

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: September 24, 2019

REGULAR **CONSENT** **EFFECTIVE DATE** September 24, 2019

DATE: September 16, 2019

TO: Public Utility Commission

FROM: Natascha Smith

THROUGH: Jason Eisdorfer and JP Batmale **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 2016) 2018
Renewable Portfolio Standard Compliance Report

STAFF RECOMMENDATION:

Staff recommends the Commission take the following actions, based on the Portland General Electric (PGE) 2018 Renewable Portfolio Standard (RPS) Compliance Report:

1. Find that PGE complied with the RPS for the 2018 compliance period; and
2. Direct PGE to retire the renewable energy credits (REC) identified in its 2018 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 PGE complied with the requirements of the RPS over the 2018 period and direct the Company to retire the RECs identified in the 2018 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 2019 RPS Compliance Report (hereinafter referred to as “Compliance Report” or “Report”) demonstrates PGE's compliance with the RPS for the period of January 1, 2018 through December 31, 2018.

In its initial comments, Staff could not determine 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. No parties filed comments on this matter. PGE made a supplemental filing on July 23, 2019, allowing Staff to determine RPS compliance.

Portland General Electric's 2018 Supplemental Compliance Report

The table below summarizes PGE's 2018 RPS obligation and compliance activity.

Table 1: 2018 RPS Compliance Summary¹		
Oregon retail sales	17,344,830 MWh ²	
2018 RPS % Obligation	15%	
2018 RPS MWh Obligation	2,601,725 MWh	
RECs used for 2018 RPS	Number of RECs	Percentage of RPS MWh
Bundled – newly acquired	1,997,321 ³	77%
Bundled – from bank	84,059	3%
Bundled subtotal	2,081,380	80%
Unbundled – newly acquired	520,345	20%
Unbundled – from bank	0	0%
Unbundled subtotal	520,345	20%
Total	2,601,725 RECs	100%

In its Compliance Report, PGE states that its 2018 RPS obligation is 2,601,725 Megawatt hours (MWh), which it has met through the use of 2,081,380 bundled RECs and 520,345 unbundled RECs. PGE's unbundled REC quantity equals 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).

¹ PGE's Compliance Report indicates that it used no unbanked RECs. Staff however contends that RECs procured from January 1, 2018 – March 31, 2019 as well as RECs generated in the compliance period were improperly labeled as bundled RECs by the Company. This is discussed more thoroughly the *Classification of Banked RECs* section of this report. For clarity, the table separates out newly acquired RECs from RECs banked in previous compliance years.

² See Portland General Electric's 2018 FERC Form 1, at page 304, OPUC Docket No. RE 54, May 8, 2019.

³ This figure includes two-for-one solar RECs eligible under OAR 860-084-0070(2).

The Company's total cost to use these RECs for compliance is \$47,138,245.00. This represents 2.6 percent of PGE's revenue requirement, which is within the limit set forth in ORS 469A.100(1).⁴

PGE's 2018 Compliance Report also notes that there are several material differences between the 2016 RPIP and its 2018 Compliance Report filing.⁵ In summary these changes were:

- Lower than forecasted loads
- Purchase of unbundled RECs
- Fewer than projected RECs retired from Biglow and Tucannon.

Classification of Banked RECs

Review of the Company's previous RPS compliance reports indicates that the Company consistently includes all bundled RECs generated and used in the same compliance year as banked RECs. Similarly, PGE reported the 1,997,321 bundled RECs and 520,345 unbundled RECs acquired during and for use in the 2018 compliance period as banked RECs being used for compliance.⁶

ORS 469A.005(2) defines a "Banked renewable energy certificate" as,

a bundled or unbundled renewable energy certificate that is not used by an electric utility or electricity service supplier to comply with a renewable portfolio standard in a calendar year, and that is carried forward for the purpose of compliance with a renewable portfolio standard in a subsequent year.

Staff disagrees that these RECs can be considered banked and finds that the Company's interpretation obscures the Commission, Staff, and stakeholders' ability to evaluate the Company's approach to REC bank management. Staff plans to consider a more transparent definition of banked RECs in AR 616, and AR 617, if necessary.

Material Deviations

PGE's use of unbundled and purchased bundled RECs are a material deviation from the Company's 2017-2021 RPIP. The Company's 2017-2021 RPIP does

⁴ While the total cost is substantially higher than the approximately \$33 million dollars forecasted in the Company's RPIP, this difference is accounted for by the substantial drop in gas prices during the 2018 compliance year. PGE Response to OPUC DR-004, Confidential Attachment A, Docket No. UM 2016, August 7, 2019.

⁵ PGE 2018 RPS Supplemental Compliance Report, at 6, Docket No. UM 2016, July 23, 2019.

⁶ Id., at 2-3.

not include the use of unbundled or purchased bundled RECs in the 2018 compliance year. The Company's compliance report shows that it met 20 percent of its 2018 RPs obligation with unbundled RECs and over 3 percent of its 2018 RPS obligation with purchased bundled RECs.

Despite the fact that PGE's RPIP "does not forecast the use of unbundled RECs to meet RPS compliance targets within future compliance years 2017 through 2021[.]" the company has in fact routinely used unbundled RECs for compliance.⁷ PGE proposes using 520,345 unbundled RECs for 2018 compliance. Similarly, PGE's proposed use of 93,651 purchased bundled RECs for 2018 compliance is contrary to the RPIP where no purchased bundled RECs were forecasted.⁸

The Company did not adequately explain these material deviations in its Compliance Report, but rather provides conclusory statements that acquisition of these RECs was in customers' interest. The Company states that unbundled RECs were purchased because they were "available at low prices" and likewise explained that it purchases bundled RECs where "available at low prices and when economically beneficial to PGE's customers considering PGE's overall compliance strategy."⁹ However, PGE did not include how it evaluated tradeoffs, mitigated potentially higher costs, or balanced risks. Therefore, Staff's is limited in its ability to understand if acquiring unbundled and purchased bundled RECs for compliance was or will continue to be a least-cost, least-risk decision.

Staff suggests that further consideration of communicating material differences in compliance reports occur within Docket No. AR 616 Renewable Portfolio Standard Planning Process and Reports and Docket No. AR 617 Renewable Energy Certificate (REC) Issues in Renewable Portfolio Standard, as necessary.¹⁰

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 2018 RPS Compliance Report raises

⁷ PGE 2016 Renewable Portfolio Standard Implementation Plan (RPIP), at page 6, Docket No. UM 1755, December 31, 2015.

⁸ Purchased bundled RECs used for 2018 RPS compliance include: 84,000 bundled-banked RECs purchased in 2016, 5,092 bundled RECs purchased in 2018, and 4,500 bundled RECs purchased by March 31, 2019.

⁹ PGE 2016 RPIP, at page 6.

¹⁰ The need to clarify the scope and methodology for addressing material deviations from the RPIP is reinforced by Commission orders, such as Order No. 17-166, in which a material deviation in resource procurement triggers additional obligations for PGE to calculate new incremental costs .

issues relating to banking of RECs and the clarity of material deviations from the RPIP, Staff finds that these issues would be best addressed in the upcoming RPS rulemakings.

PROPOSED COMMISSION MOTION:

- (1) Find Portland General Electric to be compliant with Oregon's Renewable Portfolio Standard during the 2018 compliance period; and
- (2) Direct Portland General Electric to retire the RECs identified in its 2018 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.