

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 73

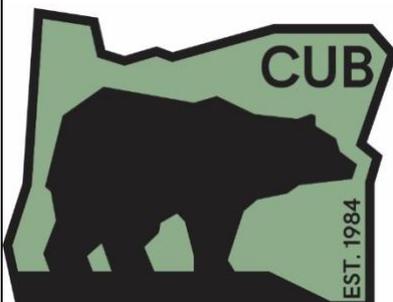
In the Matter of)
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PORTLAND GENERAL)
ELECTRIC COMPANY,)
)
2019 Integrated Resource Plan.)
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FINAL COMMENTS

OF THE

OREGON CITIZENS' UTILITY BOARD

December 17, 2019



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OF OREGON**

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I. INTRODUCTION

The Oregon Citizens' Utility Board (CUB) hereby files these Final Comments on Portland General Electric's (PGE or the Company) 2019 Integrated Resource Plan (IRP or Plan). CUB's Comments will focus on arguments raised in PGE's Reply Comments filed on Nov 5, 2019. CUB will continue to conduct discovery and review the Company's Plan throughout the remainder of the proceeding, including the Company's Final Comments on January 17, 2020.

CUB appreciates PGE's attentiveness to the opening comments filed by CUB on October 11, 2019. CUB's Opening Comments highlighted a few concerns about the IRP. Primary concerns centered on PGE's industrial load forecast, the potential for participating in regional markets, and its action plan to acquire 150MWa of renewable resources. In these Final Comments, CUB will discuss whether PGE adequately addressed CUB's concerns and whether any of CUB's concerns about the Plan remain outstanding. CUB's Comments are organized as follows:

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1. PGE's Industrial Load Forecast
2. Regional Markets
3. Renewable Resource Acquisition
4. Capacity Resource Acquisition

II. DISCUSSION

1. PGE's Industrial Load Forecast and its Implications

PGE based its resource need on long-term load forecasts of its three customer classes—namely, residential, commercial and industrial customers. CUB has several concerns with PGE's industrial load forecast.

i. In Opening Comments, CUB pointed out that the bulk of PGE's estimated future load comes from the industrial sector. The industrial sector is the most volatile of all customer classes and research shows that utilities with a larger share of industrial load are also likely to make larger forecast errors. CUB recommended that PGE perform a specific risk analysis exercise separately for the industrial sector. For its part, PGE acknowledged the volatility in industrial load forecast and pointed out to the confidence bounds presented in the IRP as a risk analysis.¹ The industrial sectors' load is expected to vary within confidence bound's range of values. However, it does not capture specific risks. Since the industrial sector load is the bulk of PGE's estimated future load, separate sensitivity analyses for the industrial sector would give a better risk assessment. This, in turn, would likely provide a more accurate load forecast. It is imperative to generate as accurate a load forecast as possible to

¹ PGE 2019 IRP Reply Comments, p41

ensure that future resource acquisition matches the demand of the system in a manner that is the least cost for PGE's customers.

ii. CUB pointed out a number of factors that could affect the industrial load and which may not have been considered in PGE's industrial load forecasting. The factors that could impact PGE's industrial load forecast, as explained by CUB, include:

- a. **Direct Access Load:** CUB stated in its comments that PGE needs to consider the possibility of both new and existing customers choosing to become either direct access customers or new load direct access customers. CUB believes PGE should account for customers that are likely to leave its system and exclude these from the industrial load forecast.

PGE pointed out CUB's error in identifying the size eligibility requirement (10 aMW and not 1aMW) for new load direct access customers.² PGE also stated in its reply that since the new load criterion of 10aMW or greater is sufficiently large, these future customers were not captured in the top down load forecast model, and hence already excluded from the industrial load forecast.

CUB appreciates PGE's consideration of CUB's concern and acknowledges the error in stating the size criterion for new load direct access customers. However, CUB does not understand how large industrial load is excluded from a load forecast that is based on US GDP as its economic driver.

² PGE 2019 Reply Comments, p. 57.

CUB's concern with direct access customers was not limited to new customers. CUB had expressed concern about "potential" direct access customers from PGE's existing customer base. PGE responded that its forecast analysis only uses current information and that the Company refrains from "speculating" future possibility of any existing customer electing for direct access in the future and lacks the insights into customer motivations for choosing to go direct access. Therefore, the analysis assumes that all cost of service customers would remain on PGE's system for the planning period. CUB does not believe this is likely.

PGE's inclusion of direct access load in its industrial load forecast is consistent with its argument that "PGE is the best entity to engage in the capacity procurement for direct access loads, given PGE's role and responsibility to be the reliability provider."³ If PGE maintains the responsibility for providing capacity for direct access customers, then it makes sense to include that load in the IRP. However, this creates the need to adjust the charges to direct access customers to make sure that this service is not subsidized by other customers. CUB notes that this is an issue in other dockets, so it does not need to be resolved here. However, the current paradigm in which this load is included in long-term resource planning and acquisition, but not fully charged for the resources that are acquired, is problematic.

- b. Green Tariff:** CUB appreciates the updated needs assessment provided by PGE and the sensitivity analysis of its capacity, energy, and RPS needs that account for both Community

³ PGE 2019 IRP Reply Comments, p. 56.

Solar and Green Tariff resources. CUB was concerned that PGE's initial modeling did not include these resources. The update addresses CUB's concern.

- c. **US GDP:** CUB suggested that PGE use alternative economic drivers in its load forecast model other than US GDP as this metric may not be capturing the industrial sector transformation that has taken place in the utility's service area. CUB also cited examples from other electric utilities' forecast models that use alternative drivers.

PGE stated that US GDP is a reliable and statistically significant driver for industrial load forecast in PGE's service area. CUB would still like to see an analysis using alternative economic drivers that are more reflective of PGE's service area in future IRPs and that are consistent with those used by other electric utilities in the region.

- 2. Regional Markets. There has been a great deal of discussion about regional markets such as EIM, EDAM, and a full RTO. Such markets will affect dispatch of resources, costs charged to customers, and carbon emissions. CUB believes that IRPs should include a discussion of regional markets. PGE responds to CUB concerns by pointing out that a utility must demonstrate resource sufficiency in order to participate in the EIM and that production cost modeling assumes perfect foresight and optimized dispatch decisions and likely captures a portion of the economic benefits associated with the EIM.

While CUB appreciates PGE's response, we continue to believe that more information about regional markets should ideally be presented in an IRP. For example, a regional market analysis should show that adding additional solar generation in California would lead to an increase in solar power exported from California which would displace PGE generation and cut PGE's carbon emissions. Just as important, regional stakeholders need to be able to evaluate utility decisions to participate or not participate in regional markets. Having analysis which shows how regional markets affect resources, dispatch, carbon emissions and costs would contribute to the knowledge base necessary to evaluate regional market decisions.

3. PGE's Renewable Resource Acquisition

In Opening Comments, CUB did not take a position on PGE proposed renewable action plan. Instead, CUB requested that PGE respond to our concerns about the forecast of needs and its IRP glidepath. CUB notes based on PGE's responses that:

- Community solar and green tariff resources do not sufficiently change the Company's resource needs.
- PGE takes the position that it needs to plan for direct access load. While CUB is concerned that direct access customers may not pay costs associated with the resources that are being procured to meet their capacity/reliability needs, we recognize that this is an issue that will be addressed in other dockets.

- PGE ran a sensitivity analysis without any RPS compliance and the preferred portfolio with its near-term renewable action outperformed a portfolio that delayed renewable acquisition.

After evaluating PGE's response to CUB concerns and the additional modeling provided by the Company, CUB now recommends acknowledgement of PGE's Renewable Resource Acquisition Action Item.

4. PGE Capacity Resource. In Opening Comments, CUB was supportive of PGE's proposal to explore bilateral capacity contracts before launching an RFP for a non-emitting capacity resource. In PGE's 2016 IRP CUB was a strong proponent of exploring bilateral contracts as a way to meet PGE's capacity needs.

In its Opening Comments, Staff raised concerns about the timing of the capacity RFP, particularly as it relates to a resource with a long-lead time such as pumped storage. CUB shares Staff's concern about regional reliability as coal plants are shut down, and new generation is limited to intermittent resources. There is little doubt that Oregon needs to decarbonize the electric grid, but this must be done in a way that does not threaten reliability.

CUB urges PGE to proceed with caution and flexibility. It may be worth accelerating work on the capacity RFP while working to make progress on bilateral capacity contracts. While CUB supports PGE's plan to look to capacity contracts from known

hydro resources, CUB supports taking actions to make sure that if those contracts cannot be achieved at reasonable prices, PGE has not limited its alternatives.

Dated this 17th day of December, 2019

Respectfully submitted,



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