

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 2100

In the Matter of

PACIFIC POWER

2019 Renewable Portfolio Standard  
Compliance Report

STAFF'S INITIAL  
COMMENTS

Introduction

Staff of the Public Utility Commission of Oregon (Staff) presents its Comments in response to Pacific Power (PAC) 2019 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.

Summary – Staff Review

After review of PAC's 2019 Compliance Report, Staff determined that it needs additional data to fully assess compliance with OAR 860-083-0350. Working to address Staff's concerns, PAC will provide additional information by July 20. After reviewing, Staff plans to provide supplemental comments by July 27.

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. 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)<sup>1</sup>; 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).

**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 PAC as shown in below.<sup>2</sup>

| RPS Compliance Targets |         |         |         |         |                 |
|------------------------|---------|---------|---------|---------|-----------------|
| 2015-19                | 2020-24 | 2025-29 | 2030-34 | 2035-39 | 2040 and beyond |
| 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).<sup>3</sup> RECs may be either bundled with energy or exchanged separately from

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<sup>1</sup> 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.”

<sup>2</sup> 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. Prior to the 2016 changes, Large Electric Utilities were subject to the following RPS requirements: 2011-2014, 5%; 2015-2019, 15%; 2020-2024, 20%; 2025 and beyond, 25%.

<sup>3</sup> Per OAR 330-160-0015(17), one REC is issued per megawatt-hour of generation produced.

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)<br>OAR 860-083-0300(2)(a)<br>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-percent of its RPS obligation in any year. <sup>4</sup>  | 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"> <li>• 50 average megawatts generated per year from older LIHI facilities owned by the company; and</li> <li>• Up to 40 average megawatts generated per year from older LIHI facilities not owned by the company.</li> </ul> | ORS 469A.020<br>ORS 469A.025(5)   |

### 2019 RPS Compliance

PAC’s 2019 RPS Compliance Report demonstrates compliance with its 1,955,073 MWh RPS obligation through the use of 1,844,342 bundled RECs and 110,731 unbundled RECs. PAC’s unbundled REC quantity falls under the 20 percent limit allowed by ORS 469A.145(1). Table 3, below, summarizes PAC’s 2019 RPS obligation and compliance activity

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

| <b>Table 1: 2019 RPS Compliance Summary</b> |                             |                              |
|---|-----------------------------|------------------------------|
| Oregon retail sales                         | 13,088,664 MWh <sup>5</sup> |                              |
| 2018 RPS % Obligation                       | 15%                         |                              |
| <b>2019 RPS MWh Obligation</b>              | <b>1,955,073 MWh</b>        |                              |
|   |                             |                              |
| <b>RECs used for 2019 RPS</b>               | <b>Number of RECs</b>       | <b>Percentage of RPS MWh</b> |
| Bundled – newly acquired                    | 37,833                      | 2%                           |
| Bundled – from bank                         | 1,806,509                   | 92%                          |
| Bundled subtotal                            | 1,844,342                   | 94%                          |
|   |                             |                              |
| Unbundled – newly acquired                  | 0                           | 0%                           |
| Unbundled – from bank                       | 110,731                     | 6%                           |
| Unbundled subtotal                          | 110,731                     | 6%                           |
|   |                             |                              |
| <b>Total</b>                                | <b>1,955,073 RECs</b>       | <b>100%</b>                  |

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Staff reviewed PacifiCorp's calculation of the total cost of compliance, summarized in Table 2. The total cost of compliance is \$10,594,000 and represents 0.81 percent of PAC's revenue requirement.<sup>6</sup> This value is below the cap of four percent of revenue requirement established by statute.

| <b>Table 2: Total Cost of Compliance Summary</b>               |                                   |  |
|--|-----------------------------------|--|
| Oregon Allocated Nominal Levelized Cost of Compliance (\$000s) | 2018 Revenue Requirement (\$000s) | % Cost of Compliance of Annual Revenue Requirement |
| \$10,594   | 1,302,201                         | 0.81%  |

### Conclusion

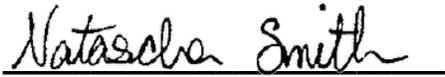
The provided information indicates that PAC has met the RPS compliance targets mandated by ORS 469A.052(1)(a) and OAR 860-083-0350. However, Staff reserves its final determination until it has the chance to review the additional information that PAC is providing.

<sup>5</sup> See PacifiCorp's 2019 Annual Report Supplement to FERC Form 1 and FERC Form 1, at page 2, Docket No. RE 68, June 15, 2020.

<sup>6</sup> See PacifiCorp's 2019 RPS Compliance Report, at page 2, Docket No. UM 2100, June 1, 2020, p. 13.

**Staff submits these initial comments, noting however that Staff may supplement these comments promptly upon review of the additional information to be provided by PAC by July 20.**

Dated at Salem, Oregon, this 16th day July 2020.

A handwritten signature in cursive script that reads "Natascha Smith". The signature is written in black ink and is positioned above a horizontal line.

Natascha Smith  
Utility Analyst  
Energy Resources and Planning Division