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December 17, 2019

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 Final Comments of the Alliance of Western Energy Consumers ("AWEC") in the above-referenced docket. Also enclosed as Attachment A to AWEC's comments are the Final Comments of Bradley G. Mullins on behalf of AWEC.

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.	)))))))	FINAL COMMENTS OF THE ALLIANCE OF WESTERN ENERGY CONSUMERS

I. INTRODUCTION

Pursuant to the Administrative Law Judge's November 22, 2019 Ruling, the Alliance of Western Energy Consumers ("AWEC") submits these Final Comments on Portland General Electric Company's ("PGE" or "Company") 2019 Integrated Resource Plan ("IRP").

With all of the complexity associated with PGE's modeling and portfolio development in its IRP, it is easy to forget that an IRP, at its most basic level, is a simple exercise. A utility forecasts its load and matches it with existing resources. If existing resources are insufficient to meet forecasted load, the utility identifies a least-cost, least-risk plan to fill the gap from the universe of potential proxy resources.

Whatever PGE's 2019 IRP is, it is not that. PGE's IRP identifies a single near-term need: capacity. For the reasons discussed in its Opening Comments and herein, AWEC disagrees with the size of PGE's capacity deficit, but leaving this dispute aside for the moment, the important point is that even PGE identifies *only* a capacity need. It has no near-term need for energy or for renewable energy certificates ("RECs") to meet the Renewable Portfolio Standard

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("RPS"). And yet, the request for proposals PGE proposes in its Action Plan is exclusively for RPS-eligible resources, resources it does not need for near-term RPS compliance and which will likely contribute little to filling its capacity deficit.

PGE's IRP is at odds with the fundamental purpose of the Commission's IRP Guidelines, which is the "[s]election of a portfolio that represents the best combination of cost and risk for the utility and its customers."[1/] As Staff recognized in its Opening Comments,[2/] PGE's selection of the Mixed Full Clean portfolio as the "preferred portfolio" is, by the Company's own admission, not "based strictly on the calculated cost and risk metrics," and instead is the result of modeling that included specific constraints designed to both limit and select certain types of resources (emitting and RPS-eligible, respectively).[3/] PGE, in other words, effectively engineered the IRP to preselect desired resources.

The Company's deliverable in this docket raises the question of what the point of the IRP exercise is. PGE is ultimately responsible for its resource decisions,[4/] so if it is committed to pursuing particular types of resources at particular times, regardless of what the analysis shows or any identified need, then it might as well skip the IRP process and go directly to the procurement process. The Commission can then review these resource decisions for prudency in a subsequent rate case. Valuable Commission and party resources will be preserved.

Under the existing structure, the Commission would not be unjustified in simply telling PGE to go back to the drawing board. But short of this, if the Commission is to

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1/ Docket No. UM 1056, Order 07-002 at 12 (Jan. 8, 2007).
2/ Staff Opening Comments at 8-10.
3/ PGE IRP at 194-95.
4/ Docket No. LC 66, Order No. 18-044 at 6 (Feb. 2, 2018).

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acknowledge an Action Plan with any RFP, it should be an RFP for resources that meet the only identified need, capacity. This could be an all-source RFP that includes RPS-eligible resources, but PGE's proposal to limit the RFP – if one is to be issued at all – to resources it does not need is nonsensical and should not be acknowledged. AWEC addresses more specific concerns it has with PGE's IRP and Reply Comments below.

A. The Commission should reject PGE's request to modify IRP Guideline 9 to allow it to plan for long-term direct access loads.

In response to stakeholders', including AWEC's, comments that the Commission should reject PGE's proposal to begin planning for direct access load, PGE's Reply Comments reiterate the same arguments the Company makes in its IRP and in UE 358, its New Load Direct Access ("NLDA") Tariff investigation. PGE's arguments are problematic for several reasons, not least of which is that its position is not based on any evidence, but exclusively on what "PGE believes."[5/] Even though IRP dockets are not contested cases, it is good practice generally for the Commission to make decisions based on evidence, not on beliefs.

PGE's position rests on its assertion that "nothing prohibits ESSs from relying on short-term energy purchases available on wholesale market exchanges, which is an inadequate substitute to capacity planning necessary to support resource adequacy."[6/] As AWEC demonstrated in UE 358, PGE's position on the capacity contribution of short-term markets is at odds with other regional utilities and, therefore, should not be accepted as truth without supporting evidence, of which PGE provides none.[7/] Indeed, even if the Commission agreed

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5/ PGE Reply Comments at 56.

6/ Id.

7/ Docket No. UE 358, AWEC Opening Br. at 18 & Exh. AWEC/303 (Puget Sound Energy 2017 IRP Executive Summary).

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with PGE that short-term markets are less reliable than a long-term commitment to a physical generating resource, it defies logic to conclude that short-term markets provide *no* capacity whatsoever; intermittent wind and solar resources cannot be counted on in any particular hour on a forecast basis, but they still are assumed to contribute some amount of capacity to the system. Yet, that is PGE's position.

Not only is PGE's position on short-term markets contradicted by the actions of other utilities in the region, it contradicts this Commission's previous decisions to acknowledge IRPs that rely on the short-term market to meet capacity as a component of an overall least-cost, least-risk plan. This includes PacifiCorp's 2017 IRP and its 2015 IRP.[8/]

PGE also appears to contradict itself in supporting its proposal to plan for direct access load. The Company argues that "[t]here is an urgent need to commence the planning and procurement for the capacity needs of direct access loads,"[9/] while simultaneously pursuing a capacity acquisition strategy for its cost-of-service customers that relies first on existing regional capacity resources.[10/] Either there is an urgent need to construct incremental capacity in the Northwest or there is not. PGE also criticizes CUB for recommending that the Company account for its NLDA program in its load forecast (that is, assume customers will participate in this program so that they are not included in the load forecast), arguing that, because NLDA customers exceed 10 aMWs, "they would not be captured within the top-down econometric forecast."[11/] Yet, simultaneously, the Company requests specific authority to plan, and obtain

8/ Docket LC 67, Order No. 18-138 at 3, 11 (Apr. 27, 2018); Docket LC 62, Order No. 16-071 at 4-5 (Feb. 29, 2016).
9/ PGE Reply Comments at 56.
10/ Id. at 14-15.
11/ Id. at 57.

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capacity, for these same NLDA loads. In other words, the Company asserts that it does not plan for these loads through its normal load forecasting process, yet requests the specific authority to do exactly that.

Rather than planning for long-term direct access customers, which will likely require PGE to obtain even more capacity and will increase costs for all customers, AWEC has and continues to recommend that the Company treat direct access as a least-cost resource option to avoid incremental capacity additions. Unlike PGE's "beliefs," evidence supports AWEC's recommendation. This includes Bradley Mullins' analysis in PGE's 2016 IRP in which he showed, through the AURORA model, that customers could save over $430 million on a net present value basis by assuming an additional 150 MW of load migrates to direct access.[12/] It also includes Mr. Mullins' testimony in support of AWEC's objections to the partial stipulation on direct access in PGE's last rate case, UE 335, which shows that cost-of-service customers have benefitted economically from the long-term direct access program.[13/] And it includes Puget Sound Energy's ("Puget") analysis of the impact of Microsoft Corp. leaving Puget's bundled rates for the market.[14/]

If the Commission does not adopt AWEC's recommendation to treat direct access as a resource option, however, then at a minimum, AWEC recommends that the Commission defer all direct access issues in this proceeding, including PGE's resource adequacy concerns, to UM 2024, its general direct access investigation, where all such issues can be addressed comprehensively and on an evidentiary record.

12/ Docket LC 66, Initial Comments of Bradley G. Mullins at 10-11 (Jan. 24, 2017).
13/ Docket UE 335, Exh. AWEC/500, Mullins/4:17-13:7.
14/ Washington Utilities & Transportation Comm'n Docket No. UE-161123, Exh. No.__(JAP-1T) at 5:19-6:6.

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B. The Commission should not acknowledge PGE's Renewable Action Plan.

1. PGE's "Renewable Action Plan" is not designed to meet an identified need and is justified purely on speculative benefits.

In opening comments, AWEC opposed PGE's action plan to pursue additional RPS-eligible resources in the near term. As with the Company's 2016 IRP, AWEC's position is based on the lack of need for new RPS resources and the speculative nature of PGE's long-term forecast of benefits from a near-term acquisition. AWEC, like Staff, also noted that PGE's failure to forecast the purchase of unbundled RECs and disregard of its substantial REC bank artificially identified 2025 as the year in which a physical RPS compliance need arises. In fact, PGE may be RPS compliant with existing resources and unbundled RECs as late as 2040.[15/]

In response, PGE makes two primary arguments. First, it argues that its near-term RPS acquisition contributes to meeting its projected capacity deficit in 2025.[16/] Second, PGE performs additional economic analysis incorporating use of its REC bank and unbundled RECs and argues that this additional analysis does not materially impact the economic case for near-term action.[17/]

The crucial problem with PGE's first argument is that its proposed RPS acquisition is not a component of a least-cost, least-risk plan to meet its capacity need – the RPS resource simply contributes to meeting this need as an ancillary effect. As Staff notes, PGE's preferred portfolio – Mixed Full Clean – is effectively a mishmash of various resource options, including up to 150 aMW of RPS resources, that together do not represent the least-cost, least-

15/ AWEC Opening Comments at 7. PGE's Reply Comments do not dispute this conclusion.
16/ PGE Reply Comments at 9-11.
17/ Id. at 49-53.

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risk portfolio.[18] RPS resources were included in this preferred portfolio by design, not because they were demonstrated to be a component of a least-cost plan to meet capacity needs. Indeed, if the purpose of a near-term RPS acquisition were to meet capacity needs, PGE would not limit the RFP coming out of this IRP to RPS resources. Nor would its Action Plan specifically identify "Renewable Actions" separately from "Capacity Actions."[19] Instead, PGE would propose to issue an all-source RFP where RPS resources could compete on the same footing as traditional resources.

That is why PGE's statement that "RPS obligations are not a key driver for the Renewable Action" is misleading.[20] PGE follows this statement with a reference to Section 4.5 of its Reply Comments, which it alleges:

> [I]dentifies near-term renewable resource additions as foundational to achieving low cost and low risk outcomes, even if the physical RPS constraint is removed and full utilization of unbundled RECs is assumed into the future at zero cost …. The analysis in Section 4.5 further demonstrates that near-term Renewable Action is least-cost, least-risk even if RPS obligations are fully removed.[21]

Section 4.5, however, is dedicated exclusively to comparing the costs of near-term action with the "Delay Renewables" portfolio. In other words, this economic analysis does not further PGE's claim that near-term acquisition of exclusively RPS-eligible resources is a component of a least-cost, least-risk portfolio to meet its capacity deficit. It is simply another attempt to show that near-term acquisition of RPS resources is preferable to waiting. The primary purpose of PGE's RPS action plan is RPS compliance, not serving load.

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[18] Staff Opening Comments at 8-10.
[19] PGE 2019 IRP at 216-18.
[20] PGE Reply Comments at 10.
[21] Id.

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PGE's second argument – that economic modeling continues to justify near-term action even considering use of the REC bank and unbundled RECs – misses the point. AWEC and PGE feel like ships passing in the night on this issue, so for clarity AWEC will stipulate that PGE can model economic benefits from a near-term RPS acquisition. AWEC's point is that this modeling is inherently unreliable when the resource need is long-term rather than short-term, and acting on this modeling puts all of the risk of inaccurate assumptions on customers. If PGE has a need in five years (as its IRP shows by ignoring unbundled RECs and the REC bank), PGE has a stronger claim that its economic modeling is accurate, or at least in the ballpark. If, however, PGE has a need in 15 to 20 years (which is the case when unbundled RECs and use of the REC bank are assumed), it has no legitimate claim to the accuracy of its economic forecasts. Modeling economic benefits of near-term action is pointless if there is no reason to believe their accuracy.

Indeed, the Commission has denied previous PGE attempts to acquire assets based on assertions of long-term benefits to customers. In UE 308, PGE's 2017 Annual Power Cost Update, the Commission denied PGE's request to acquire non-operating working interests in natural gas wells as a hedge against market prices.[22/] PGE identified customer benefits from this proposal, which "relie[d] on its comparison of the net projected costs of the proposal against a forecast of natural gas prices over 30 years."[23/] In denying the proposal, the Commission stated that "[w]e will not rely on what is essentially speculation to approve an investment that has a very real risk of costing customers."[24/] The Commission also expressed concerns that, "[i]n

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22/ Docket No. UE 308, Order No. 17-088 at 2 (Mar. 15, 2017).
23/ Id. at 6.
24/ Id. at 7.

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addition to the speculative nature of customer benefits, we also find that that customers bear most, if not all, of the substantial risks associated with this proposal."[25/] The same conclusions apply equally to PGE's RPS Action Plan.

Strangely enough, in other contexts in its Reply Comments, PGE seems to share the Commission's concerns in UE 308 and AWEC's concerns in this docket. In objecting to Staff's and Swan Lake's proposal to conduct a capacity RFP concurrently with bilateral negotiations for existing regional capacity, PGE stated that it:

> [B]elieves that better outcomes can be achieved for customers by delaying commitments to storage technologies than by requiring commitments multiple years before battery construction would need to commence.
>
> Conducting the RFP after the bilateral negotiation process, closer to the timing of PGE's need, would also allow for additional refinement of PGE's need assessment, with updates to the load forecast and contracts, contracts that may be executed as a result of the bilateral negotiation process. As highlighted in the 2019 IRP, there remains significant uncertainty in PGE's resource needs in 2025 …. This ability to right-size reduces the likelihood that PGE over-procures energy storage resources or commits to energy storage resources earlier than is needed.[26/]

Substitute "energy storage" in the paragraphs above for "RPS resources" and AWEC could not have said it better.

Therefore, while AWEC emphasizes that it does not agree that any RFP is necessary as a consequence of this IRP, if the Commission is to acknowledge an action plan that includes an RFP, it should be an all-source RFP that is conducted concurrently with bilateral contract negotiations (so as not to forego tax credit eligibility for wind and solar resources) and is designed to identify the least-cost, least-risk resources that meet acknowledged capacity needs (if

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25/ Id.

26/ PGE Reply Comments at 15.

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any) over the Action Plan horizon. This may very well end up resulting in the selection of RPS-eligible resources, but it will be to meet an actual need the Company has in the near term, which is definitively not the "Renewable Action Plan" or the RFP the Company proposes.

2. <u>The Commission should provide guidance to PGE on RPS forecasting for future IRPs.</u>

The same issues that have now consumed two PGE IRPs regarding the propriety of acquiring resources well ahead of need is likely to arise again in the next IRP. As PGE notes, its preferred portfolio includes RPS additions in both 2023 and 2025, but that the action plan in this IRP "addresses the 2023 renewable addition … but does not include an action to pursue the 2025 renewable addition …. PGE plans to re-evaluate renewable additions in the 2025 timeframe in the next IRP."[27/] Now, therefore, is the time for the Commission to provide clear guidance to PGE and the parties to avoid relitigating the same disputes.

AWEC continues to believe that the prudent course of action for any regulated utility is to acquire resources based on need rather than forecasts of long-term economic benefits. However, AWEC also recognizes that in the 2016 IRP, the Commission endorsed PGE's use of a "glide path" analysis to get to 50% RPS compliance by 2040.[28/] The Commission was not, however, prescriptive about how PGE performed this analysis. While that is understandable and justifiable, one unfortunate consequence of the flexibility the Commission gave PGE in this area is that PGE chose to deliberately construct all glide paths it analyzed in the 2019 IRP to exceed physical compliance needs <u>in all years</u>.[29/] PGE, in other words, has coopted the Commission's

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[27/] <u>Id.</u> at 12.
[28/] Order No. 18-044 at 1 (condition 2).
[29/] PGE 2019 IRP at 204. PGE appears to justify this assumption on the basis that its analysis shows that renewable additions above RPS compliance are a lower cost option to meet energy and capacity deficits

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glide path concept into a justification to intentionally overbuild the system – in some scenarios vastly overbuilding the system by 500 aMW or more.[30] This is neither in customers' nor the public's interest. AWEC, therefore, recommends that future glide path analyses be designed to achieve physical 50% RPS compliance on or about 2040, but not constrain the model to ensure physical compliance in all years. Modeling should also maximize use of the REC bank. This will ensure PGE makes economic use of its REC bank between procurement years and avoids significantly overbuilding its system.

AWEC further recommends that PGE be required to assume the purchase of unbundled RECs. While PGE performs additional analysis in its Reply Comments that assumes utilization of the REC bank and unbundled RECs, this analysis is limited, and the Company does not commit to adhering to these assumptions going forward. Indeed, PGE reemphasizes that "requiring physical RPS compliance is the most appropriate method of aligning with the public policy objectives of SB 1547."[31] But the public policy objectives of SB 1547 are contained in the bill itself, which did not modify PGE's ability to meet 20% of its RPS obligations with unbundled RECs. If the legislature had wanted RPS compliance to come entirely from bundled RECs, it could have included that requirement.

Moreover, despite AWEC and Staff identifying the deficiency, PGE still has not complied with the Commission's requirement from the 2016 IRP that the Company "demonstrate

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than market reliance or generic capacity. Id. at 204-05. While that may or may not ultimately be true, that was not the purpose of the "RPS glide path," which was to identify a means of achieving RPS compliance, not reinventing the least-cost, least-risk framework for achieving a load/resource balance many years into the future.

[30] PGE 2019 IRP at 204.

[31] PGE Reply Comments at 50.

it has followed industry best practices for incorporating unbundled REC market projections into its least-cost, least-risk RPS compliance strategy."[32] The Commission should issue clear policy guidance on how PGE should incorporate unbundled RECs into future IRPs. AWEC supports Staff's recommendation that:

> In future IRPs, PGE must consider the use of 20 percent unbundled RECs and a reasonable amount of banked RECs in years when they are available and less expensive than 100 percent physical compliance. Any unbundled REC price forecast(s) should include one or more reasonable trajectories from current unbundled REC prices to one or more potential unbundled REC price futures.[33]

Finally, AWEC recommends that the Commission provide guidance on when analysis of the benefits of a resource acquisition, without an accompanying showing of need, should be considered unreliable. This could come in the form of a type of balancing test that weighs the magnitude of projected cost savings with the period over which that cost savings would be realized and the length of time over which the utility could defer a resource acquisition. The smaller the projected benefits and the longer the ability to defer a new resource, the less justifiable the near-term action would be. For good measure, while outside of the scope of the IRP process, AWEC notes that the costs and risks of resource acquisitions that are justified primarily on forecasts of future market prices should be equitably shared between customers and shareholders.

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[32] LC 66, Order No. 17-386 at 20-21 (Oct. 9, 2017); AWEC Opening Comments at 3; Staff Opening Comments at 13.

[33] Staff Opening Comments at 14.

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3. The Commission has not affirmed PGE's proposal to monetize RECs generated by the Wheatridge Energy Facility.

In Opening Comments, AWEC noted that PGE's REC position is potentially higher than represented in the IRP because PGE does not include RECs generated from Wheatridge between 2021 and 2025.[34/] The Company asserts that this "misrepresented PGE's approach," and that it did not account for these RECs because "[i]n Order No. 18-044, the Commission directed PGE to return the value associated with these RECs to customers."[35/]

That is not at all what the Commission directed PGE to do in Order 18-044. While PGE itself committed to this proposal in its revised renewable action plan, the Commission's order merely provides that "Staff may request that we open a docket on mechanisms for delivering value from incremental RECs to customers …."[36/] That docket never happened and the issue is now teed-up in UE 370, PGE's recent Renewable Adjustment Clause filing to incorporate Wheatridge into rates. As AWEC accurately stated in its Opening Comments, "[t]he Commission has not approved PGE's proposal to return the value of RECs to customers …."[37/] Understanding the contribution these infinite-life RECs have toward PGE's RPS compliance position for purposes of planning for and acquiring new resources is a valid exercise and fundamental to understanding whether selling these RECs is a better option for customers than banking them and deferring future resource acquisitions.

34/ AWEC Opening Comments at 5-6.
35/ PGE Reply Comments at 10, 52.
36/ Docket LC 66, Order No. 18-044 at 2 (Feb. 2, 2018).
37/ AWEC Opening Comments at 6.

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C. PGE has overstated its capacity need.

The attached comments of Bradley Mullins address PGE's Reply Comments responding to AWEC's analysis of PGE's capacity deficit.

D. Consistency with the Competitive Bidding Rules.

In a memorandum issued on December 11, 2019, ALJs Rowe and Allwein requested feedback from stakeholders on whether PGE's RFP design and modeling methodology, contained in Appendix J to its IRP, is consistent with the Commission's competitive bidding rules, specifically OAR 860-089-0250(2)(a).

Under the Competitive Bidding Rules, the "draft RFP must reflect any RFP elements, scoring methodology, and associated modeling described in the Commission-acknowledged IRP."[38/] Additionally, "[u]nless the electric company intends to use an RFP whose design, scoring methodology, and associated modeling process were included as part of the Commission-acknowledged IRP, the electric company must, prior to preparing a draft RFP, develop and file for approval in the electric company's IE selection docket, a proposal for scoring and any associated modeling."[39/] Subsection (3) of this rule also provides minimum draft RFP requirements.

Further, in explaining the rationale behind this rule, the Commission stated that "[c]learly expressing the system needs associated with a resource acquisition is an important objective reflected in these rules. Presenting those needs in detail and the scoring associated with an acquisition in the IRP will allow notice to prospective bidders and the opportunity for

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[38/] OAR 860-089-0250(2).
[39/] OAR 860-089-0250(2)(a).

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stakeholders to understand and, where necessary, for utilities and the Commission to improve the acquisition process."[40/]

The language of the rules, coupled with the Commission's explanation of their purpose, indicate that the rules requiring incorporation of RFP design and scoring methodology is to provide as much transparency as possible to stakeholders and prospective bidders as early as possible to ensure adequate time to resolve disputes and clarify ambiguities.

From this perspective, while Appendix J to PGE's IRP appears to provide sufficient detail on how the Company will evaluate price scoring, it lacks similar detail with regard to non-price factors. Generally speaking, Appendix J identifies non-price scoring factors PGE intends to consider in an RFP, but does not specify how any particular factor will be scored. The Competitive Bidding Rules, for instance, require that a draft RFP contain "minimum bidder requirements for credit and capability."[41/] Appendix J provides that "PGE will take into account [certain] credit considerations in non-price scoring," but it does not specify what the "minimum bidder requirements" in this category are.[42/] PGE also identifies non-price criteria like "project team experience" and "engineering reliability characteristics," but provides no indication of how it will evaluate these ambiguous criteria.[43/] If the RFP itself will contain more guidance on these criteria, it seems fair and consistent with the rules to require that Appendix J contain the same guidance. Moreover, PGE specifies that its listed non-price criteria are only "some" of the characteristics it will consider in non-price scoring. Particularly with respect to the more

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40/ Docket AR 600, Order No. 18-324 at 8 (Aug. 30, 2018).
41/ OAR 860-089-0250(3)(a).
42/ PGE 2019 IRP at 372.
43/ Id. at 371.

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subjective non-price factors, specification of *all* characteristics the utility will consider in its evaluation would appear more consistent with the rules.

AWEC cautions, however, that requiring too much detail on the RFP scoring process in the IRP may compromise parties' review of both the IRP and RFP. The most transparency possible would be to simply include a draft RFP as an appendix to the IRP. But AWEC, for one, does not have the resources to conduct a review of an IRP and an RFP in the same docket under the same timeline, and expects that if this were to occur, important IRP-related issues could get overlooked. AWEC, therefore, does not oppose the structure of Appendix J as PGE has presented it, but simply believes that the intent of the Competitive Bidding Rules requires more detail with respect to PGE's non-price scoring methodology than it has presented.

That said, AWEC's position on the detail that should be required in Appendix J depends to a significant extent on what the Commission believes is and is not ripe for evaluation with respect to the RFP characteristics a utility includes in its IRP. For instance, AWEC disagrees (as it has done previously) with PGE's ratio of price and non-price scoring at 60% and 40%, respectively. AWEC believes price should be weighed more heavily. Is it the Commission's intention to specifically acknowledge or not acknowledge Appendix J of PGE's IRP such that AWEC must argue its position in this IRP? If so, then the IRP acknowledgement process would effectively also become the RFP acknowledgement process, and AWEC would advocate for Appendix J to include the draft RFP PGE proposes to issue to the market. If not, to what extent, if at all, does a more general acknowledgement of an IRP constitute acknowledgement of the RFP elements and scoring methodology included in a utility's IRP, or

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does this methodology remain ripe for debate in a subsequent RFP docket? AWEC recommends that Appendix J be informational only; that the Commission not specifically acknowledge RFP scoring methodology included in a utility's IRP; and that the Commission expressly reserve parties' rights to challenge RFP provisions and scoring methodology in a subsequent RFP docket.

III. CONCLUSION

For the foregoing reasons and those contained in Mr. Mullins' comments, AWEC believes the Commission would be justified in not acknowledging PGE's 2019 IRP. Short of this, however, AWEC recommends that the Commission reject PGE's request to modify IRP Guideline 9 to allow it to plan for long-term direct access load, decline to acknowledge PGE's Renewable Action Plan, and require PGE to account for its transmission transfer capability in identifying its capacity need.

Dated this 17th day of December, 2019.

Respectfully submitted,

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<u>/s/ Tyler C. Pepple</u>
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Re: LC 73 - Final Comments on behalf of AWEC on the 2019 Integrated Resource Plan of Portland General Electric Company

Dear Commissioners:

I appreciate the opportunity to provide Final Comments on behalf of the Alliance of Western Energy Consumers ("AWEC") on the 2019 Integrated Resource Plan ("IRP") of Portland General Electric Company ("PGE"). In Opening Comments, I made five recommendations for the Commission to consider when evaluating PGE's 2019 IRP. In Reply Comments, PGE was largely unsupportive of my recommendations. In the following comments, I discuss PGE's responses and the reasons I continue to support all the recommendations identified in my Opening Comments. I discuss each recommendation in the order presented in my Opening Comments.

1. **Make an adjustment to remove new direct access customers from PGE's industrial load forecast**

In response to AWEC's comments about the impact PGE's long-term direct access programs may have on its load forecast, PGE defends the accuracy of its prior load forecasts.[1/] My comments, however, were not necessarily meant to question the accuracy of PGE's overall load forecasting methodology or the use of U.S. Gross Domestic Product ("GDP") as the primary variable for predicting industrial load growth. My comments were focused solely on the impact long-term direct access has on the cost-of-service load PGE will need to serve in the future. While PGE asserts that its forecasts have been comparable to industry benchmarks, it does not distinguish between industrial load growth that remains on PGE's cost-of-service rates and growth that has chosen direct access. In other words, PGE may accurately forecast industrial load growth of 1.9%, but if it does not identify the percentage of this growth that is likely to elect direct access, it is not an accurate forecast for purposes of identifying resource needs. AWEC agrees with the Oregon Citizens' Utility Board ("CUB") that if PGE does not

1/ Docket LC 73, Portland General Electric Company's Reply Comments at 40 (Nov. 5, 2019).

account for the portion of industrial load growth likely to elect long-term direct access service, it will over-procure new resources to the detriment of cost-of-service customers.

In addition, PGE suggests that I used the wrong average-megawatt ("aMW") load growth embedded in the industrial load forecast.[2/] PGE states that I identified 150 aMW of industrial load growth, when the actual load growth was approximately 67 aMW in the median case. To clarify, the 153 MW value identified in my Opening Comments was meant to be the capacity value associated with the New Load Direct Access ("NLDA") program, not the average-megawatts associated with the program. PGE had calculated the 153 MW of NLDA capacity on page 125 of the 2019 IRP.[3/]

2. **Consider the capacity and Renewable Portfolio Standard ("RPS") attributes associated with the voluntary Green Tariff program in its resource needs assessment**

In Opening Comments, I noted that PGE did not consider any of the capacity or RPS impacts of the resources it is planning to acquire for the Green Tariff program. PGE stated that "[b]ecause these programs have not yet started or are relatively new, the 2019 IRP does not explicitly incorporate forecasts of customer participation in these programs within its core portfolio analysis." [4/]

In Reply Comments, PGE clarified that "[s]ubscribers of the first Green Tariff offering have enrolled for the energy equivalent to the output of an approximately 160 MW renewable energy facility."[5/] Further, PGE confirmed that, while PGE did perform sensitivity analyses surrounding the Green Tariff program, PGE did not consider the 160 MW of subscribed renewable capacity in its base portfolio analysis. PGE argued that including the Green Tariff capacity in its base portfolio would have no impact on its preferred portfolio because its "portfolio optimization selected significant quantities of additional renewable resources from 2023-2024 (over 520 MWa, much greater than the sum of PGE's recommended action plus energy from the planned Green Tariff resource)."[6/] Thus, because the base portfolio analyses selected large quantities of renewable capacity on the basis of economics, rather than resource need, considering the Green Tariff program capacity in its resource needs assessment would not impact its resource acquisition plan.

PGE's response regarding the Green Tariff program, however, further demonstrates the risks inherent in PGE's overall resource acquisition strategy. Acquiring large quantities of

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2/ Id. at 39.
3/ Docket LC 73, PGE 2019 Integrated Resource Plan at 125 (July 19, 2019) (derived from Table 4-15 by subtracting 373 MW from 526 MW).
4/ Id. at 55.
5/ Docket LC 73, Portland General Electric Company's Reply Comments at 58 (Nov. 5, 2019).
6/ Id. at 60.

renewables, justified on the basis of market economics, is a risky resource strategy because market economics are not certain.

It may be viewed as ironic that PGE believes it is inappropriate for direct access customers to rely on the markets to purchase firm energy, while at the same time PGE proposes to rely on the same markets to justify building seemingly endless amounts of renewable resources. PGE justifies its resource proposals, in part, on its ability to be able to resell the excess energy into wholesale markets and assumes that there will be sufficient demand in the market to sell the excess output. Notwithstanding, PGE believes it is not appropriate for others to purchase capacity from the same markets. This is a double standard and demonstrates the bias in PGE's planning assumptions.

Had PGE not applied a limit on the amount of renewable resources that could be procured in the preferred portfolio, PGE would have proposed to acquire a large amount of renewable capacity. When applying the limit, however, PGE did not consider the renewable capacity already to be acquired for the Green Tariff program. If a limit is going to be applied, it is appropriate to also consider the Green Tariff capacity towards the limit amount.

Finally, PGE also disagrees that the Green Tariff program will have an impact PGE's RPS compliance obligation. PGE states, for example, that "the Green Tariff program does not reduce PGE's RPS obligation, nor does it provide PGE with [renewable energy certificates ("RECs")]."[7/] This interpretation, however, produces an unreasonable result.

It is true that the Green Tariff program will not provide PGE with any additional RECs that can be used for RPS compliance. All RECs generated from the program will be retired on behalf of the participating customer.[8/] Notwithstanding, I believe the Green Tariff program may be viewed as impacting the amount of load that must comply with the RPS requirement, and therefore, will impact PGE's RPS obligations.

Green Tariff participants will acquire bundled RECs covering 100% of their load. Therefore, the sales to those customers need not be considered in determining the amount of RECs that must be retired for RPS compliance for non-participating customers.

If it were necessary to acquire additional RECs to serve Green Tariff customers' load, that would result in a situation where PGE must acquire further renewable resources to service the Green Tariff customers, even though 100% of the Green Tariff customer's energy requirements will already be covered by the renewable subscription resource. If PGE were required to consider sales to Green Tariff customer loads in its RPS obligation, under the 20% RPS standard for example, PGE would need to procure additional amounts of renewable resources equal to 20% of the Green Tariff customer loads, even though RECs are already

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7/ Id.
8/ Id.

being retired for 100% of the Green Tariff customer loads. Under such a scenario RECs would be retired for 120% of the Green Tariff customer load.

Such a result would be unreasonable, since it would mean that PGE would be required to acquire more energy for Green Tariff customers than it actually needs to serve those customers. Such a scenario also appears to be contrary to ORS 469A.060(1)(a), which provides an exemption from the RPS if compliance with the standard would require the electric utility to acquire electricity in excess of the electric utility's projected load requirements in any calendar year.

While it would not be appropriate for the RECs acquired for purposes of the Green Tariff program to be applied to the RPS requirements of non-participating customer loads, requiring PGE to procure additional renewable capacity for the Green Tariff customer loads is not a reasonable outcome. This was an issue discussed in Docket UM 1953, which established the Green Tariff program. In Cross-Answering Testimony, I testified that I agreed with Renewable Northwest that RECs associated with the Green Tariff facility should be retired to the participating customer's load and should not be used for general RPS compliance purposes.[9/] Notwithstanding, I recommended that the utility not be required to acquire any additional RECs, other than those acquired through the subscription resource, to serve the load of the participating customer.[10/] While the Commission did not address this issue in its Order in Docket UM 1953, no party took issue with my recommendation.

3. **Adopt more realistic assumptions for market import capability form both the Mid-Columbia ("Mid-C") and California-Oregon-Border ("COB") market hubs in its resource needs assessment**

Bilateral energy markets exist because there is diversity between loads and resources of the various load serving entities throughout the Western Interconnection. For example, to the extent that loads in California reach their peak at a different time than in the Northwest, opportunities for sales between the entities of the two regions exist that mitigate the amount of capacity that must be acquired for resource adequacy between the two regions. Further, there are also material amounts of independent power throughout the Western Interconnection from entities such as PowerEx, Avangrid Renewals and others, which contribute to robust bilateral markets.

Since not all utility loads peak at the same time, markets enable a degree of sharing of the capacity benefits of all resources in the region. If all load serving entities were to independently build physical resources equivalent to their peak loads, the result would be a system that is severely overbuilt. While it may not be possible to identify the specific resources that will be dispatched into the market at any given point on a looking forward basis, firm

9/ Docket UM 1953, AWEC/200, Mullins/15:4-5 (Oct. 22, 2018).
10/ Id. at 15:10-12.

resources exist that are ultimately dispatched into the market and provide firm capacity to bilateral market participants. For example, Bonneville Power Administration ("BPA") has resources that it dispatches into the market, which may be available to meet the peak loads of other utilities. To the extent that PGE purchases firm power from BPA, firm resources exist to back the power deliveries. That is in contrast to non-firm power, which is contingent on resource availability.

The IRPs of PacifiCorp and Puget Sound Energy both rely on market purchases to satisfy material portions of their respective capacity requirements. Both of these utilities have access to the same markets as PGE, so it not unreasonable to request PGE to adopt a similar methodology.

In PacifiCorp's 2019 IRP, for example, the assumed quantity of available market capacity, which PacifiCorp refers to as Front Office Transactions ("FOTs"), can be found in Table 6.12.[11/] PacifiCorp assumes 775 MW of FOT capacity is available from the Mid-Columbia market, and approximately 250 MW of FOT capacity from the California-Oregon Border Market.[12/] As PacifiCorp states, it "develops its FOT limits based upon its active participation in wholesale power markets, its view of physical delivery constraints, market liquidity and market depth, and with consideration of regional resource supply."[13/] Appendix J of PacifiCorp's 2019 IRP also contains a detailed analysis that PacifiCorp performed to establish the market limits in PacifiCorp's IRP.[14/] Similarly, in Puget Sound Energy's 2017 IRP, it assumed market capability of 1,722 MW in its resource expansion plan, which was limited only by its transmission capability to the Mid-Columbia market.[15/]

To be clear, AWEC is not recommending that PGE begin acquiring non-firm energy. AWEC is simply recommending that PGE continue to execute firm contracts that provide for physical capacity, as it does today, in a manner no different than PacifiCorp and Puget Sound Energy, and to forecast that it will make these purchases so as to accurately reflect its true capacity need. The fact that PGE has not yet executed the firm contracts is not a reason to ignore the capacity benefits of the market in PGE's resource needs assessment.

There are financial risks associated with relying on the market for capacity. As seen recently in the context of the Enbridge outage, in times of scarcity, prices may escalate to very high levels. Market risk, however, can be mitigated through hedging programs, such as the hedging program that PGE currently uses. Such a hedging program, however, would be

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11/ Docket LC 70, PacifiCorp's 2019 Integrated Resource Plan at 170 (Oct. 18, 2019).
12/ Id.
13/ Id.
14/ Id. at 147.
15/ Docket Nos. UE-160918 & UG-160919, Puget Sound Energy 2017 Integrated Resource Plan at 6-11 (Nov. 2017).

unnecessary if PGE were to not rely on the market to meet a portion of its capacity requirements.

PGE's argument that markets don't provide capacity is further confuted by the fact that PGE's owned thermal capacity relies heavily on short-term gas markets. Gas markets possess characteristics similar to power markets, and if one were to accept PGE's view that markets do not provide capacity, none of PGE's gas plants would be capable of providing firm capacity, since those resources rely on gas that is purchased in short-term markets.

PGE also criticizes my comments due to the connection I draw between transmission rights and market capability. In Opening Comments, I noted that PGE possesses at least 900 MW of import capability from both the Mid-C and COB market hubs. PGE states that "[t]ransmission rights, without a contract that assures availability of generation under constrained conditions, do not equate to a capacity resource."[16/] PGE's transmission capability may not be the same as the market, per se. Transmission, however, is a limiting factor in the amount of capacity that can be contracted at any particular market hub, and thus, is relevant in considering the amount of market import capability available to PGE. Transmission capability, for example, was a limiting factor in the amount of market capability assumed by both PacifiCorp and Puget Sound Energy in their respective IRPs.

Customers pay for the cost of PGE's transmission system, and therefore, it is appropriate to provide customers with the capacity benefits available from the market import capability associated with PGE's transmission rights. If transmission access to those market hubs provides no capacity benefit to ratepayers, it would not be appropriate to require ratepayers to pay for the cost of the associated transmission.

PGE also criticized my analysis suggesting the amount of market import capability I assumed was arbitrary.[17/] I disagree. In my analysis, I included only 100 MW of import capability from the COB market to demonstrate that even that small amount of market import capability was sufficient to avoid a capacity deficiency through 2030. As noted above, PGE likely has the capability to contract for a significantly greater amount of market capacity than assumed in my analysis.

Finally, PGE further states that my description of the market capability assumed in its model conflates approximate annual effective load carrying capacity ("ELCC") values with seasonal peak values.[18/] This statement, however, further illustrates the flaw with PGE's modeling approach. Rather than modeling its market capability as import capability in the Renewable Energy Capacity Adequacy Planning ("RECAP") model, PGE modeled market purchases in the same way as a variable energy resource. Since the pattern of purchases has historically varied hour to hour, the ELCC value of market purchases ended up being materially

[16/] Docket LC 73, Portland General Electric Company's Reply Comments, at 49 (Nov. 5, 2019).
[17/] Id.
[18/] Id.

less than actual market import capability available to PGE. In the future, I recommend PGE model the market in the RECAP model as an import capability, rather than a variable resource.

4. Consider the resource adequacy benefits of participating in an organized day-ahead market, such as the Extended Day-Ahead Market ("EDAM")

In Opening Comments, I recommended that PGE investigate the potential for resource adequacy benefits of participating in an organized market before building any new resources. I viewed this to be important, particularly in light of the fact that PGE includes virtually no market import capability in its capital expansion plan. The resource sufficiency rules in a market can be viewed as a proxy for the capacity that would otherwise be acquired through market purchases on the bilateral market.

In response, PGE stated that the regional markets, such as the EDAM, will not provide any resource adequacy benefits.[19/] As support for its position, PGE stated that within the context of the EDAM, resource adequacy will continue to be the responsibility of each entity and their regulatory authority. This statement, however, confuses the resource sufficiency rules in an organized market, and the jurisdictional authority over resource adequacy.

It may be true that, under the EDAM structure currently under consideration, the local regulatory authority will retain jurisdiction over resource adequacy. Retaining jurisdiction over resource adequacy, however, does not mean that the EDAM, or similar market structure, will not provide resource adequacy benefits. Rather, it just means that the Commission will have sole jurisdiction over approving resource additions in PGE's IRP. The California Independent System Operator ("CAISO"), for example, would have no authority to compel PGE to build new resources through its IRP or reject a resource in the expansion plan.

To participate in the market, however, market participants will be required to follow a resource sufficiency framework. Such a framework is necessary to prevent entities from leaning on one another. This will require participating entities to supply a level of capacity into the day-ahead market that is sufficient to satisfy the load of the participating entity, subject to a number of adjustments.

Since there is diversity between the loads and resource of the various market participants, however, there will likely be mechanisms that will allow market participants to rely on resources of other balancing authorities for meeting the resource sufficiency tests. While the resource sufficiency mechanisms have not yet been developed, the CAISO's October 10, 2019 Issue Paper discusses a bilateral process for enabling resource adequacy transfers between participants.[20/] The Issue Paper states, "this initiative will explore potential mechanisms to trade resource flexibility and/or balancing authority area obligations needed to

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19/ Id. at 64-65.
20/ California ISO, Extended Day-Ahead Market to EIM Entities Issue Paper, at 4 (Oct. 10, 2019).

pass the resource sufficiency evaluation between EDAM balancing authority areas."[21] Given the early stages of the EDAM process, it is not yet clear how these transfers might be accomplished, or if an entirely different structure may be adopted. Given PGE's transmission rights, however, it may be possible to obtain significant amounts of resource adequacy through such a resource sufficiency structure.

AWEC recognizes that the EDAM is currently in very early stages of development. Notwithstanding, AWEC believes it is important for PGE to begin studying how the market will impact its capacity needs and advocate for alternatives that may enable PGE to avoid building new physical resources.

5. Adopt a more flexible procurement strategy for securing bilateral contracts, including near-term contracting opportunities

In Opening Comments, I recommended that PGE adopt a flexible approach to its bilateral contracting activities, specifically considering contracting opportunities beginning in 2024 and contracts with a range of terms as short as three years.

In response, PGE stated its position that "it is in customers' interest to conduct a staged process that first considers options for existing resources before considering new capacity resource development."[22] AWEC understands that PGE is not opposed to being flexible when evaluating bilateral contracts, and appreciates PGE's willingness to explore these opportunities.

Conclusion

I appreciate this opportunity to provide these comments and respectfully request the Commission consider my recommendations. AWEC looks forward to working with PGE as it implements the 2019 IRP.

Sincerely,

/s/ Bradley Mullins

Bradley Mullins

[21] Id.
[22] Docket LC 73, Portland General Electric Company's Reply Comments, at 14-15 (Nov. 5, 2019).