

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2016

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

2018 Renewable Portfolio Standard
Compliance Report

STAFF'S COMMENTS

Introduction

Staff of the Public Utility Commission of Oregon (Staff) presents its Comments in response to Portland General Electric's (PGE) 2018 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.

PGE requested and received a two-week extension on the deadline for filing its RPS compliance report and submitted the Company's compliance filing on June 17, 2019 instead of June 1.¹ However, PGE's filing was still insufficient. Despite the extra two weeks, PGE's filing lacked many of the necessary details found in the Company's previous reports and that are necessary for Staff to make a determination of RPS compliance. PGE made a supplemental filing and mailed confidential information in the compliance report to OPUC, and Staff received it on July 23, 2019. Given this late date, considering Staff comments are due 45 days after the filing of the Compliance Report, Staff is still in the process of reviewing this supplemental filing for sufficiency and compliance.

RPS Compliance Report Overview

The RPS is codified at ORS 469A.005 through 469A.210. ORS 469A.170(1) requires that each electric company subject to Oregon's RPS provide an annual report demonstrating its compliance (or failure to comply) with the RPS. The Commission, on review of the report, shall determine whether the company or supplier has complied with the applicable RPS. In reviewing the reports, the Commission must consider the manner in which the company has complied and review the information required under ORS 469A.170(2)(a)-(g) and any other factors deemed reasonable by the Commission.

¹ *In the Matter of Portland General Electric Company, Request for Waiver of OAR 860-083-0351(1)*, Docket UM 2016, Order No. 19-205 (June 7, 2019).

OAR 860-083-0350(1)(a) requires electric companies subject to Oregon's Renewable Portfolio Standard (RPS) to provide an annual report demonstrating compliance (or failure to comply) with the RPS in the previous calendar year (compliance year). OAR 860-083-0350(2)(a-s) outlines the Compliance Report requirements. In Order No.11-440, 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 or newly acquired RECs. The report must include a clear description of the following:

- Generating units that produced the RECs used;
- The total cost of compliance associated with using the RECs for compliance;
- The Company's position in relation to the 4 percent cost cap set forth in ORS 469A.100(1)²; and

A detailed explanation of any material deviations from the electric company's applicable acknowledged implementation plan filed under OAR 860-083-0400. Once a company files a compliance report, Staff and interested persons may file written comments within 45 days of the filing. The company may respond within 30 days of any comments, per OAR 860-083-0340(4).

Summary – Staff Review

After review of PGE's 2018 Compliance Report, Staff determined that the utility provided insufficient data and did not meet the requirements for compliance reporting laid out in OAR 860-083-0350.

Staff is working with PGE to provide the information needed to determine compliance.

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. With the passage of Oregon Senate Bill 1547 on March 8, 2016, the Legislature increased the RPS targets applicable to PGE as shown in below.³

² 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."

³ See ORS 469A.052. Electric companies that supply 3 percent or more of the state's total retail load are considered Large Electric Utilities under this statute.

| RPS Compliance Targets | | | | | | |
|------------------------|---------|---------|---------|---------|---------|-----------------|
| 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).⁴ RECs may be either bundled with energy or exchanged separately from the energy (unbundled); however, only 20 percent of a utility’s RPS compliance obligation may be satisfied using unbundled RECs in any given compliance year. RPS qualifying RECs that are generated or acquired by the electric company in a given year can be: used to meet the company’s compliance obligation in that year, sold, transferred, or banked for use in a future compliance year. Key requirements for compliance with the RPS are summarized in the table below.

| 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) |
| 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. ⁵ | ORS 469A.145(1) |
| Unbundled RECs from QFs | The 20 percent limit on the use of unbundled RECs in a given year does not apply to unbundled RECs from Qualifying Facilities (QFs) or net metering facilities. | ORS 469A.145(1)-(3) |
| Certified low-impact hydroelectric facilities | Only RECs from facilities constructed on or after January 1, 1995 can be used, with the exception of certified low-impact hydroelectric facilities (LIHI). The use of older LIHI is limited to the following: <ul style="list-style-type: none"> • 50 average megawatts generated per year from older LIHI facilities owned by the company; and • Up to 40 average megawatts generated per year from older LIHI facilities not owned by the company. | ORS 469A.020 ORS 469A.025(5) |

⁴ Per OAR 330-160-0015(17), one REC is issued per megawatt-hour of generation produced.

⁵ Consumer owned utilities and ESSs have different limits on the use of unbundled RECs described in 469A.147 and 469A.145(4), respectively.

Incomplete information

Staff finds that PGE's initial filing and work papers were incomplete. In addition to minor errors such as mislabeling work papers, PGE did not provide the following required information:

An accounting of bundled RECs that the Company *generated or acquired* in 2018⁶: PGE's compliance report states that this information is available in Work Paper B, but Work Paper B lists the RECs *used* by PGE for compliance in 2018.

A complete accounting of unbundled RECs used for compliance⁷: While PGE's initial filing indicates it acquired 4,500 bundled RECs between Jan 1, 2019 and March 31, 2019,⁸ PGE's initial filing does not provide any documentation of unbundled RECs acquired in 2019 and used for 2018 compliance in its work papers.

Complete descriptions of generating facilities⁹: PGE's initial filing did not specify whether the generating facilities for bundled RECs used, generated, or acquired in 2018 were utility owned, a PURPA Qualifying Facility, a Power Purchase Agreement, or a net metering facility. Nor did the initial filing include information required to understand whether RECs used, generated, or acquired have a 5-year or infinite life.

Insufficient data to verify 2018 RPS Compliance

Further, Staff finds that the data PGE did provide in its 2018 RPS Compliance Report is insufficient to determine compliance with Oregon's RPS statutes and rules. Staff acknowledges that PGE has submitted a supplemental filing to address these deficiencies.

Compliance with REC obligation: Pursuant to ORS 469A.052, PGE's RPS compliance obligation for 2018 is equal to 15 percent of the Company's total billed load.¹⁰ Based on the total billed load reported, PGE's RPS compliance obligation for 2018 is 2,601,725 RECs. The data provided in PGE's initial filing indicates that the

⁶ OAR 860-083-0350(2)(b) and OAR 860-083-0350(2)(c) require the reporting of total numbers of bundled and unbundled RECs acquired and used for compliance. OAR 860-083-0350(2)(f) requires reporting of total number of RECs "issued in the compliance year and banked to serve Oregon electric consumers." Staff cannot verify this figure without knowing the number of bundled RECs the Company produced in a compliance year.

⁷ OAR 860-083-0350(2)(c) allows for a grace period for acquiring RECs both bundled and unbundled RECs for use in a compliance year until March of the following year. Under this rule unbundled RECs acquired before March 31, 2019, and used to meet the renewable portfolio standard must be reported.

⁸ Portland General Electric Company, 2018 Renewable Portfolio Standard Compliance Report, Docket No. UM 2016, p. 3, June 17, 2019.

⁹ OAR 860-083-0350(2)(b) and OAR 860-083-0350(2)(c) require the reporting of total numbers of unbundled RECs used for compliance. ORS 469.145(1). Only allows 20% of RECs used for compliance to be unbundled RECs but makes an exception, found in ORS 469A.145(1)-(3), for RECs generated by net metering and qualifying facilities. In order to determine compliance with these rules the Company must specify which RECs qualify for the exception.

¹⁰ ORS 469A.052(B). "At least 15 percent of the electricity sold by the electric utility to retail electricity consumers in each of the calendar years 2015, 2016, 2017, 2018 and 2019 must be qualifying electricity."

number of RECs used in 2018 was only 1,769,683 RECs, falling substantially short of PGE’s obligation.

| Compliance Obligation | | RECs Reported Used | |
|---------------------------------|--|-----------------------------------|--|
| Total Billed Load ¹¹ | 17,344,830 Mw/h | Unbundled RECs Used ¹² | 520,345 RECs |
| Compliance Obligation of 15% | $(17,344,830 * 0.15) = 2,601,725$ RECs | Bundled RECs Used ¹³ | 1,249,338 RECs |
| | | Total RECs Used | $(520,345 + 1,249,338) = 1,769,683$ RECs |

Unbundled RECs: PGE reports using 520,345 unbundled RECs for 2018 compliance, which represents 20 percent of the Company’s total compliance obligation. However, this number represents 29 percent of the RECs PGE reported as used for 2018 compliance. Put simply, the information provided by PGE indicates that use of unbundled RECs exceeds the 20 percent threshold allowed by ORS 469.145(1).¹⁴

| Unbundled RECs | |
|--|-------------------------------------|
| Number of unbundled RECs reported used | 520,345 RECs |
| 20% of RECs reported used by PGE | $(1,769,683 * 0.20) = 353,937$ RECs |
| 20 % of total compliance obligation | $(2,601,725 * 0.20) = 520,345$ RECs |

It is possible that some of the unbundled RECs reported could meet the exception for unbundled RECs produced by Qualifying Facilities or net metering facilities in ORS 469A.145(1)-(3).¹⁵ Staff is unable to determine if any of the unbundled RECs reported meet the exception because PGE provided no data on which RECs came from Qualifying Facilities or net metering facilities. Ultimately, this leaves Staff unable to determine if PGE’s use of unbundled RECs complies with applicable laws and regulations.

Cost of Compliance: While PGE provided a figure for total cost in its filing of

¹¹ Portland General Electric Company, 2018 Renewable Portfolio Standard Compliance Report, Docket No. UM 2016, p. 2.

¹² *Id.*

¹³ *Id.*, at p. 7.

¹⁴ ORS 469.145(1). “Except as otherwise provided in this section, unbundled renewable energy certificates, including banked unbundled renewable energy certificates, may not be used to meet more than 20 percent of the requirements of the large utility renewable portfolio standard [. . .] for any compliance year.”

¹⁵ ORS 469A.145(1)-(3). “The limitation imposed by subsection (1) of this section does not apply to unbundled renewable energy certificates associated with electricity generated in this state from a renewable energy source by a net metering facility [. . .]” ORS 469A.145(2). “The limitation imposed by subsection (1) of this section does not apply to unbundled renewable energy certificates associated with electricity generated in this state from a renewable energy source by a qualifying facility [. . .]” ORS 469A.145(3).

\$47,138,245.00¹⁶, which represents only 2.66 percent of PGE's annual revenue requirement, it is unclear if this figure represents the cost of the insufficient number of RECs reported as used for compliance or the cost associated with full compliance. Consequently, Staff can make no determination as to whether this value is below the cost cap of 4 percent of revenue requirement established by statute.¹⁷

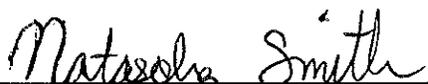
Material Deviation: Because the total number of bundled and unbundled RECs used is not equal to the 2018 RPS compliance obligation, Staff cannot adequately assess whether the utility materially deviated from the last RPIP.

Conclusion

Staff cannot conclude that PGE has met the RPS compliance targets mandated by ORS 469A.052(1)(a) nor has it met the RPS compliance reporting requirements mandated by OAR 860-083-0350. However, PGE filed a supplemental filing within the past week which Staff is currently reviewing. Staff will consider PGE's supplemental filings, along with any comments filed by interested persons and any responses that PGE may file, and submit a report with its final recommendations for the Commission's consideration at a future public meeting.

This concludes Staff's Comments.

Dated at Salem, Oregon, this 1st day of August 2019.



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¹⁶ *Id.*

¹⁷ ORS 469A.100(1). See footnote 1.