

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1958

In the Matter of

Portland General Electric,

2017 Renewable Portfolio Standard
Compliance Report

STAFF'S COMMENTS
REDACTED

Introduction

Staff of the Public Utility Commission of Oregon (Staff) herein presents its Comments in response to Portland General Electric's (PGE) 2017 Renewable Portfolio Standard Compliance Report (Compliance Report). These comments address the Company's responsiveness to the reporting requirements found in Oregon Revised Statute (ORS) 469A.170 and Oregon Administrative Rule (OAR) 869-083-0350, and identify issues for consideration under other Renewable Portfolio Standard related rulemakings.

RPS Compliance Plan

OAR 860-083-0350(1)(a) requires electric companies subject to Oregon's Renewable Portfolio Standard (RPS) to provide an annual report demonstrating its compliance (or failure to comply) with the RPS in the previous calendar year (compliance year). OAR 860-083-0350(2)(a-s) outline the Compliance Report requirements. In Order No.11-441, the Commission adopted a standardized Compliance Report form, which includes two narrative questions and a response to each element of OAR 860-083-0350(2)(a-s), OAR 860-083-0350(6) and OAR 860-083-0350(7).

The Compliance Report must provide a complete accounting of renewable energy certificates (RECs) used for compliance in the compliance year. The accounting must be separated into bundled or unbundled RECs and banked RECs or newly acquired RECs. The report must include a clear description of the following:

- Generating units that produced the RECs;
- The total cost of compliance associated with using the RECs for compliance;

- The Company's position in relation to the four percent cost cap set forth in ORS 469A.100(1)¹; and
- A detailed explanation of any material deviations from the electric company's applicable acknowledged implementation plan filed under OAR 860-083-0400.

Staff's review of PGE's 2017 Compliance Plan indicates that the Company has complied with the basic requirements outlined in OAR 860-083-0350. The Company has not exceeded the four percent cost of compliance limit. And while PGE's use of RECs in 2017 did materially deviate from the compliance strategy found in the Company's filed renewable portfolio implementation plan (RPIP)², PGE has provided explanation that is satisfactory to Staff.

Background – Renewable Portfolio Standard

As part of the Oregon Renewable Energy Act of 2007 (Oregon Senate Bill 838), the State of Oregon established incremental targets for utilities and electric service suppliers to procure qualifying renewable energy. In 2016, with the passage of Oregon Senate Bill 1547, the Legislature increased the RPS targets and made changes to the mechanics of compliance. This included a modification to how RECs can be banked for use in future compliance years. Under SB 1547, electric companies must ensure that an increasing percentage of the electric energy sold to retail customers within Oregon is derived from eligible renewable energy resources. The specific annual RPS targets for electric companies that supply three percent or more of the state's total retail load (Large Utilities) are shown below:

Revised SB 1547, Large Utility Renewable Portfolio Standard Goals, By Year³						
2011-14	2015-19	2020-24	2025-29	2030-34	2035-39	2040 and beyond
5%	15%	20%	27%	35%	45%	50%

Background – RPS Compliance Instruments

RPS compliance must be demonstrated through the retirement of RECs that are maintained through the Western Renewable Energy Generation Information System (WREGIS). RECs may be either bundled with energy or exchanged separately (unbundled). One REC is issued per megawatt-hour of generation produced.⁴

RECs procured before March 31 of a given year may be used for a previous year's

¹ ORS 469A.100(1) provides that "electric utilities are not required to comply with a renewable portfolio standard during a compliance year to the extent that the incremental cost of compliance, the cost of unbundled renewable energy certificates and the cost of alternative compliance payments under ORS 469A.180 exceeds four percent of the utility's annual revenue requirement for the compliance year."

² PGE identified its 2016 RPIP as the applicable RPIP under OAR 860-083-0350(2)(l).

³ ORS 469A.052.

⁴ See OAR 330-160-0015(15).

compliance, and RECs may be banked and carried forward for future compliance. However, only 20 percent of a utility's RPS compliance obligation may be satisfied using unbundled RECs in any given compliance year.

In lieu of procuring renewable resources, utilities are allowed to pay an alternative compliance payment (ACP) and the funds are placed in a holding account to be spent on energy conservation programs or for procuring additional eligible resources.¹ The following table describes key RPS compliance instruments applicable to large electric utilities.

RPS Compliance Instrument	RPS Compliance Mechanics	Oregon Statute and Rules
Cost Limitation	Electric companies are not required to comply with the RPS in a given year if the incremental cost of compliance exceeds 4 percent of a utility's annual revenue requirement.	ORS 469A.100 (1),(6) OAR 860-083-0300(2)(a) OAR 860-083-0400(5)(a)
REC Banking	<p>Electric companies can bank RECs for compliance in future years.</p> <ul style="list-style-type: none"> • RECs that were issued and banked before March 8, 2016 can be used indefinitely. • RECs from facilities online before March 8, 2016 that are issued and banked after March 8, 2016, expire after 5 years of issuance.⁵ • RECs from facilities that come online between March 8, 2016 and December 31, 2022, that are issued and banked in the first 5 years of facility operation, can be used indefinitely.⁶ • RECs from facilities that come online between March 8, 2016 and December 31, 2022, that are issued and banked after the first 5 years of facility operation, expire after 5 years. • RECs from facilities online after December 31, 2022, expire after 5 years of issuance and banking. 	ORS 469A.140

⁵ This rule also applies to RECs from PPAs with facilities that come online between March 8, 2016 and December 31, 2022, but the PPA contract term is *less than 20 years*.

⁶ This rule also applied to RECs from PPAs with facilities that come online between March 8, 2016 and December 31, 2022 and the PPA contract term is *20 years or more*.

Unbundled RECs	For large electric utilities, unbundled RECs, including banked unbundled RECs, may not be used to meet more than 20% of its RPS obligation in any year. ⁷	ORS 469A.145 (1)
Alternative Compliance Payments	Electric utilities may use alternative compliance payments to meet RPS requirements in any year.	ORS 469A.180 (3) OAR 860-083-0500

2017 RPS Compliance

PGE's 2017 RPS obligation and compliance activity are summarized in the table below.

2017 RPS Compliance Summary		
Oregon retail sales	17,751,419 ⁸	
2017 RPS Obligation	15%	
2017 RPS MWh	2,662,713	
RECs used for 2017 RPS	Number of RECs	Percentage of RPS MWh
Bundled – newly acquired	55,937	
Bundled – from bank	2,042,961	
Bundled - "two-for-one" banked	31,272 ⁹	
Bundled subtotal	2,130,170	80%
Unbundled – newly acquired	499,344	
Unbundled – from bank	33,199	
Unbundled subtotal	532,543	20%
Total	2,662,713	100%

PGE's 2017 RPS Compliance Report demonstrates compliance with its RPS obligation of 15 percent of 17,751,419 MWh of retail sales through the use of 2,130,170 bundled RECs and 532,543 unbundled RECs. PGE's unbundled REC quantity equals the 20 percent limit allowed by ORS 469A.145(1) and the use of hydroelectric RECs falls within the 50 average megawatt limit on utility-owned low-impact hydroelectric electricity and the 40 average megawatt limit of third-party owned low-impact hydroelectric electricity established in ORS 469A.025(5).

The total cost of compliance was \$33,207,867, which represents 1.9 percent of PGE's revenue requirement. This value is below the cost cap of four percent of revenue requirement established by statute. See below for additional discussion of the cost of compliance.

⁷ Consumer owned utilities and ESSs have different limits on the use of unbundled RECs described in 469A.147 and 469A.145(4), respectively.

⁸ See PGE's 2017 FERC Form 1, at page 304, Row 41 Column (b).

⁹ 15,636 RECs are available for Two-for-one (2:1) REC eligibility, equating to the total of 31,272, see qualifying systems as prescribed in ORS 757.375.

PGE's response to additional reporting requirements described in OAR 860-083-0350(2)(a-s) can be found in Attachment A of these comments.

Material Deviation from Applicable Implementation Plan

Electric utilities must file an RPIP every two years that forecasts the resources expected to be used to meet the RPS targets and an estimate of the cost of compliance over the upcoming five-year period.¹⁰ The annually filed Compliance Plan must identify any material differences with the Company's acknowledged RPIP.

PGE's 2017 Compliance Report notes that there are several material differences between the 2016 RPIP and its 2017 Compliance Report filing.¹¹ In summary these changes were:

- 1) Lower than forecasted loads lessening the compliance requirement overall, a reduction of 59,763 RECs;
- 2) Unbundled RECs being available at low prices that the Company acquired, beyond forecasted in the 2016 RPIP, and
- 3) The effect of the two factors outlined above on the treatment of RECs from Biglow Canyon and Tucannon River wind facilities.¹²

The table below illustrates the major differences in the use of RECs from Biglow Canyon and Tucannon River between the 2017 RPS Compliance Report and the 2016 RPIP. The comparison includes the 2016 RPIP base case in which no unbundled REC purchases were forecast as well as the 2016 RPIP scenario forecasting 20 percent unbundled REC purchases for 2017 RPS compliance.¹³ **[Begin Confidential]**



¹⁰ See ORS 469A.075.

¹¹ PGE's 2017 RPS Compliance Report, at page 6, Docket No. UM 1958, June 1, 2018.

¹² PGE's 2017 RPS Compliance Report, at page 7, Docket No. UM 1958, June 1, 2018.

¹³ PGE's 2016 Portfolio Implementation Plan, **[Begin Confidential]**

[End Confidential]

[End Confidential] Both the 2017 RPS Compliance Report and the 2016 RPIP Scenario reference a purchase of unbundled RECs to meet 20 percent of the 2017 RPS obligation. In the 2016 RPIP scenario, PGE forecasted retirement of **[Begin Confidential]** [REDACTED] **[End Confidential]** RECs from Tucannon. However, in the 2017 Compliance Report PGE plans to sell the majority of these lower cost Tucannon RECs and retire a larger quantity of the more costly Biglow RECs¹⁴. The cost of compliance **[Begin Confidential]** [REDACTED] **[End Confidential]** of PGE's revenue requirement forecasted in the revised 2016 RPIP scenario, to \$33.0 million, representing 1.9 percent of PGE's revenue requirement in the 2017 RPS Compliance Report. These differences do not impact the Company's overall compliance strategy of using 5-year life RECs and PGE's 2017 position is well under the cost cap. Staff does note that the RPS rulemakings for AR 610, 616, and 617 may provide more process and clarity around "material deviation" between Compliance reports and the filed RPIPs.

Staff requests that PGE provide in its reply comments a detailed explanation of the Company's decision to deviate from the 2016 RPIP Scenario.

Conclusion

Staff concludes that PGE has met the RPS compliance targets mandated by ORS 469A.052(1)(a) and has met the RPS compliance reporting requirements mandated by OAR 860-083-0350. However, Staff will review all comments that will be filed by interested persons and any responses that PGE may file. Staff will submit a report with its final recommendations for the Commission's consideration at a future public meeting.

This concludes Staff's Initial Comments.

Dated at Salem, Oregon, this 16th day of July, 2018.



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¹⁴ PGE's Revised 2016 Portfolio Implementation Plan, Supplemental Application, Attachment C, at page 4, Docket No. UM 1788, August 3, 2016.

Rule/Statute		2017 Compliance Report Data
OAR 860-083-0350(2)(a)	Total megawatt-hours sold	17,751,419 megawatt-hours
OAR 860-083-0350(2)(b)	RECs (bundled or unbundled) <u>acquired</u> in 2017 and used to meet 2017 RPS	27,087 bundled RECs
		532,543 unbundled RECs
OAR 860-083-0350(2)(c)	RECs (bundled or unbundled) <u>acquired</u> January 1 - March 31, 2018 and <u>used</u> to meet 2017 RPS	28,850 bundled RECs
		0 unbundled RECs
OAR 860-083-0350(2)(d)	Number and cost of unbundled RECs (banked or unbanked) used to meet 2017 RPS	33,199 banked
		499,344 unbanked
		\$250,040
OAR 860-083-0350(2)(e)	Number of <u>banked</u> bundled RECs used to meet 2017 RPS	2,114,534 RECs
OAR 860-083-0350(2)(f)	Number of RECs (bundled or unbundled) issued in 2017 and <u>banked</u> for future Oregon RPS compliance	2,300,050 bundled RECs
		0 unbundled RECs
OAR 860-083-0350(2)(g)	Number of RECs included in Oregon rates <u>sold</u> during 2017, facility names, year(s) RECs were issued	1,289,979 RECs
OAR 860-083-0350(2)(h)	List of REC-qualified <u>generating</u> facilities	Provided in PGE's Attachment A.
OAR 860-083-0350(2)(i)	Amount of alternative compliance payments	N/A
OAR 860-083-0350(2)(j)	Demonstration that alternative compliance payments were a reasonable compliance method	N/A
OAR 860-083-0350(2)(k)	Documentation of RECs	Provided in PGE's Attachment B.
OAR 860-083-0350(2)(l)	Detailed explanation of any material deviations from the applicable implementation plan as acknowledged by the Commission.	Provided in PGE's 2017 RPS Compliance Report, at page 6, Docket No. UM 1958, June 1, 2018
OAR 860-083-0350(2)(m)	Number and cost of bundled RECs used for compliance	2,114,534 RECs ¹
		\$32,957,827
OAR 860-083-0350(2)(n)	Projected annual revenue requirement and its total cost of compliance	\$33,207,867
		\$1,751,981,218
OAR 860-083-0350(2)(o)	For each electricity service supplier, its total cost of compliance, its average cost of compliance, and its cost limit as specified in OAR 860-083-0300(2), including all calculations.	N/A
OAR 860-083-0350(2)(p)	Accounting of the use of the RECs and alternative cost payments consistent if the cost limit is reached in 2017	N/A
OAR 860-083-0350(2)(q)	For each electricity service supplier, an accounting of the use of the renewable energy certificates and alternative cost payments consistent with OAR 860-083-0300(3) if the cost limit in 860-083-0300(2) is reached for the compliance year.	Provided in PGE's Attachment D.
OAR 860-083-0350(2)(r)	The number and total cost of <u>bundled</u> RECs <u>issued</u>	N/A
OAR 860-083-0350(2)(s)	The number and total cost of bundled RECs issued that are associated with new qualifying electricity since the last compliance report	0

¹ Update of bundled REC total to include facilities with zero incremental cost, based on PGE response to an information request by Staff