

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 11, 2018

REGULAR _____ CONSENT X EFFECTIVE DATE September 11, 2018

DATE: September 4, 2018

TO: Public Utility Commission

FROM: Thomas Familia ^{TF}

THROUGH: Jason Eisdorfer and JP Batmale ^{JPB}

SUBJECT: Portland General Electric: (Docket No. UM 1958) PGE's Revised 2017 Renewable Portfolio Standard Compliance Report.

STAFF RECOMMENDATION:

Staff recommends the Commission take the following actions, based on the Portland General Electric 2017 Renewable Portfolio Standard (RPS) Compliance Report:

1. Find that Portland General Electric (PGE or Company) complied with the RPS for the 2017 compliance period; and
2. Direct Portland General Electric to retire the renewable energy credits (REC) identified in its 2017 RPS Compliance Report, and to provide a Western Renewable Energy Generation Information System (WREGIS) retirement report to the Commission, subject to appropriate non-disclosure agreements, within 30 calendar days of its Order.

DISCUSSION:

Issue

Whether the Commission should find that Portland General Electric complied with the requirements of the RPS over the 2017 period and direct the Company to retire the RECs identified in the 2017 RPS Compliance Report.

Applicable Law

The RPS is codified at ORS 469A.005 through 469A.210. ORS 469A.170(1) and OAR 860-083-0350(1)(a) require that each electric company subject to Oregon's RPS provide an annual report demonstrating its compliance (or failure to comply) with the RPS standard.

Among the reporting details required by ORS 469A.170(2)(a-h) and OAR 860-083-0350(2)(a-s), the Compliance Report must contain a complete accounting of RECs used for compliance in the compliance year, separating the RECs into bundled or unbundled, showing clearly which generating unit produced the RECs, the total cost of compliance, and a detailed explanation of any material deviations from the electric company's applicable acknowledged RPS implementation plan filed under OAR 860-083-0400.

ORS 469A.170(2) and OAR 860-083-0350(2) subsections (b-g) provide the Commission with the information necessary to determine whether an electric company may be considered in compliance with the RPS. These subsections require the electric company to provide a complete Compliance Report that shows the electric company has acquired and retired an appropriate number of valid RECs, bundled or unbundled, banked or unbanked, for the compliance year.

ORS 469A.100(1) provides that "[e]lectric 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."

Analysis

Background

The Company's 2017 RPS Compliance Report (hereinafter referred to as "Compliance Report" or "Report") demonstrates PGE's compliance with the RPS for the period of January 1, 2017 through December 31, 2017. The Company filed its Compliance Report on June 1, 2018. Based on Staff feedback regarding the Company's reported total number of bundled energy certificates used for compliance, PGE filed a revised total to its report on July 12, 2018.¹ Staff was able to file its initial comments on July 16, 2018.

In its initial comments, Staff concluded that PGE had met the RPS compliance target mandated by ORS 469A.052(1)(b) and the RPS compliance reporting requirements mandated by OAR 860-083-0350. PGE filed reply comments on August 15, 2018. They were in agreement with Staff's findings. No other parties filed comments on this matter.

Portland General Electric's 2017 Compliance Report

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

¹ Staff references throughout this memo to the Compliance Report are to the Report with all filed corrections.

2017 RPS Compliance Summary		
Oregon retail sales	17,751,419 ²	
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 ³	
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%

In its Compliance Report, PGE states that its 2017 RPS obligation is 2,662,713 Megawatt hours (MWh), which it has met through the use of 2,130,170 bundled RECs and 532,543 unbundled RECs. The Company's total cost to use these RECs for compliance is \$33,207,867. This represents 1.9 percent of PGE's revenue requirement, which is within the limit set forth in ORS 469A.100(1).⁴

PGE's 2017 Compliance Report also notes that there are several material differences between the 2016 RPIP and its 2017 Compliance Report filing.⁵ 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

² See PGE's 2017 FERC Form 1, at page 304, Row 41 Column (b).

³ 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.

⁴ 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."

⁵ PGE's 2017 RPS Compliance Report, at page 6, Docket No. UM 1958, June 1, 2018.

- 3) The effect of the two factors outlined above on the treatment of RECs from Biglow Canyon and Tucannon River wind facilities.⁶

Staff's Initial Comments to July Filing

In its review of PGE's 2017 Compliance Report, Staff found that the Company complied with all applicable requirements and raised issues to be addressed in the pending RPS rulemakings⁷. Staff questioned the level of detail provided by PGE in explaining the material differences between the 2016 RPIP and 2017 Compliance Report filing. Staff noted that both the 2017 RPS Compliance Report and an analogous 2016 RPIP scenario reference the purchase of unbundled RECs to meet 20 percent of the 2017 RPS obligation and yet propose large differences in the use of RECs from Biglow and Tucannon River to meet 2017 RPS compliance.⁸

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 referenced 2016 RPIP scenario.⁹ **[Begin Confidential]**

⁶ PGE's 2017 RPS Compliance Report, at page 7, Docket No. UM 1958, June 1, 2018.

⁷ See *In the Matter of Rulemaking Regarding the Incremental Cost of Renewable Portfolio Standard Compliance*, Docket AR 610; *In the Matter of Rulemaking Regarding Renewable Portfolio Standard Planning Process and Reports*, Docket AR 616; and *In the Matter of Rulemaking to Address Renewable Energy Certificate (REC) Issues in Renewable Portfolio Standard (RPS)*, Docket AR 617.

⁸ Staff Comments, at page 5, Docket No. UM 1958, July 16, 2018.

⁹ PGE's 2016 Portfolio Implementation Plan, **[Begin Confidential]** [REDACTED]
[REDACTED] **[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 RECs¹⁰. 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.

Because resource retirement decisions as outlined above do not impact the Company's overall compliance strategy of using 5-year life RECs or its position under the cost cap, Staff suggests that the AR 616 process would be a more appropriate place to consider amendments that provide additional clarity when "material differences" emerge between an RPS Compliance Report and the applicable RPIP.

¹⁰ PGE's Revised 2016 Portfolio Implementation Plan, Supplemental Application, Attachment C, at page 4, Docket No. UM 1788, August 3, 2016.

Portland General Electric's Reply Comments

PGE agreed with Staff and states that the Commission should find the Company in compliance with the applicable RPS requirements.

In responding to Staff's concerns, the Company provided supplemental information to explain the "material differences" between the 2016 RPIP and its 2017 Compliance Report filing.¹¹ PGE explain the proposed retirement of relatively higher incremental costs RECs in 2017 as minimizing future risk around the four percent cost cap. PGE also noted that an equivalent number of Evergreen (infinite life) RECs were purchased to replace the REC sales from Biglow Canyon and Tucannon River.

Staff further affirms its initial comments, which state that the AR 616 process is a more appropriate place to contemplate whether additional clarity is required to identify and address "material differences" from the applicable RPIP.

Conclusion

Staff concludes that Portland General Electric has met the RPS compliance target mandated by ORS 469A.052(1)(b) and the RPS compliance reporting requirements mandated by OAR 860-083-0350. While the 2017 RPS Compliance Report raises issues relating to the clarity of material deviations from the RPIP, Staff finds that these issues would be best addressed in the holistic context of upcoming RPS rulemakings.

PROPOSED COMMISSION MOTION:

- (1) Find Portland General Electric to be compliant with Oregon's Renewable Portfolio Standard during the 2017 compliance period; and
- (2) Direct Portland General Electric to retire the RECs identified in its 2017 Compliance Report, and to provide a Western Renewable Energy Generation Information System retirement report to the Commission, subject to appropriate non-disclosure agreements, within 30 calendar days of this Order.

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¹¹ See UM 1958—PGE's Reply Comments, p. 2, August 15, 2018.