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***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street S.E., Suite 100
Salem, OR 97308-1088

**RE: UM 2005 - Distribution System Planning, Response to Stakeholder Questions for August 25, 2020 Special Public Meeting discussion**

Dear Filing Center;

PGE welcomes the opportunity to participate in the Public Utility Commission of Oregon's (OPUC's) UM 2005 Docket. UM 2005 presents a critical opportunity for the OPUC, utilities, partners and stakeholders to collaborate and develop an integrated Distribution System Planning (DSP) framework with guiding principles, strategies and initiatives in a manner that:

- Achieves transparency, visibility and inclusivity;
- Creates a collaborative environment among all interested partners and stakeholders;
- Ensures alignment with transformative public policy goals; and
- Facilitates discussion of proposed investments that allows for mutual understanding of the value and risks associated with each resource investment option.

PGE supports the proposed goals stated in Stakeholder Questions for August 25 Special Public Meeting issued by Commission Staff (Staff) in docket UM 2005. PGE particularly supports goals around inclusion for new partners and stakeholders who will bring valuable new and differing perspectives to the electricity system planning process.

Below PGE provides comments to the questions posed in Staff's questionnaire. PGE looks forward to working with the OPUC, partners and stakeholders on Staff's draft DSP guidelines.

**1. What kind of actionable baseline data and system assessment information should be included in the first utility DSP plans in order to help parties reach a shared understanding of the current state of the distribution systems?**

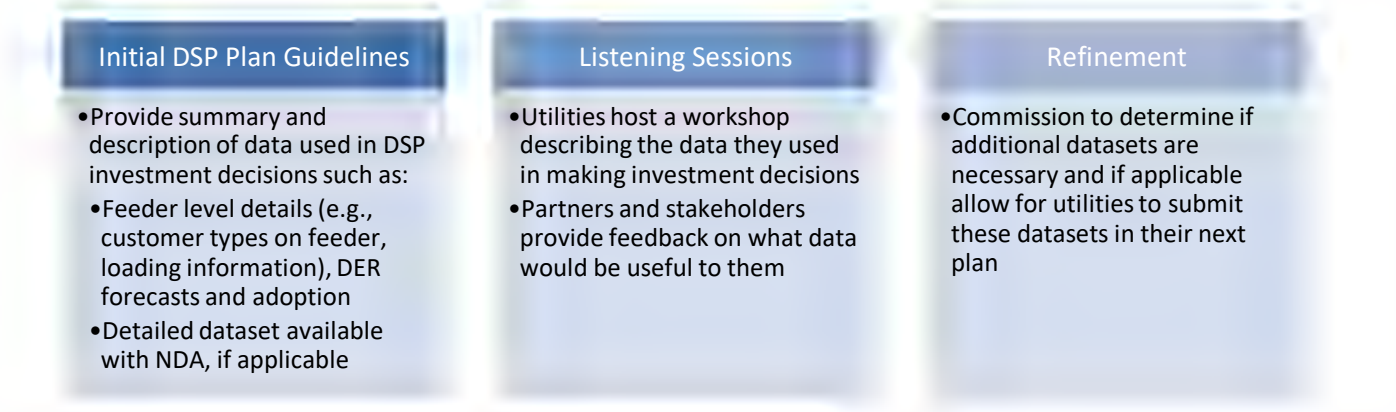
Although customer privacy, FERC Standards of Conduct, and Critical Energy Infrastructure Information (CEII) must be considered when providing data to parties, PGE supports data transparency, especially data that enable the OPUC, partners and stakeholders to have insight into:

- How and why utilities make DSP investment decisions; and
- How such data can enable utility partners to make informed investments decisions.

While PGE intends to provide comprehensive comments on Staff's initial recommendations, we take this opportunity to propose that Staff include a recommendation that utilities: 1) provide data currently used in distribution system planning processes within the initial DSP filing, if applicable; and 2) provide new and differing datasets in subsequent filings.

Such an approach would provide transparency and visibility into the datasets used in current utility planning processes; thus, setting a baseline from which to inform the next evolution of the DSP. As this activity is new to all parties, our vision is one of evolution whereby the DSP evolves to meet a collective vision. The approach of making current data available to the OPUC, partners and stakeholders will have a significant, positive impact on partnerships and stakeholder engagement. For future refinements, PGE would like to pursue a common approach to data provisions – one that would establish a set process where changes to the data and reporting structure for subsequent DSP filings are more approachable and commonly understood. A common approach to data will assure collective understanding and collaborative evolution of the DSP. Figure 1 illustrates an example data refinement process and approach to data transparency and sharing.

**Figure 1. Example Data Refinement Process**




**2. When considering the first utility DSP plans, is a "bottom-up" DER/EV forecasting methodology worth the likely additional cost when compared to a "top-down" forecasting methodology? Why or why not?**

Today, system-level distributed energy resource (DER) forecasts (i.e., top-down forecast) are still very important for system-level planning and have been useful in previous IRP cycles. The IRP process has yielded a well-established and robust framework to analyze the system benefits of DERs as it pertains to the bulk system (e.g., energy value, flexibility value, and generation capacity value). Additionally, granular forecasts (i.e., bottom-up forecast) are important to locational-level planning. Granular locational assessments of DER adoption are critical to DSP. Such locational assessments may help with investment prioritization and valuation.

Because of this, PGE believes a hybrid approach, utilizing both top-down and bottom-up forecasting, to DER forecasting allows for integration of datasets used in multiple utility planning processes. Both datasets can inform how DER development will affect broader system and location planning and may assist in identifying how to achieve cost savings. A hybrid approach may also offer benefits above and beyond either methodology pursued on its own. For example, in PGE's 2019 Integrated Resource Plan (IRP), PGE found that potential locational system benefit from strategic placement of DERs onto the

distribution grid (see section 6.4 of PGE 2019 IRP) could lead to DERs being cost effective, whereas without that value they would not be selected into the preferred resource portfolio.[1]

PGE also supports the integration of diversity, equity and inclusion data in either top-down and/or bottom-up forecasting**.** PGE has started examining data that will assist in understanding our most vulnerable communities. For example, macro and microeconomic determinants such as local building stock information, and customer and community socio-economic characteristics may prove very useful for DSP, establishing appropriate program delivery designs, and funding mechanisms.

**3. When considering the first plans utilities file, what are likely to be the best uses for HCAs, and in what ways would your organization use them? For example, to screen projects (as a partial substitute for interconnection studies)? To help utility customers understand the general state of their feeder? For researching the overall opportunity for DERs in a given area? What form of data presentation would your use benefit from (e.g. raw, tabular data or visualized on a map)?**

As PGE heard in Staff's webinar series, and as we have witnessed from other states' experiences, use cases for hosting capacity analysis (HCA) include:

- Preliminary screening for DER proposals;
- Guidance in the early phases of the interconnection process; and
- Enhancing distribution system visibility when determining locations for future DER.

Table 1 illustrates the possible use cases for HCA. HCA may be utilized to inform preliminary system upgrades/requirements pertaining to early stages (e.g., scoping call, feasibility study) of the interconnection process. Although valuable in informing customer decisions, PGE does not support using HCA to replace any part of the interconnection process. Additional local studies will need to be performed to determine the viability of adding DERs. PGE views HCA has having greater value to qualifying facility development than to communities assessing local investments. Though we do not advocate discontinuation of HCA work, we do sense that the HCA tool may not fit community needs. We, therefore, suggest a dialogue around development of a tool that would be in addition to HCA yet more approachable and instructive for communities.

Based on the mixed experiences in other states that have developed hosting capacity tools, PGE is particularly interested in hearing from the OPUC, partners and stakeholders in what tools and resources would be of most value to them. That is to say, PGE is keeping an "open-mind" on how we develop tools and resources that provide transparency into our planning processes.

[1] PGE's Integrated Resource Plan can be found at https://www.portlandgeneral.com/our-company/energy-strategy/resource-planning/integrated-resource-planning.

**Table 1. Possible Future Enhancements (depends on value to Planners, Customers and DER penetration)**

| HCA Use Case | Consideration | Outcome | Possible Outputs |
|---|---|---|---|
| Advanced Hosting Capacity Evaluations | – Substation and transmission assessments and mapping of distribution-level impacts to substation and transmission<br>– Normal and reconfigured system models | – Refined hosting capacity evaluations that take into account additional criteria | – Maps indicating node/section-level hosting capacity |
| Fully Integrated DER Value Assessments | – Increased level of detail regarding distribution constraints, asset performance, and DER performance metrics<br>– Models of emerging technologies, such as energy storage | – Comprehensive hosting capacity and DER value assessments considering both distribution and transmission<br>– Ability to increase hosting capacity | – Maps indicating hosting capacity along with areas where DER can bring additional value to the grid |

**4. How could a Community Engagement Plan and process lead to improved distribution project outcomes for residents, business owners, and stakeholders in impacted areas?**

As part of a Community Engagement Plan and process, improved distribution project outcomes should be defined in partnership with stakeholders, identifying what outcomes they are seeking and what is most valuable to them. PGE supports co-development of outcomes and associated metrics with stakeholders. This begins with a conversation with the OPUC, partners, and stakeholders to assess how a potential roadmap or strategies advance the outcomes they are seeking and how this can provide value to them. We support the Equity Assessment Tool[2] produced by the Zero Cities Project, which states that having communities of color both inform and identify the solutions and strategies considered is a critical component of roadmap development.[3]

In developing a Community Engagement Plan and process, we must first define what we collectively mean by "community". Then, we must collectively work as partners to educate ourselves about the community, identify community needs, resources to address those needs, and possible burdens and mitigation strategies. While these steps will take time, they promote better distribution project outcomes since the community is brought along during the process.

PGE also supports implementing a spectrum of engagement (e.g., inform, consult, involve, collaborate, and defer) to engage in transparent discussions for developing a Community Engagement Plan, including specific goals around engagement and clearly communicated intentions.[4] Information must be provided in a straightforward way without technical jargon and data should be accessible to community members in a format that is easy to understand and useful.

*When should community engagement around a project begin?*
We support the Equity Assessment Tool approach, which states that early engagement generally leads to better relationships, more diverse contributions, and outcomes that incorporate the priorities and

[2] https://www.usdn.org/uploads/cms/documents/equity_assessment_tool_-zero_cities_project_-_race_forward_2019.pdf
[3] Ibid, page 24.
[4] https://movementstrategy.org/b/wp-content/uploads/2019/09/Spectrum-2-1-1.pdf

expertise of impacted communities.[5] When community engagement around a project begins, providing straightforward, non-jargon-filled, foundational education about the energy system and what DSP "is" will be necessary to foster meaningful engagement. It is important to state the level on the spectrum of engagement that you are bringing people into and to be clear about the outcome you are seeking as part of community engagement. Information should be specifically tailored to how DSP investments may impact local communities and individuals. This information and education are necessary for procedural equity – defined as inclusive, accessible, authentic engagement – and representation in the process to develop or implement programs.

*What is a practical "project threshold" to determine which projects warrant this?*
With respect to a practical project threshold to determine which projects require community engagement, project-level thresholds may not be the only method for this determination. Inspiration may be taken from the Energy Trust of Oregon (ETO) Diversity Advisory Council charter,[6] which provides input and feedback into the development of strategic plans and budgets, reviews progress toward Diversity, Equity and Inclusion (DEI) operations plan goals, engages in routine public meetings, and co-creates agendas. Additionally, the King County Equity Impact review process[7] recommends identifying how a project will affect/serve people by using demographic information, that represents low-income populations, Black, Indigenous, and People of Color, and limited English-speaking residents. Additional considerations include reach (e.g., which people and places will be affected by the project?), intensity (what effects, impacts and/or outcomes will the project have on people and places?), and duration (will the project have a short-term, medium-term, and/or long-term impact?).

*What metrics, evaluation and reporting should be required?*
To assess progress with respect to community engagement, The Equity Assessment Tool serves as an example of how to approach metric formation. Though specific to the building sector, the tool may be applied to a variety of projects and programs in order to ensure the twin goals of racial equity and carbon reduction are achieved. Metrics in theEquity Assessment Tool include: early engagement measures that seek to overcome procedural equity disparities; percent of project budget for engagement; and demographics of the engaged or impacted.[8]

*How might the OPUC support utilities to develop and showcase projects co-created with community partners?*
In order to promote community engagement and showcase projects co-created with community partners, pursuing a community engagement mechanism to gather community insights is a way that the OPUC can support utilities to achieve this outcome. The following ideas are put forth as potential mechanisms to support engagement of local communities:

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[5] https://www.usdn.org/uploads/cms/documents/equity_assessment_tool_-zero_cities_project_-_race_forward_2019.pdf, page 24.
[6] https://www.energytrust.org/wp-content/uploads/2019/08/Diversity-Advisory-Council-Charter.pdf

[7] https://www.kingcounty.gov/~/media/elected/executive/equity-social-justice/2016/The_Equity_Impact_Review_checklist_Mar2016.ashx?la=en

[8] https://www.usdn.org/uploads/cms/documents/equity_assessment_tool_-zero_cities_project_-_race_forward_2019.pdf, page 24.

**Community Engagement Advisory Committee (CEAC).** PGE is exploring supplementing PGE's ongoing community engagement efforts through the development of a *PGE* CEAC to provide an additional mechanism and forum to gather community input. A CEAC provides a consistent forum for bi-directional engagement between members of Community-based Organizations (CBOs) and non-profits serving environmental justice communities. This allows for CEAC members to act as a liaison to the communities they represent and can help facilitate access to individual community member input. This committee would provide guidance and input on the development of an overarching DSP and DSP-related work, in addition to input on other PGE programs, products, initiatives, and services.

The CEAC that PGE envisions may include requirements such as: member participation treated as consultancy through compensation; and education on the topics discussed to support CEAC members through meaningful engagement. To ensure meaningful, authentic representation – beyond just checking a box – engagement must be clearly stated on the spectrum of engagement, and a CEAC must have a framework for transparent decision-making. A CEAC, co-created by stakeholders, allows co-creation of solutions with those most disparately impacted, ensuring there is buy-in from the community before proceeding and that community values are incorporated into the methodology used to prioritize community investments.

We also recognize that there are other advisory councils established in Oregon that CBOs and organizations representing environmental justice communities are often invited to (e.g., the ETO's Diversity Advisory Council) and recognize the OPUC's focus on expanding their awareness around DEI issues. In support of Executive Order (EO) 20-04,[9] PGE supports the OPUC exploring the establishment of a CAEC as a sub-strategy in their agency DEI Operations Plan, which will support the OPUC's goals to become a more diverse, equitable, and inclusive organization, and better equip the OPUC to serve all Oregonians and the public generally. PGE also invites comment about how to approach community engagement in a more holistic way across the energy industry.

**Community-based Organizations.** In addition to exploring the creation of a CEAC, PGE is exploring opportunities to contract with CBOs as valued partners that can help PGE identify innovative approaches to better meet the needs of our customers and communities. The OPUC can support utilities to develop and showcase projects co-created with communities by allocating dollars for contracting with CBOs or compensation for members participating on a CEAC. Furthermore, the OPUC could support utilities in developing projects co-created by supporting/building CBO educational capacity through creation and facilitation of foundational energy courses such as those provided under the UM 2005 webinars.[10]

We invite discussion from stakeholders, particularly from CBOs, on these mechanisms. We recognize, however, the necessity to have diversity of voice from a variety of CBOs and other environmental justice organizations incorporated into this feedback, including culturally specific organizations (e.g., Tribes, seniors, and people with disabilities) that are not currently represented in this proceeding.

**5. In what ways do stakeholders foresee DSP affecting utilities' current business model? Do these represent incentives to pursue DSP, or barriers? Are there any changes that need to be made to**

[9] https://www.oregon.gov/puc/utilities/Documents/EO20-04PUC-Report.docx.pdf

[10] https://www.oregon.gov/puc/utilities/Pages/Distribution-System-Planning.aspx

**Oregon's approach to regulation in order to succeed at advancing DERs cost-effectively? Which barriers and uncertainties to long-term DSP are most significant from your perspective?**

PGE views DERs, such as demand response, energy storage, electric vehicle chargers, roof top and community solar, as having a significant and growing role in our strategic vision to partner with customers in order to deliver a clean energy future for all. Therefore, PGE is committed to fully embracing and expediting the incorporation of DER resources into our portfolio and planning processes.

Historically and across the industry, DER development has not been incorporated into core utility operations, to the detriment of efficiency, customer experience and potential carbon reductions. This is because the traditional utility model lacks financial incentives for utilities to pursue DERs at scale. For PGE, this issue has not deterred our efforts towards meeting established IRP goals. However, we would be remiss if we did not recognize the need to align the regulatory model as our efforts mature to provide new values, products and services to our customers as well as assist the State of Oregon in its Executive Order 20-04 goals.

The American Council for an Energy-Efficient Economy (ACEEE) posits a solution to the business model barriers that utilities face when evaluating DER at scale, writing, "To make SDR [Strategic Demand Reduction] a core part of the utility business model, incentives and other policies can continue to strengthen the link between utility performance on SDR and investor returns."[11] PGE raises this as a potential area for regulatory model evolution.

The current economic climate requires sensitivity in prioritization. In light of this, PGE is not seeking an earning mechanism at this time. However, we are ready, when the Commission signals, to open a discussion on regulatory alignment.

Several states have sought to better align utility incentives by introducing new regulatory mechanisms for DER development. Regulatory mechanisms introduced across the country vary from simple – for example, applications of the cost-plus model – to more complex, value-based approaches. States such as Hawaii and Michigan have approached the issue cautiously by introducing a single new regulatory mechanism initially, while other states simultaneously introduced a suite of new regulatory mechanisms that vary in structure and magnitude. For example, New York's Reforming the Energy Vision ("REV") created four types of new regulatory mechanisms. The simplest and most widely adopted was cost-plus, regulatory asset treatment for energy efficiency program spend. Performance Incentive Mechanisms (PIMs) in the form of Earnings Adjustment Mechanisms, both programmatic and outcome-based, were also introduced as well as Non-Wires Solutions incentives based on administratively calculated shared benefits. Lastly, policy enabling Platform Service Revenues was introduced, but has had limited adoption by New York utilities to date.

Evaluating the various forms of regulatory incentive mechanisms is outside the scope of this filing, however, PGE offers the following design principles to help the Commission streamline an investigation into the topic, should it be pursued: [12]

[11] ACEEE report https://www.aceee.org/research-report/u2003 page 7

[12] Following these principles may result in vintages of regulatory incentive mechanisms that evolve over time to allow for incorporation of learnings while not violating retroactive ratemaking.

1. Evaluate investments *based on established need*, in alignment with IRP practices.
2. Keep incentive structures as *simple and transparent* as possible.
3. Aim to achieve *investor indifference* between the quality of earnings opportunities associated with traditional rate base and new regulatory mechanisms for flexible load, including balanced reward for increased regulatory and/or execution risk.
4. Commit to multi-year programs that ensure *durable policy signals* that allow utilities to plan and invest over long-term horizons.
5. Enable an *adaptive process* that promotes continuous improvement and allows regulators and stakeholders the opportunity to iterate and expand the complexity and diversity of regulatory incentive mechanisms.[13]

We offer this introductory discussion of new regulatory mechanisms for DER in response to interest in the topic by the Commission and stakeholders and welcome further discussions on this topic. It is PGE's view that evolving the regulatory framework to align incentives for utilities to embrace DER development is in customers' interest and is in line with the clean energy vision articulated by Governor Kate Brown and the OPUC. PGE would welcome the opportunity to explore the topic more in-depth with the OPUC and stakeholders, within the broader context of how the regulatory framework should evolve to best serve customers. Additionally, the Commission could invite the utilities to voluntarily file a proposal for a multi-year pilot whereby all parties could learn from implementation. Such an approach would create a safe harbor for the utilities while providing real data to inform further substantive discussion.

Respectfully submitted,

*/s/ Jay Tinker*
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[13] https://rmi.org/wp-content/uploads/2018/10/RMI_Navigating_Utility_Business_Model_Reform_2018-1.pdf
https://info.aee.net/hubfs/AEE%20Institute_Utility%20Earnings%20FINAL_Rpt_1.30.18.pdf
https://www.aceee.org/research-report/u2003