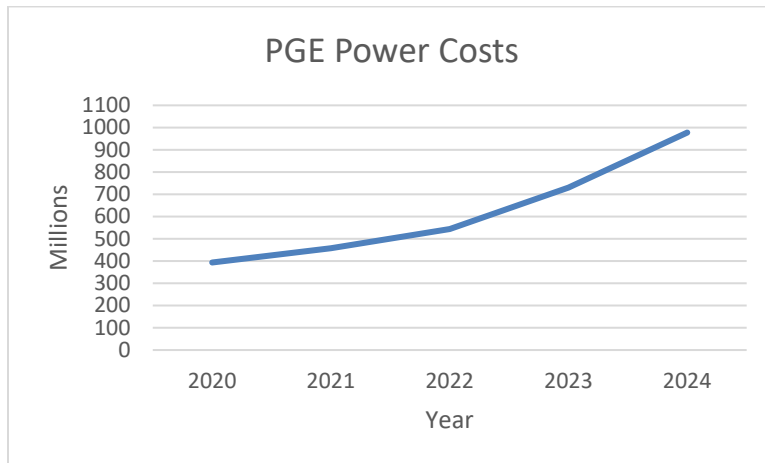


**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 416

In the Matter of)) PORTLAND GENERAL ELECTRIC) COMPANY,)) Request for a General Rate Revision; and) 2024 Annual Power Cost Update.) _____)	COMMENTS OF THE ALLIANCE OF WESTERN ENERGY CONSUMERS
--	---

AWEC appreciates the opportunity to file comments on Portland General Electric Company’s (“PGE” or “Company”) final MONET update. PGE’s rate case this year is unusual in that the rates approved are higher than what PGE requested in its initial filing. This is due entirely to the difference in PGE’s power cost forecast at the beginning of this case relative to its final update. Just since last year, PGE’s power cost forecast has climbed from \$730 million¹ to \$978 million.² And this is not an isolated occurrence. In 2020, PGE’s forecasted power costs were \$393.5 million.³ Thus, in four years the Company’s power costs have more than doubled.

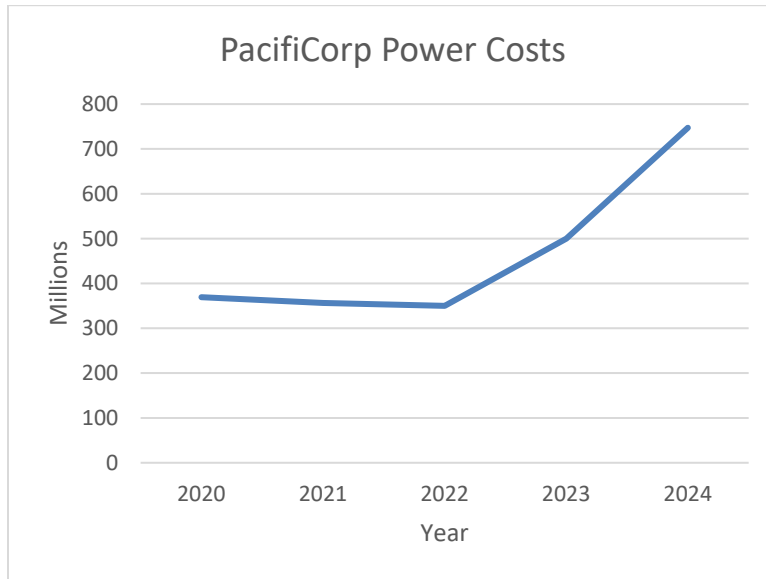


¹ Docket UE 402, PGE Final MONET Update (Nov. 15, 2022).

² Docket UE 416, PGE Final MONET Update (Nov. 15, 2023).

³ Docket UE 359, PGE Final MONET Update (Nov. 15, 2019).

Meanwhile, over the same period PacifiCorp’s Oregon-allocated power costs have also doubled, from \$369 million⁴ to \$739 million.⁵



It is no secret why this is occurring – the capacity available in the market has declined significantly with the retirement of dispatchable resources as the region transitions to a lower carbon generation mix. Yet, because most of this replacement generation is non-dispatchable, the region has, ironically, relied more in recent years on gas-fired generation than it has historically,⁶ which has driven up gas prices, a key input to electric prices. Scarcity pricing in certain months also demonstrates the increased potential for reliability events – the region has been lucky in recent years not to face a bad hydro year. Moreover, despite a greater penetration of renewable resources and the closure of the Boardman coal plant, electric sector emissions have barely budged in the last 10 years, and this is true even accounting for load growth.⁷ Thus,

⁴ Docket UE 356, PacifiCorp Advice No. 19-017 at 2 (Nov. 15, 2019).

⁵ Docket UE 420, PacifiCorp Advice No. 23-021 at 2 (Nov. 15, 2023). PacifiCorp’s recent PCAM filings have also shown that these numbers have under-forecast actual power costs.

⁶ Energy Information Administration, Oregon Natural Gas Consumption by End Use, *available at*: https://www.eia.gov/dnav/ng/NG_CONS_SUM_DCU_SOR_A.htm.

⁷ In 2012, Oregon’s electric sector emissions were 17.3 million metric tons (“MT”), at a rate of 0.352 MT/MWh. In 2021, the most recent year with information available, these numbers were 17.8 million MT at a rate of 0.316 MT/MWh. Oregon Department of Environmental Quality, “Greenhouse Gas Emissions

customers are paying a higher price for a less reliable product while getting little benefit from lower carbon emissions.

A number of factors have contributed to the market dynamics that are increasing costs and reducing reliability for customers, and these factors indicate that such impacts are only likely to increase in the coming years.

One factor is legislation and policy initiatives to decarbonize the electric sector without any plan for whether or how it can be achieved in the required timeframe, or at what cost. As a consequence, PGE's Integrated Resource Plan and Clean Energy Plan ("CEP") relies entirely on the supply side on unspecified "proxy" resources based on speculative and problematic modeling. This means that whether PGE has any chance of meeting the 2030 requirement in HB 2021 and at what cost will only be determined through subsequent RFP processes.⁸ That does not instill confidence in PGE's ability to meet the State's clean energy targets, and provides no information on how much it will cost to do so. Meanwhile, PacifiCorp's CEP openly admits that it cannot meet the State's clean energy targets and falls back on complicated, costly, and contingent allocation proposals.

Another factor is that the capacity resources available to utilities are becoming increasingly limited. A significant reason for the increase in PGE's power costs this year is new supply contracts for limited resources that are currently attracting competition for their output. By requiring that all contracts have a Joint Capacity Attestation Form, the Western Resource

from Electricity Use", available at: <https://www.oregon.gov/deq/ghgp/Pages/GHG-Emissions.aspx>. PGE's emissions over this period decreased on a mass basis from 7.084 million metric tons to 6.116 million metric tons and decreased from a rate of 0.365 MT/MWh to 0.315 MT/MWh. This is equivalent to a 1.4% decrease per year.

⁸ PGE's Preferred Portfolio in the IRP consists of 2,090 MW of variable energy proxy resources, 232 MW of storage proxy resources, and 255 MW of transmission expansion proxy resources. It also includes 200 MW of "non-GHG emitting contract extension."

Adequacy Program (“WRAP”) has severely reduced the ability of market participants to rely on the Western Systems Power Pool Schedule C contract, which provides firm power based on liquidated damages and has been the backbone of Northwest power markets for decades. While AWEC understands the need to prevent double-counting of capacity, the WRAP requirements on top of the retirement of major capacity resources leave few options for utilities to meet their capacity needs while participating in the WRAP. This is significantly driving up the cost of these few options. PGE has historically benefitted from transactions with the Mid-C utilities (Grant, Douglas, and Chelan PUD), but whether PGE will be able to extend these transactions in the future is highly uncertain given that these utilities face their own clean energy obligations under Washington’s Clean Energy Transformation Act (“CETA”) and may need more of these resources to serve their own retail load requirements once CETA’s obligations become binding in 2030. If these resources are no longer an option for PGE and other utilities, this will make it even more difficult for these utilities to meet their clean energy obligations while maintaining reliability. Further development of storage resources and expansion of regional markets may help mitigate these issues, but they are unlikely to solve them entirely, and they are at best a long-term play. Customers are feeling the price impacts today.

Meanwhile, as if none of this is happening, the region is also aggressively pushing to electrify everything, again without any plan for how utilities will meet this increased load or any recognition of the cost and reliability benefits a diversified system provides. This will only exacerbate the supply problems the region is facing and further increase costs to customers, to say nothing of the reliability risks they may face and costly transmission investments that will be necessary. Moreover, it is far from certain that electrification will achieve its primary purpose of reducing emissions and that the cost will be worth it. The electric sector produces far more

emissions than the natural gas sector today,⁹ and for the reasons discussed above, there is no guarantee that the region will be able to eliminate or even materially reduce its reliance on natural gas-fired generation if it intends to maintain a reliable system. Puget Sound Energy has contracted with E3 and the Cadmus Group to study electrifying its system.¹⁰ That study shows that electrification will result in higher near-term emissions than the base case,¹¹ and that costs will substantially exceed the societal benefit of reduced emissions.¹²

The Commission certainly does not control many of these factors, but it does control aspects of these factors and it controls how it responds to them. As electric costs continue to grow, the Commission should prioritize mitigating rate impacts over potentially competing policies and initiatives where possible. In this vein, AWEC welcomes the Commission’s acknowledgement in its recent order in this case of “the magnitude of [rate] changes” and its recognition of the need to:

[C]onfront managing the impacts of advancing multiple policy objectives through utility investment while simultaneously keeping rates reasonable for all customers. We are asked to decarbonize the system with significant community benefit, and to provide substantial low-income support while ensuring many new investments are made to harden the system and mitigate risks associated with wildfires and other natural disasters. Achieving these objectives, while keeping rates reasonable in a time of historic inflation and market price volatility will require creativity, compromise, and potentially difficult choices. PGE and all stakeholders must recognize that we intend to be proactive about this central challenge to utility oversight.¹³

⁹ *Infra* n. 14.

¹⁰ Exhibit A.

¹¹ Exhibit A, Slide 15. Between Puget’s gas and electric system combined, electrification reduces emissions in the long-term, but electric emissions in an electrification scenario are always above the base case, including in 2045 when PSE must fully decarbonize its electric system under CETA. Exhibit A, Slides 13-14.

¹² Exhibit A, Slide 17.

¹³ Order No. 23-386 at 14-15 (Oct. 30, 2023).

The Commission can and should be a leader on cost containment. This can take many forms in addition to continuing to scrutinize utility rate requests. It can include reporting to the Legislature on the scale of utility rate increases and the reasons for them. It can mean revisiting certain programs in which policy interests have been prioritized over cost, such as community solar and net metering. It can mean emphasizing the importance of, and clearly signaling a willingness to implement, cost caps where they exist, such as in HB 2021, as well as carefully monitoring the utilities' costs of meeting HB 2021's requirements on a regular basis in their Clean Energy Plans. It can mean recognizing the value of the natural gas system that provides low-cost heating and supports reliable industrial processes while contributing relatively little to the State's greenhouse gas emissions profile.¹⁴ Finally, it can mean drawing attention to the increasing importance of the resources the region has that provide reliable and clean electricity, such as the Snake River Dams.

AWEC agrees that climate change is a massive and urgent challenge, but too often that fact is used to shut down debate on what actions Oregon should take in response – because climate change is massive and because it is urgent, any action is justifiable and anyone that disputes this is putting profit over the environment. But Oregon's ability to mitigate climate change is limited, and imposing requirements regardless of the cost and without first studying the impacts is likely to have counterproductive and counterintuitive results, such as inducing carbon leakage and even increasing Oregon's own emissions.

¹⁴ In 2019, Residential, Commercial, and Industrial natural gas consumption constituted 11% of the State's greenhouse gas emissions. The same sectors' electricity use constituted nearly 30% of the State's greenhouse gas emissions. Oregon Department of Environmental Quality, Oregon Greenhouse Gas Sector-Based Inventory Data, *available at*: [Department of Environmental Quality : Oregon Greenhouse Gas Sector-Based Inventory Data : Action on Climate Change : State of Oregon](#)

Moreover, if costs continue to spiral upward, this risks not only causing lasting economic damage to the State but also a political backlash that could reverse the policies that have been implemented in recent years. If that occurs, it will set back the goals of these policies further than if the Commission and stakeholders take a deliberate and reasoned approach to implementing these policies in the first place.

Dated this 15th day of November, 2023.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Tyler C. Pepple

Tyler C. Pepple

107 SE Washington St. Suite 430

Portland, OR 97214

(503) 241-7242 (phone)

(503) 241-8160 (facsimile)

tcp@dvclaw.com

Of Attorneys for the

Alliance of Western Energy Consumers