



Portland General Electric Company
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204
portlandgeneral.com

December 10, 2020

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: UM 2005 PGE Reply Comments to OPUC Staff, *Revised DSP Guidelines and Next Steps*

Dear Commission:

Portland General Electric Company (PGE or the Company) thanks the Public Utility Commission of Oregon Staff (Staff) for the time and effort they invested in Docket UM 2005 to develop a distribution system planning (DSP) process that seeks to allow utilities to optimize operation of the distribution system and maximize customer value.¹ PGE also appreciates the Public Utility Commission of Oregon's (OPUC or Commission) consideration of stakeholder feedback on Staff's December 3, 2020, *Revised DSP Guidelines and Next Steps* (Guidelines).

PGE is generally pleased and supports Staff's recommendations for the DSP, though PGE believes there are still several open questions that the Commission should seek to address.

Comment Period – Though the comment period was short (with the comment period closing on December 10, 2020), PGE was able to call upon internal resources to meet the comment period deadline. However, PGE is concerned that a five-business day comment period for a docket as broad and complex as this one is insufficient to obtain the full benefits of robust stakeholder participation. This is especially true for organizations with fewer resources or those that are new participants to OPUC processes.

Communities – PGE looks forward to working with communities and partners during the preparation and implementation of our DSP Plan. The requirements for community engagement are aligned with PGE's efforts to ensure procedural equity and diversity of voice in our decision-

¹ Public Utility Commission of Oregon, *UM 2005 Docket* (available at <https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=21850>).

making. PGE understands “communities” to be environmental justice communities as defined in House Bill (HB) 4067 that was introduced in the 2020 Oregon Legislative Session.²

The Guidelines, *Section 5.3. Solutions Identification* require utilities to “co-develop solutions with communities and community-based organizations (CBOs)”. PGE welcomes the opportunity to engage with communities and partners to develop DER solutions that add value for communities and prioritize community needs. However, PGE requests that the Commission provide guidance on how co-creation of DSP solutions between the utility and these communities will be treated in the context of Commission DSP acceptance; specifically, in-terms of cost-effectiveness and cost-recovery.

PGE is also concerned with the change in language in the Guidelines *Figure 4* that states utilities should “engage CBO experts to inform co-created community pilot(s)” rather than “utilize paid CBO experts...” As noted in the Guidelines, some stakeholders “spoke of the need to acknowledge, value, and compensate CBOs as technical experts.” However, softening of this language does not signal that the OPUC finds it appropriate to compensate CBOs for their time and effort needed to inform co-created community pilot(s) with multiple utilities. PGE believes the Guidelines should include Staff’s original language from the October 1, 2020 *Draft Guidelines and Request for Public Comment* (Draft Guidelines).

Distributed Energy Resources (DERs) Definition – PGE appreciates Staff’s inclusion of energy efficiency (EE) and demand response (DR) in its DER definition. PGE views EE as a “first resource” and a modification to load, thus making it a DER. PGE also views DR as an integral part of grid services and flexible loads;³ a necessary dispatchable resource capable of seasonal and annual load modification. Though PGE continues to pursue all cost-effective DERs, we advocate an evolution where DERs are contemplated and built to serve a broader array of community and grid needs and services.

The DSP and DERs are inherently distribution focused. Staff’s definition of DERs includes Qualifying Facilities (QFs), which PGE believes to be overly broad. First, not all QFs are interconnected to the distribution system. Second, PGE views DSP as an activity undertaken to plan for services to and investments for all PGE customers. Small generators and QFs that serve either a customer’s electricity need, or a system seems an appropriate operational perspective to apply. PGE is concerned that blanket inclusion of QFs into the definition of DERs invites confrontation between customer (i.e., ratepayer) interest and private generator interests. Especially, where the generator is selling services to another system outside the load adjacent to the generate, which could burden all customers (i.e., ratepayers) with distribution upgrades and distribution interconnection investments to enhance access to other more lucrative markets. PGE

² House Bill 4067 describes environmental justice communities to include “communities of color, communities experiencing lower incomes, tribal communities, rural communities, frontier communities, coastal communities and other communities traditionally underrepresented in public processes and adversely harmed by environmental and health hazards, including but not limited to seniors, youth and persons with disabilities” (available at <https://olis.oregonlegislature.gov/liz/2020R1/Measures/Overview/HB4067>).

³ PGE’s Flexible Loads Study can be found in External Study F in the 2019 IRP (available at <https://www.portlandgeneral.com/our-company/energy-strategy/resource-planning/integrated-resource-planning>).

suggests that the Commission define a nexus between QFs interconnected to the distribution system that provide capacity and energy to the interconnected system and the goals of the DSP.

PGE suggests that the Commission adopts a DER definition that aligns Oregon regionally on where the DER resource is sited and what load/customers it is serving. The California Public Utilities Commission's Public Utilities Commission 1999 Rulemaking 98-12-015, Decision 99-10-065 states that a DER has the following attributes: "the DER is usually *located at or near the load center*; it may be *connected to the distribution system* or it can operate independently of the distribution system; it *provides an enhanced value* other than its energy and capacity; the DER is usually small in terms of electric power output; and the DER facility is usually automated, modular and mass produced."⁴

The Washington's Clean Energy Transformation Act (CETA) states that a DER "means a *non-emitting electric generation or renewable resource or program* that reduces electric demand, manages the level or timing of electricity consumption, or provides storage, electric energy, capacity, or ancillary services to an electric utility and *that is located on the distribution system, any subsystem of the distribution system, or behind the customer meter*, including conservation and energy efficiency."⁵

Integrated Resource Plan (IRP) – There is a strong connection between the DSP and the IRP. Staff's Guidelines do not provide guidance on how DER investments should be treated in the IRP. PGE understands the IRP to be a utility's current plan to meet the future energy and capacity needs of its customers through a "least-cost, least-risk" combination of energy generation and demand reduction. Per the Guidelines, the DSP can be a "human-focused approach to identifying grid needs, implemented in partnership with communities and CBOs" that "can create value-adding investments for communities, and align the energy system with community priorities". For the future evolution of the DSP, the Commission should distinguish between the two planning processes and what their expectation is for the interrelationship between the two.

Investments, Valuation, Costs and Benefits – In Docket UM 180, *Least-Cost Planning*, through Order 89-507, Oregon became the first state in the country to require least-cost planning.⁶ The Commission's decision stated, "Least-cost planning differs from traditional planning in three major respects. It requires integration of supply and demand side options. It requires consideration of other than internal costs to the utility in determining what is least-cost. And it involves the Commission, the customers, and the public prior to the making of resource decisions rather than after the fact. ...Least-cost planning as mandated by this order will allow

⁴ The California Public Utilities Commission established a Distribution Resources Plan for under Rulemaking 14-08-013 that establishes a definition for DERs in California's Public Utilities Code (available at <https://www.cpuc.ca.gov/general.aspx?id=5071>).

⁵ The Washington's Clean Energy Transformation Act commits Washington to an electricity supply free of greenhouse gas emissions by 2045 (available at <https://lawfilesexternal.wa.gov/biennium/2019-20/Pdf/Bills/Session%20Laws/Senate/5116-S2.SL.pdf>).

⁶ Public Utility Commission of Oregon, Docket UM 180, Order No. 89-507 (available at <https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=3898>).

the public as well as the Commission to participate in the planning process at its earliest stages.”⁷ Staff’s Draft Guidelines similarly states that “Staff wants to advance least-cost investments to modernize the grid as a foundation for optimization of the distribution system, in order to foster higher levels of customer access and interaction, and integration of variable resources”.⁸ Considering discussions during Staff workshops and the emphasis within the Guidelines around community engagement, hosting capacity, non-wire alternatives (NWA) and local investment, PGE viewed such to be a guiding statement for the DSP. This view informed our comments regarding investments, valuation, costs and benefits.

PGE commends Staff for including, hearing and incorporating a community perspective into the Guidelines which would require utilities to conduct community engagement, NWA, and further the opportunity for utilities to conduct pilot projects to explore the convergence of these concepts. However, PGE feels the guidelines require greater clarity to assure positive outcomes. PGE is concerned the Guidelines require community engagement and contemplate pilot activity without guidance regarding what the potential benefits and costs of DSP investments may be. In the face of what is a paradigm shift in a least-cost, least-risk planning practice, the Commission should provide guidance on how utilities consider the costs and benefits that are inclusive of community concerns, state policy and evolving economics. PGE is further concerned that without some guidance utilities will be required to conduct community engagement, possibly adjust our least-cost, least-risk planning approach to meet these concerns, which may include higher cost investments, only to find that a project proposal cannot be approved for cost recovery under current least-cost, least-risk planning practices and approaches.

To assist in addressing this structural issue, PGE suggests the Commission direct workshops to identify cost-benefit and value perspectives that the utilities may use or present to the Commission in order to advance DSP in the inclusive manner outlined in the Guidelines. PGE believes this work will help the utilities better understand what values and perspectives to include in proposed DSP activity and better understand the regulatory risk of non-acceptance or non-acknowledgement. Additionally, these workshops would help communities better understand how to effectuate the planning and regulatory process of DSP. With this proposal, PGE is not suggesting a revision of cost-effectiveness that may affect a broad array of practices. PGE, however, is interested in furthering the DSP conversation to answer how the planning activity becomes capable of considering and communicating costs and benefits not presently discovered or utilized elsewhere. The Commission need not anchor a decision on these values but could inform an understanding of how DSP planning activities may be treated in a Commission acceptance and how costs and benefits may be identified, quantified and valued.

⁷ Public Utility Commission of Oregon, Docket UM 180, Order No. 89-507, April 20, 1989. Here Commissioner Katz seemed to suggest that utilities should seek to determine the costs for resources that include any externalities associated with those resources, stating that “[a] resource should be deemed cost effective and thus eligible for selection if its costs are lower than the costs of alternative resources assuming a market in which all costs, including environmental costs, are reflected in resource price tags.”

⁸ Oregon Public Utility Commission, Docket UM 2005, *Staff Draft Guidelines with Appendix*, filed October 1, 2020 (available at <https://apps.puc.state.or.us/edockets/docket.asp?DocketID=3898>)

Hosting Capacity – While PGE believes hosting capacity analysis is important for providing transparency into a utility’s system, visibility into identifying present and emerging distribution constraints, as well as highlighting near-term needed investments, not all DERs interconnected to a utility system send energy or extend capacity to the interconnected utility. To the extent hosting capacity and the interconnection of new clean energy resources can be balanced within the DSP, we believe structure around these topics is warranted such that costs incurred for Hosting Capacity are balanced by benefits to all customers of that system.

PGE looks forward to discussing these issues with the Commission at the December 15, 2020 Public Meeting. Should you have any questions regarding these comments in the meantime, please contact Angela Long at angela.long@pgn.com.

Please direct all formal correspondence and requests to the following email address pge.opuc.filings@pgn.com.

Sincerely,

/s/ Jay Tinker

Jay Tinker
Director, Rates and Regulatory Affairs

JT/np