 (Oct. 9, 2017).

14/ PGE Final Comments at 51.

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generation to meet the RPS, and the farther into the future a physical need arises, the greater the risk of acting in the near term based on a forecasted economic opportunity.

AWEC does have two concerns with Staff's recommendations in this section. First, Staff recommends that PGE model the use of a reasonable amount of banked RECs and points to the Company's modeling from the 2016 IRP.[15] AWEC raised concerns with PGE's REC bank modeling in that IRP and continues to have those concerns.[16] PGE's REC bank modeling in the 2016 IRP was only marginally better than its modeling in this IRP because the Company still shielded a substantial portion of its REC bank from use by imposing a "minimum REC bank" constraint that was designed to ensure that it had enough RECs in the event that three highly unlikely scenarios all occurred simultaneously.[17] PGE was unable to provide any instance in which these scenarios had occurred together in the past.[18] Instead, PGE should model the use of its REC bank to maximize the benefit of these RECs for customers.

AWEC also questions Staff's recommendation to open a contested case to determine how to best return the value to ratepayers from accumulated unused RECs.[19] To be clear, AWEC fully agrees with Staff that this is an important issue to be addressed, but is unsure whether a separate contested case dedicated to this issue is the appropriate process. For one, it would be unclear which party carried the burden of proof in such a case. Rather, other established processes for resolving issues associated with how PGE ensures value to customers from the REC bank may be preferable. This could include a general rate case, or a property sale

[15] Staff Memo at 45.
[16] LC 66, ICNU Opening Comments at 11-14 (Jan. 24, 2017).
[17] Id. at 13.
[18] Id.
[19] Staff Memo at 47.

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application if PGE proposes to sell RECs from its bank. PGE's proposal to provide the value of RECs from its Wheatridge facility is being reviewed currently in Docket No. UE 370.

C. Load Forecast

In prior comments in this docket, AWEC proposed that long-term direct access load be treated as a resource option to reduce supply-side procurement costs for cost-of-service customers.[20/] Staff recommends this issue be explored in Docket No. UM 2024.[21/] AWEC agrees with this, but notes that Staff does not appear to take a position on PGE's request that the Commission modify IRP Guideline 9 to allow it plan for long-term direct access load.[22/] PGE's request is the opposite of AWEC's – rather than reducing future capacity procurements by recognizing that some cost-of-service load will transition to direct access, PGE's proposal would increase future capacity procurements by treating direct access customers like cost-of-service customers for resource acquisition purposes. PGE's request is not least-cost/least-risk for any customer group and should be denied in this proceeding. If not denied outright, though, then at a minimum this issue also should be reserved for consideration in UM 2024.

D. Market Energy Position Analysis

Finally, AWEC agrees with Staff's comments on PGE's Market Energy Position ("MEP") analysis. Staff notes that the MEP "models economic dispatch of PGE's resources" and "caution[s] against the use of the MEP to quantify an energy resource need or deficit."[23/] AWEC agrees with this, as the forecasted economic dispatch of PGE's resources is not equivalent to its energy need.

20/ AWEC Opening Comments at 2-3 & Attachment B at 2-3.
21/ Staff Memo at 50.
22/ PGE IRP at 123-24.
23/ Staff Memo at 54-55.

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AWEC is unaware of any utility that forecasts its energy resource need based on economic dispatch. As Puget Sound Energy's most recent IRP stated, "on an average monthly or annual basis, PSE could generate significantly more energy than needed to meet our load, but it is often cost effective to purchase wholesale market energy than to run our high-variable cost thermal resources."[24/] Similarly, PacifiCorp's 2019 IRP states that "[i]n those periods when system resource costs are less than the prevailing market price for power, PacifiCorp can dispatch resources that, in aggregate, exceed then-current PacifiCorp customer load obligations."[25/] Like PGE, these utilities are not "short to the market" from an energy perspective, but they still purchase from the market when it is cheaper than running their plants, as any prudent utility would do. AWEC has no objection to PGE identifying its likely MEP based on economic dispatch in its IRPs, but it would be a mistake, and would fundamentally change resource planning, if PGE began using this MEP to identify an energy "need."

III. CONCLUSION

AWEC appreciates the opportunity to comment on PGE's 2019 IRP and looks forward to working with the Commission, PGE, Staff, and other stakeholders on the important issues raised in this docket.

24/ PSE 2017 IRP, Executive Summary at P. 1-14.
25/ PacifiCorp 2019 IRP, Executive Summary at P. 17.

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Dated this 6th day of March, 2020.

Respectfully submitted,

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