

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 73

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

2019 Integrated Resource Plan.

Renewable Northwest's
Comments on Staff Report

March 6, 2020

I. INTRODUCTION

Renewable Northwest thanks the Oregon Public Utility Commission (the "OPUC" or the "Commission") and OPUC Staff ("Staff") for this opportunity to comment on Staff's February 27, 2020 report ("Staff Report") regarding Portland General Electric's ("PGE") 2019 Integrated Resource Plan ("IRP").

Renewable Northwest's September 19, 2019 Initial Comments and December 17, 2019 Reply Comments discussed a number of items relevant to this IRP in some detail. In these comments on the Staff Report, we attempt to avoid repeating earlier discussions and positions in depth, focusing instead on the Commission's upcoming decision on IRP acknowledgment.

Central to these comments is our recommendation that the Commission acknowledge PGE's proposed Renewable Actions, including both the Renewable Request for Proposal ("RFP") and Non-Emitting Capacity RFP. PGE has convincingly demonstrated both (1) a significant potential for customer savings attributable to near-term renewables procurement that benefits from expiring federal tax credits and (2) the availability of non-emitting resources to provide capacity at the least cost and least risk, aligned with the timing of PGE's capacity need. Indeed, PGE has worked diligently throughout the IRP process to respond to Staff's concerns about possible risks associated with near-term procurements by imposing restrictions on its proposed actions, even though these restrictions may well prevent customers from receiving the full benefits that renewable resource additions could provide. Thus while Renewable Northwest would prefer to see a more aggressive procurement approach, as recommended by PGE's modeling, we nevertheless appreciate PGE's efforts to respond to Staff's concerns and support acknowledgment of the resulting Renewable Actions.

Alternatively, because there is a significant overlap between the availability of low-cost renewable resources and the ever-greater need to accelerate our transition to a low- or no-carbon energy system, Renewable Northwest would support a Non-Emitting All-Source RFP approach if that is the Commission's preference, provided that any such procurement is designed to reflect and procure for customers' benefit the significant value that new renewable resources can bring to PGE's system. In our view, while the structure of PGE's procurement process is important, it is even more important that PGE proceed with *some* procurement process in order to explore concrete resource options as opposed to proxy resources, harness those resources that bring the customer benefits PGE has projected, and facilitate both decarbonization and continuing system transformation.

These comments also touch on other elements of PGE's proposed Renewable Actions, including responding to some of Staff's proposed restrictions on the Renewable Actions and supporting an acknowledgment order in this docket as an appropriate vehicle for presenting guidance on the availability of an exception or waiver from the competitive bidding guidelines for long lead-time resources.

Additionally, these comments discuss at a higher level PGE's interim transmission solution, its RPS strategy, and its approach to Colstrip.

Altogether, Renewable Northwest is pleased to see a common thread emerging both from PGE's IRP and from Staff's comment: to quote the Staff Report, not only should the Company's proposed action be "link[ed] ... to ... accelerated decarbonization," but also, "[u]ltimately, Staff agrees with PGE and parties that changing system dynamics require a portfolio approach in which a range of diverse resources will be optimized to meet the Company's changing needs."¹ Even if Renewable Northwest does not fully agree with Staff on how PGE can best achieve these goals and carry out the directive of meeting its system needs at the least cost and least risk to its customers, we very much appreciate this developing consensus on IRPs as an important -- maybe even the most important -- tool in achieving the system transformation we so urgently need in order to both respond to and prevent rapid climate change.

II. COMMENTS

1. Renewable Actions

Renewable Northwest recommends that the Commission acknowledge PGE's proposed Renewable Request for Proposal ("RFP") and Non-Emitting Capacity RFP or, in the alternative,

¹ Staff Report at 9.

acknowledge an all-source RFP that accurately reflects the value of near-term procurement of renewable resources as consistently demonstrated through PGE’s IRP process.

a. PGE Has Consistently Demonstrated the Value of Near-Term Renewable Additions

The Staff Report discusses the “overarching themes” of PGE’s IRP, beginning with the plain statement that “there is no doubt that PGE’s analysis demonstrates the economic opportunities presented by PTC-eligible wind resources.”² Renewable Northwest agrees.

Indeed, PGE reported in its IRP that “[s]ix of the seven best performing portfolios incorporate renewable actions ... [that] range from 150 to 250 MWa.”³ PGE proposed to limit its renewable resource additions to “up to 150 MWa ... in 2023 or 2024” to maintain a flexible glide path, noting at the same time that “the portfolio analysis suggests that allowing a larger renewable resource addition in 2023 or 2024 may further reduce costs.”⁴ As we noted in our Initial Comments, “PGE’s portfolio analysis ... shows that procuring renewables in a timeline that allows PGE to leverage the value of federal tax credits would save customers approximately \$180 million.”⁵ Even the Staff Report acknowledges “that PGE’s portfolio analysis demonstrates that portfolios that add more renewables in earlier years perform better.”⁶

Additionally, as we noted in our Reply Comments, “PGE’s analysis shows that the renewables that PGE would procure pursuant to a 2020 Renewables RFP would contribute 160 MW to PGE’s 2025 capacity need,⁷ as well as to PGE’s energy need and to PGE’s RPS need, all while resulting in savings to PGE’s customers.”⁸

While Staff suggests that these benefits may be outweighed by “capital investment risk at a time of uncertainty about the impact of decarbonization on the long-term value of wind resources in the region,”⁹ that concern appears to be driven in significant part by a single non-traditional scoring metric, “High Tech Future Cost.”¹⁰ Table 7-4 in PGE’s IRP, which compares portfolio performance across different scoring metrics, suggests that the High Tech Future Cost metric generates considerably different results from other metrics; PGE’s preferred portfolio is low-risk, high-reward across most futures. A utility making resource decisions cannot avoid all risks, and

² Staff Report at 9.

³ IRP at 193.

⁴ *Id.* at 194.

⁵ Initial Comments of Renewable Northwest at 6 (citing IRP at 216).

⁶ Staff Report at 33.

⁷ PGE Reply Comments at 9.

⁸ Reply Comments of Renewable Northwest at 7.

⁹ Staff Report at 28.

¹⁰ *See* Staff Report at 31-32.

in this case the risk of portfolio underperformance in a single modeled future does not provide sufficient reason for PGE not to pursue the significant and time-limited benefits of investment in PTC- or ITC-eligible renewable resources now -- benefits that Staff acknowledges.

b. Renewable Northwest Supports PGE's Proposed Approach to Non-Emitting Capacity

Renewable Northwest previously encouraged PGE to consider aligning its exploration of the bilateral capacity market and its Non-Emitting Capacity RFP¹¹; we appreciate PGE's responsiveness in modifying its approach to "call[] for concurrent, rather than sequential, consideration of existing and new capacity resources."¹² While some stakeholders have raised questions about how a Renewable RFP and Non-Emitting Capacity RFP would interact, those questions could be appropriately addressed in future dockets relating to the selection of an Independent Evaluator ("IE") or seeking acknowledgment of the RFPs themselves.

c. A Well-Designed Non-Emitting All-Source RFP Could Be a Reasonable Alternative

Given that "Staff does not recommend acknowledgment of the standalone Renewable RFP" but does suggest that the Commission "[m]odify [the] Dispatchable Capacity RFP to consider non-dispatchable capacity options," Renewable Northwest offers its support in the alternative for an appropriately designed all-source RFP. The most important considerations for an all-source RFP would be: (1) that resources meet PGE's demonstrated need and economic opportunity for energy, capacity, and renewable energy certificates ("RECs") from new renewable resources, rather than just capacity; (2) that only non-emitting resources be eligible to bid. Renewable Northwest understands the risk-mitigation motive behind Staff's recommendation that "PGE may not submit a benchmark resource to its RFP" but recommends against including this limitation in an acknowledgment decision; instead, selection of a qualified IE and robust stakeholder participation in a future RFP docket or dockets will help to ensure that the RFP is competitive to the ultimate benefit of PGE's customers.

Additionally, if the Commission acknowledges a modified all-source RFP, we recommend that any future process be conducted as expeditiously as possible in order to ensure that the value of the expiring PTC and ITC can be captured and passed on to customers. Delay for the purpose of vetting a newly designed RFP may well mean both lost customer savings and greater overall carbon emissions at a time of climate emergency.

¹¹ Reply Comments of Renewable Northwest at 7.

¹² PGE Reply Comments at 9.

d. Renewable Northwest Supports Commission Guidance Affirming the Availability of an Exception or Waiver for Long Lead-Time Non-Emitting Resources on a Case-by-Case Basis

In light of the inclusion of pumped hydro storage in PGE’s preferred portfolio, Renewable Northwest supports high-level guidance in the Commission’s acknowledgment order regarding the applicability of the waiver provision in OAR 860-089-0010(2) or the exception provision in OAR 860-089-0100(3) to non-emitting, long lead-time resources. Providing some high-level guidance demonstrating that a path to procurement may be available on a case-by-case basis to resources that, though cost-effective, are not perfect fits for PGE’s proposed RFP or RFPs could help to mitigate project risks and ensure the commercial viability of those resources.

e. PGE’s Renewable Actions Are Consistent with the Commission’s IRP Guidance

Renewable Northwest’s Reply Comments discussed PGE’s responsiveness to past Commission guidance.¹³ While we acknowledge that Staff’s position on this point is nuanced, we appreciate Staff’s general agreement “that PGE made a clear and deliberate effort to justify its 2019 IRP renewable action in a manner that aligns with the Commission’s 2016 IRP guidance.”¹⁴

2. RPS Strategy

Renewable Northwest continues to support PGE’s strategy of physical RPS compliance and recommends the Commission acknowledge that element of PGE’s IRP.

Staff has questioned PGE’s RPS compliance strategy throughout the IRP process, concluding with a recommendation that the Commission require PGE not to follow its preferred physical compliance strategy. As we pointed out in our Reply Comments,¹⁵ PGE responded to Staff’s initial concerns with analysis “strongly suggest[ing] that RPS need and PGE’s treatment of banked and unbundled RECs is not driving portfolio composition or performance, especially regarding near-term renewable additions” and further demonstrating “very little difference in portfolio cost or risk” following from different RPS compliance strategies.¹⁶ Responding to PGE, Staff may be “left to wonder why the physical compliance requirement was necessary in the first place,” but they do not offer an effective counter to PGE’s analysis.¹⁷

¹³ Reply Comments of Renewable Northwest at 6.

¹⁴ Staff Report at 26.

¹⁵ Reply Comments of Renewable Northwest at 9-10.

¹⁶ PGE Reply Comments at 50.

¹⁷ Staff Report at 46.

Instead, PGE's physical RPS compliance approach should result in a robust REC bank that can serve as a hedge against the likely scenario that not only will Oregon's RPS increase from its current 50% in 2040 to some higher figure (very possibly some variation of a 100% clean standard) but also other states' RPS obligations will continue to increase as well, driving up the value of RECs. Should such an increase occur, the ratios reported by Staff of PGE's REC bank to its annual compliance needs will cease to appear quite so dramatic.

In the meantime, even if PGE's strategy does at some point drive additional resource procurements, the physical compliance strategy is the most consistent with the Legislature's stated intent in passing SB 838 in 2007: "the Legislative Assembly finds that it is necessary for Oregon's electric utilities to decrease their reliance on fossil fuels for electricity generation and to increase their use of renewable energy sources." Moreover, if PGE's strategy drives additional resource procurements, those compliance-driven procurements will still be subject to the cost cap imposed by ORS 469A.100, which should address Staff's concerns about cost and risk.

Finally, Staff remarks as part of its RPS discussion that "[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."¹⁸ First, PGE has made a compelling case for PTC-eligible wind as a resource that not only meets actual needs, but also presents a significant economic opportunity, following the Commission's recognition in Order No. 17-386 "that expiring tax incentives represent a time-limited opportunity that could significantly benefit customers."¹⁹ Second, PGE has also made the case for PTC-eligible wind as a significant contributor to its capacity need, as outlined above. And third, PGE does seek to create an opportunity for PTC-eligible wind to compete with other resources to offer benefits to its customers through a competitive procurement process. While Renewable Northwest objects to Staff's characterization of only capacity as an "actual need," we too recommend that the Commission let it compete against other resources in an RFP or RFPs.

3. Interim Transmission Solution

Renewable Northwest has provided extensive comments on PGE's Interim Transmission Solution²⁰ and understands that PGE is not seeking acknowledgment of its approach to transmission in this IRP docket. We appreciate PGE's efforts to introduce more flexibility into its transmission requirements for new resources. We have continued to engage with PGE on modifications and refinements to its transmission requirements for new resources, and we look

¹⁸ Staff Report at 46.

¹⁹ Oregon Public Utility Commission, Docket No. LC 66, Order No. 17-386 at 3 (Oct. 9, 2017).

²⁰ See, e.g., Initial Comments of Renewable Northwest at 7-10; Reply Comments of Renewable Northwest at 1-5.

forward to further engagement in Commission dockets addressing the structure and scoring of PGE's procurement process or processes.

We support Staff's recommendations that PGE should provide more details and explanation regarding how it intends to score transmission service in its RFP process, and how the level of transmission service offered with a bid will impact the scoring of capacity from the resource. Also, we recommend that the Commission's acknowledgment order require PGE to report: (1) following the RFP or RFPs, the degree to which the flexibility regarding transmission service was utilized by and impacted the responses it received in the RFP, and (2) towards the end of PGE's five year provisional program defined in its Interim Transmission Solution, how the value of any resources acquired with less than 100% long-term firm transmission service has been impacted by these flexible transmission service requirements.

4. Colstrip

Renewable Northwest has consistently recommended that PGE explore how best to move on from its stake in Colstrip units 3 and 4.²¹ We appreciate PGE's commitment to identify and analyze options for an early exit,²² and we agree with Staff's "recommend[ation] that PGE pursue an aggressive timeline for these efforts and provide quarterly updates ... on the progress."²³

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²¹ Initial Comments of Renewable Northwest at 10-11; Reply Comments of Renewable Northwest at 11.

²² PGE Final Comments at 34.

²³ Staff Report at 58.

III. CONCLUSION

Renewable Northwest again thanks the Commission for this opportunity to comment. We continue to recommend acknowledgment of PGE's Renewable RFP and Non-Emitting Capacity RFP, or in the alternative of an all-source RFP that accounts for the economic opportunity of renewable additions. We also recommend acknowledgment of PGE's physical RPS compliance strategy. We look forward to further engagement on PGE's Interim Transmission Solution and support the additional detail and reporting on this issue requested by Staff. And finally we support an accelerated analysis of how PGE can best move on from its stake in Colstrip Units 3 and 4.

All in all, we appreciate the robust stakeholder process that has taken place both as PGE developed this IRP and as the Commission has considered the novel elements of PGE's evolving approach to resource planning. We continue to believe that PGE's IRP is an important step toward the achievement of PGE's and Oregon's carbon and climate goals, as well as one that meets demonstrated system needs at the least cost and risk to customers.

Respectfully submitted this 6th day of March, 2020,

/s/ Max Greene

Max Greene

Staff Counsel and Analyst

Renewable Northwest

421 SW Sixth Ave. 975

Portland, OR 97204

(503) 223-4544