ITEM NO. RA2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 2, 2020

REGULAR __X__ CONSENT ____ EFFECTIVE DATE ______June 3, 2020______

DATE: May 26, 2020

TO: Public Utility Commission

FROM: Natascha Smith

THROUGH: Bryan Conway, JP Batmale, and Kimberly Herb **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2060)
PGE's Update to Schedule 201- As-Available Rate.

STAFF RECOMMENDATION:

Deny Portland General Electric Company's (PGE or Company) update to Schedules 201 and 202.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (OPUC or Commission) should approve PGE's updates to PGE's Schedules 201 and 202.

Applicable Law

18 C.F.R. §292.304(d)(1) Pursuant to FERC regulations, where the utility purchases as available energy, "the rates for such purchases shall be based on the purchasing utility's avoided costs calculated at the time of delivery."

OAR 860-029-0085(5) provides that the Commission may consider out-of-cycle updates to PURPA avoided cost rates to reflect significant changes in circumstances at any time. Out-of-cycle updates are subject to review and approval by the Commission and will become effective within 90 days after filing.

OAR 860-029-0040(3) dictates that the rate for non–firm energy must be based on the purchasing public utility's non-firm energy avoided cost in effect when the energy is delivered.

In Order No. 19-392, the Commission specified that the rate for unsubscribed energy in the Community Solar Program (CSP) will be the utilities' as-available rates for PURPA contracts.

Order No. 07-360 provided direction for setting an as-available rate, stating "as-available [Qualifying Facilities] shall receive day-ahead non-firm market index rates for on-peak and off-peak energy based on the appropriate market index and market hub(s)."

<u>Analysis</u>

Background
On February 28, 2020, PGE filed PGE's Update to Schedules 201 and 202 to establish an as-available rate (Update). PGE seeks an effective date of June 3, 2020. PGE made its filing in part as a response to the requirement in OAR 860-088-0140(1)(a) for electric companies to purchase unsubscribed generation from a Community Solar Project "on an 'as-available' basis," and in alignment with PGE Advice No. 20-04.[1]

Though PGE previously entered into contracts for the purchase of non-firm energy under PURPA, PGE's contracts ended in 2014 and the Company has not had an established as-available rate since that time.[2] PGE's update proposes a new methodology for determining the as-available rate. Specifically, PGE previously based the as-available rate on the Mid-Columbia (Mid-C) index prices whereas the update proposes to use Western Energy Imbalance Market (EIM) index prices. Notably, the EIM was not established until November of 2014, and PGE did not join until 2017, so the use of the EIM index for determining an as-available rate was not previously an option for the Company.

Calculation of the As-Available Rate
PGE's filling includes the following language regarding the as-available rate:

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[1] OAR 860-088-0140(1)(a) "Upon request, an electric company must enter into a 20-year power purchase agreement with a pre-certified project to purchase the project's unsold and unsubscribed generation on an 'as available' basis subject to the requirements of the Public Utility Regulatory Policy Act (PURPA) and ORS 758.505, et. seq;" *see*, Docket No. ADV 1095/Advice No. 20-04, Initial Utility Filing (Feb 18, 2020).
[2] *See* generally Docket No. UM 1561, PGE's Quarterly Non-Firm Avoided Cost Fillings (closed May 12, 2014).

> "The As-Available Rate is an hourly market-based price applicable to non-firm [Qualifying Facility] energy deliveries, including energy deliveries above contract commitment. The As-Available Rate will be based on the Western Energy Imbalance Market (EIM) hourly price for the Load Aggregation Point (LAP) for the PGE Balancing Authority Area (BAA). In the event EIM pricing is no longer available, PGE and the Seller agree to select an alternative successor representative of a market based non-firm energy delivery price."[3]

The EIM is a real-time, non-firm, energy market that provides participants the ability to buy or sell power at or near the time of need.[4] As a participant in the EIM the market's hourly price is the cost the Company would pay to purchase energy in that hour. The LAP is the average value of all the nodes within PGE's system, whereby a single price is used for the hour regardless of where the Qualifying Facility (QF) is in PGE's system or if the facility is off-system. The value of using the price for PGE's LAP is that it includes additional costs of electricity caused by transmission congestion and line loss. In other words, this price accounts for both the energy and the cost to get that energy to PGE's territory. The EIM provides pricing for various time increments, but PGE proposes to use hourly pricing applied to QF hourly generation. This leads to a very simple calculation of payments to a QF.

*[EIM Hourly Price at PGE's LAP] * [QF Generation in that Hour] = Payment to QF*

Compliance with Avoided Cost Guidance

As part of a multi-year investigation into Public Utility Regulatory Policies Act (PURPA) policies and procedures, the Commission issued Order No. 07-360 which interpreted FERC's rule that an as-available rate should reflect a Utility's "avoided costs calculated at the time of delivery."[5] FERC defines a utility's full avoided costs as "the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source."[6]

Order No. 07-360 specifies that for QFs providing energy on an as-available basis, avoided cost rates should be based on day-ahead market index prices for non-firm purchases.[7] The formerly available Dow Jones index provided non-firm prices on a day-ahead basis for Mid-C, but the Dow Jones index was discontinued in 2013.

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[3] *See* Docket No. UM 2060, PGE's update to Schedule 201-As-Available Rate, p.21, Feb. 28, 2020.
[4] *See* Western Energy Imbalance Market, About Page, https://www.westerneim.com/.
[5] Order No. 07-360, Docket No. UM 1129, p. 14 (Aug. 20, 2007).
[6] 38 18 C.F.R. § 292.101(b)(6).
[7] Id., p. 49.

Though PGE asserts that use of EIM hourly pricing is a viable substitute, FERC rejected the use of imbalance markets to set as-available rates in its decision in *Excelon Wind*.[8]

Comparison to Other As-Available Rates in Oregon
PGE is the first to propose the use of the EIM to establish the as-available rate for non-firm energy. The as-available rates used by PacifiCorp (PAC) and Idaho Power (IPC) are both based on market prices for firm-energy delivery as described below.

Company	As-Available Methodology
PAC	PacifiCorp shall pay Seller 93 percent of a blended market index price for day-ahead *firm* energy at Mid-Columbia, California Oregon Border (COB), Four Corners and Palo Verde market indices as reported by the Intercontinental Exchange (ICE), for the On-Peak and Off-Peak periods.[9]
IPC	82.4% of the monthly arithmetic average of the Intercontinental Exchange ("ICE") daily *firm* Mid-C Peak Average and Mid-C Off-Peak Average reported prices.[10]
PGE	The as-available Rate will be based on the Western Energy Imbalance Market (EIM) hourly price for the Load Aggregation Point (LAP) for the PGE Balancing Authority Area (BAA).

Staff would support PGE using a methodology similar to that used by PacifiCorp and Idaho Power to set the as-available rate. Similarly, Staff would support use of any of the methodologies for setting the as-available rate approved by the Commission in Order No. 07-360. Staff's investigation in UM 2000 is taking a holistic look at PURPA in Oregon. Staff advises against making ad hoc decisions on new methodologies of calculating as-available rates separate from the larger investigation.

Conclusion

PGE's proposed methodology for setting the as-available rate most likely faces legal challenges and is also out of step with well-established methodologies used by other Oregon utilities and should therefore be denied.

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[8] *Exelon Wind 1, LLC* , 140 FERC ¶ 61,152, at P 52 (Aug. 28, 2012), recons. den. Exelon Wind 1, LLC, 155 FERC ¶ 61,066 (April 21, 2016). "The problem with the methodology [. . .] is that it is based on the price that a QF would have been paid had it sold its energy directly in the [] Market, instead of using a methodology of calculating what the costs to the utility would have been for self-supplied, or purchased, energy 'but for' the presence of the QF or QFs in the markets, as required by the Commission's regulations."
[9] *See* Docket No. UM 1793, Standard Avoided Cost Purchases from Eligible Qualifying Facilities, updated May 2020.
[10] *See* Docket No 1730, Idaho Power Update to Avoided Cost Rates, Schedule 85, updated May 2020.

PROPOSED COMMISSION MOTION:

Deny Portland General Electric Company's Update to Schedules 201 and 202.

UM 2060 PGE Update to Schedule 201& 202