

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2112

In the Matter of

PORTLAND GENERAL ELECTRIC,

2019 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 Company's (PGE) 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, and identify issues for consideration under other Renewable Portfolio Standard related rulemakings.

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) outline 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 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.

Per OAR 860-083-0340(4), once a company or supplier files a compliance report, Staff and interested persons may file written comments within 45 days of the filing. The company or supplier may respond within 30 days of any comments. After considering written comments, the Commission may decide to commence an investigation, begin a proceeding, or take other action as necessary to make a determination regarding compliance with the applicable renewable portfolio standard.

2019 Compliance Report Overview

Staff’s review of PGE’s 2019 Compliance Report indicates that the Company has complied with the requirements outlined in OAR 860-083-0350 and has not exceeded the four percent cost of compliance limit. Further, the Company’s use of RECs with the shortest life aligns with the overarching strategy described in the applicable RPS Implementation Plan (RPIP).² However, Staff finds that the Company’s use of unbundled RECs deviates from the applicable RPIP in a manner that should have been flagged and explained in the report. Staff’s findings related to this deviation are discussed further in these comments.

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 Table 1.

Table 1: Large Utility RPS 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%

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 Docket No. UM 1916, Portland General Electric’s 2019 – 2023 RPS Implementation Plan, p. 1-3, Dec. 29, 2017.

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

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.⁵

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. Prior to SB 1547, the statute did not specify an expiration date for banked RECs, but required electric companies to use them in a first-in, first-out (FIFO) manner. SB 1547 removed the FIFO requirement and established a five-year life for banked RECs with the following exceptions⁶:

- All RECs banked by the electric company prior to the passage of SB 1547 may be banked indefinitely.
- The first five years of RECs generated from Company-owned facilities that are constructed between March 8, 2018 and December 31, 2022 can be banked indefinitely.
- The first five years of RECs generated from facilities that are constructed between March 8, 2018 and December 31, 2022 and sell electricity to the electric company under a contract of 20 years or greater, can be banked indefinitely.

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.⁷

Background – Additional RPS Compliance Mechanics

The following table summarizes additional key requirements for RPS compliance in a given year that are applicable to large electric utilities.

Table 2: Additional RPS Compliance Mechanics		
RPS Compliance Instrument	RPS Compliance Mechanics	Oregon Statute and Rules

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

⁵ Per ORS 469A.145(3), this cap does not apply to unbundled RECs from Qualifying Facilities.

⁶ See ORS 469A.140.

⁷ See OAR 860-083-0500.

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. ⁸	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)

2019 RPS Compliance

PGE's 2019 RPS obligation and compliance activity are summarized in Table 3 below.

Table 3: 2019 RPS Compliance Summary		
Oregon retail sales	17,375,920 MWh ⁹	
2019 RPS % Obligation	15%	
2019 RPS MWh Obligation	2,592,383 MWh	
RECs used for 2019 RPS	Number of RECs	Percentage of RPS MWh
Bundled – newly acquired	1,196,375 ¹⁰	46%

⁸ Consumer owned utilities and ESSs have different limits on the use of unbundled RECs described in ORS 469A.147 and 469A.145(4), respectively.

⁹ See Portland General Electric's 2019 Annual Report Supplement to FERC Form 1 and FERC Form 1, at page 2, April 12, 2019.

¹⁰ Includes 14,005 two for one solar RECs eligible under OAR 860-084-0070(2).

Bundled – from bank	874,730	34%
Bundled subtotal	2,071,105	80%
Unbundled – newly acquired	466,723	18%
Unbundled – from bank	54,555	2%
Unbundled subtotal	521,278	20%
Total	2,592,383 RECs	100%

PGE’s 2019 RPS Compliance Report demonstrates compliance with its 17,375,920 MWh RPS obligation through the use of 2,071,105 bundled RECs and 521,278 unbundled RECs. PGE primarily used RECs issued in 2019 (92 percent). PGE’s unbundled REC quantity falls under the 20 percent limit allowed by ORS 469A.145(1). 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).

Staff reviewed PGE’s calculation of the total cost of compliance, which is summarized in Table 4. The total cost of compliance is \$44,107,203 and represents 2.41 percent of the Company’s revenue requirement.¹¹ This value is below the cap of four percent of revenue requirement established by statute.

Table 4: Total Cost of Compliance Summary		
Oregon Allocated Nominal Levelized Cost of Compliance	2019 Revenue Requirement	% Cost of Compliance of Annual Revenue Requirement
\$44,107,203	17,375,920	2.41%

Use of unbundled RECs

The Company’s compliance report shows that it met 20 percent of its 2019 RPS obligation with unbundled RECs. The Company proposes to retire 466,723 unbundled RECs **[Begin Confidential]** [REDACTED] **[End Confidential]** [REDACTED] **[Begin Confidential]** [REDACTED] **[End Confidential]**

In its 2019 – 2023 RPIP, the Company described its approach to the use of unbundled RECs as follows:

For planning purposes, PGE does not forecast the use of unbundled RECs to meet RPS compliance targets within future compliance years 2019

¹¹ See Docket No. UM 2112, *Portland General Electric's Supplemental 2019 RPS Compliance Report*, p.2, September 4, 2020.

through 2023; however, PGE reserves the right to do so if the availability and market prices for unbundled RECs warrants it in the future.

The Company did not explain this material deviation in its Compliance Report other than stating that “unbundled RECs were found to be available at reasonable prices”. The Company did not explain how it reached this conclusion, including how it evaluated tradeoffs, mitigated potentially higher costs, or balanced risks. Therefore, Staff’s is limited in its ability to understand if acquiring additional unbundled RECs for compliance is and will continue to be a least-cost, least-risk decision. Staff finds the need for additional explanation particularly important considering the Company’s 2019 IRP, which indicates that PGE plans to “[c]onduct a Renewables Request for Proposals (RFP) in 2020, seeking up to approximately 150 MWa of RPS-eligible resources to enter PGE’s portfolio by the end of 2023.”¹² Staff encourages PGE to consider why acquiring or not selling these unbundled RECs is necessary, while it continues to bank all infinite RECs and indicates an intention to acquire large amounts of additional renewable capacity (bundled RECs).

Staff requests that PGE clarify its decision to use, rather than bank or sell, the unbundled RECs acquired and used in 2019 in its reply comments. Staff suggests that further consideration of forecasting unbundled REC acquisition and use in the RPIP and communicating material differences in compliance reports occur within Docket No. AR 616 Renewable Portfolio Standard Planning Process and Reports, as necessary.

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. Further, Staff requests that PGE clarify its decision to use unbundled RECs for compliance in its reply comments. 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 14th day of September, 2020.

/s/ Natascha Smith

Natascha Smith
Energy Resources and Planning Division

¹² See Docket No. LC 73, Portland General Electric 2020 Integrated Resource Plan, p34.

CERTIFICATE OF SERVICE

UM 2112

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 15th day of September, 2020 at Salem, Oregon

/s/ *Kay Barnes*

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UM 2112 SERVICE LIST

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