

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 27, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** June 28, 2023

DATE: June 20, 2023

TO: Public Utility Commission

FROM: Ryan Bain

THROUGH: Caroline Moore and Scott Gibbens **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1728)
Update to Standard Avoided Cost Schedule for Qualifying Facilities.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) annual May 1 update to its standard avoided cost schedule.

DISCUSSION:

Issue

Whether the Commission should approve PGE's annual May 1 update of its standard avoided cost schedule.

Applicable Orders and Rules

ORS 757.205(1) provides that "every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it."

ORS 758.525(1) provides that “at least once every two years each electric utility shall prepare, publish and file with the Public Utility Commission a schedule of avoided costs equaling the utility’s forecasted incremental cost of electric resources over at least the next 20 years. Prices contained in the schedules filed by public utilities shall be reviewed and approved by the commission.”

OAR 860-029-0080(7)(a) specifies that on May 1 of each year, a public utility must file with the Commission updates to the avoided cost information filed under section (2) of this rule to be effective within 60 days of filing to reflect:

- (A) Updated natural gas prices;
- (B) On- and off-peak forward-looking electricity market prices;
- (C) Changes to the status of the Production Tax Credit [PTC]; and
- (D) Any other action of change in an acknowledged IRP update relevant to the calculation of avoided costs.

Analysis

Background

On April 28, 2023, in compliance with the above stated order, rules, and statutes, PGE filed its Schedule 201, Qualifying Facility Avoided Cost Power Purchase Information for Qualifying Facilities (QFs) 10 MW or Less, Sheet Nos. 201-1 through 201-25. This filing includes updates to the Natural Gas Forward Prices, Electric Forward Prices, and Production Tax Credit. On June 14, 2023, the Company filed a supplement updating the long-term Natural Gas Forward Prices to the most recent vintage available.

Filing Overview

Staff has reviewed the Company’s application and workpapers and finds that they are in compliance with the Commission approved methodology for PGE’s avoided cost rates. Staff finds that overall, the rates were properly calculated and recommends that the rates be allowed to go into effect. Staff’s review included verifying the accuracy of updated inputs, and scrutiny of the workpaper calculations for accurate references and output. Staff held a workshop with the Company and stakeholders on June 6, 2023, and it is Staff’s understanding that no stakeholder has an objection to the inputs that were updated or the calculations themselves.

Natural Gas Forward Prices

PGE filed their annual update utilizing the Company’s internal PGE Trading Curve, dated March 31, 2023, for years 2023-2027. For years beyond 2028, the Company utilized the June 2022 release of Wood Mackenzie’s long-term gas price forecast (2022 H1). The Company’s June 14, 2023, supplemental filing updated the long-term gas

price forecast to Wood Mackenzie's 2022 H2 forecast released in December 2022 for the 2028 year, only the Company linearly interpolates between its internal price curve and the long-term Wood Mackenzie gas price forecast.

Staff reviewed the updated forward gas inputs and believes the updated vintage used is appropriate and commensurate with previous filings and Commission precedent. In the updated forecast, gas prices rise in the near term, but fall over the long-term for an overall average decline of approximately 5.8 percent over the 2026-2040 forecast horizon compared to the Company's 2022 filing.

Electric Forward Prices

PGE updated its Mid-Columbia Forward Power Curves, adjusted for delivery, for their sufficiency period pricing ending December 31, 2024. The forward electric market price in the near term, the 2024 weighted annual average, has increased by approximately 62 percent since the Company's previous avoided cost schedule update.

Production Tax Credit

With the passing of the Inflation Reduction Act of 2022, the renewable proxy wind resource is now assumed to be eligible for a 100 percent PTC. The PTC change reduces the Company's 15-year levelized avoided cost for renewables by approximately \$7.39 on average.

Price Comparison

The Company's proposed standard fixed levelized avoided costs for a 15-year contract (2024 through 2038), as shown in Table 1, saw an average increase of approximately 13 percent across resource types compared to the prior year's filing. Comparing these same prices to the initial filing utilizing the older vintage long-term gas price forecast shows an approximately 1.1 percent increase in avoided cost prices across resource types utilizing the supplemented gas price forecast. The Company's proposed standard renewable fixed levelized avoided costs for a 15-year contract saw an average decrease of approximately 4.7 percent across resource types.

Table 1 Current and Proposed 15-year Levelized Avoided Costs (2024-2038)

	Standard Fixed Avoided Costs (\$/MWh)		
	Baseload	Wind	Solar
Current	\$ 37.68	\$ 32.64	\$ 26.30
Proposed	\$ 41.46	\$ 35.69	\$ 31.62

Standard Renewable Fixed Avoided Costs (\$/MWh)

	Baseload	Wind	Solar
Current	\$ 52.87	\$ 47.83	\$ 44.70
Proposed	\$ 50.02	\$ 44.26	\$ 44.09

Conclusion

Staff believes PGE followed the requirements for updating its avoided cost rates, implementing methodology appropriately and using appropriate updated inputs, consistent with its obligations under Oregon statutes ORS 757.205 and ORS 758.525. Staff finds that the filed rates are just, fair, and reasonable.

PROPOSED COMMISSION MOTION:

Approve PGE's update to its standard avoided cost schedule.