ITEM NO. CA6

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 3, 2020

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** November 4, 2020

DATE: October 26, 2020

TO: Public Utility Commission

FROM: Kim Herb

THROUGH: Bryan Conway and JP Batmale **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2112)
2019 Renewable Portfolio Standard Compliance Report.

STAFF RECOMMENDATION:

Staff recommends the Commission take the following actions, based on the Portland General Electric 2019 Renewable Portfolio Standard (RPS) Compliance Report:

1. Find that Portland General Electric (PGE or Company) complied with the RPS for the 2019 compliance period; and
2. Direct Portland General Electric to retire the renewable energy certificates (REC) identified in its 2019 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 Oregon Public Utility Commission should find that Portland General Electric complied with the requirements of the RPS over the 2019 period and direct the Company to retire the RECs identified in the 2019 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 2020 RPS Compliance Report (hereinafter referred to as "Compliance Report" or "Report") demonstrates PGE's compliance with the RPS for the period of January 1, 2019 through December 31, 2019.

The Company filed its Compliance Report on July 30, 2020, and made supplemental fillings on September 4, 2020. Staff filed comments on September 15, 2020, and the Company provided reply comments on September 23, 2020. In its 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. Staff also raised concern about PGEs use of unbundled RECs, discussed in detail below, which PGE addressed in its reply comments.

Portland General Electric's RPS Compliance Report
The table below summarizes PGE's 2019 RPS obligations and compliance activities.

Table 1: 2019 RPS Compliance Summary		
Oregon retail sales	17,375,920 MWh[1]	
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	46%
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 does not exceed the 20 percent limit allowed by ORS 469A.145(1). Portland General Electric's total cost of compliance is $44,107,203. This is 2.41 percent of PGE's revenue requirement and is below the four percent cap established by statute.[2]

Use of Unbundled RECs
Staff found PGE's 2019 RPS compliance deviated from the strategy articulated in the applicable Renewable Portfolio Implementation Plan (RPIP) by continually forecasting physical compliance, while in reality using 20 percent unbundled RECs for compliance.[3] Staff asked the Company to address this material deviation in its reply comments. In its response, PGE identified evolving conditions between the filing of the RPIP and the corresponding RPS Compliance Report as one factor that led to deviations from the

[1] *See* Portland General Electric's 2019 Annual Report Supplement to FERC Form 1, Page 304, Row 41, Column (b)); Includes 14,005 two for one solar RECs eligible under OAR 860-084-0070(2).
[2] *See* Docket No. UM 2112, *Portland General Electric's Supplemental 2019 RPS Compliance Report*, p.2, September 4, 2020.
[3] Docket No. 2112, Staff Comments, citing Docket No. UM 1916, Portland General Electric's 2019 – 2023 RPS Implementation Plan, p. 1-3, Dec. 29, 2017.

RPIP. Additionally the Company asserted that mandated forecast and use of unbundled RECs in the RPIP would likely affect the market prices for those RECs.[4]

Staff is unconvinced by this argument since PGE already provides an RPIP sensitivity forecasting the use of 20 percent unbundled RECs and it is well established in publicly available RPS Compliance reports that PGE consistently uses the maximum number of unbundled RECs allowed. Staff was not, and does not, propose to mandate the use of unbundled RECs. However, the Company asserts it will use physical compliance in the IRP and RPIP to help justify acquisition of additional resources and then deviates from that plan by using unbundled RECs. In this way, PGE avoids providing information that would be required in the IRP, including how it evaluated tradeoffs, mitigated potentially higher costs, or balanced risks. Therefore, Staff 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 reiterates its suggestion 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.

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.

PROPOSED COMMISSION MOTION:

1. Find Portland General Electric to be compliant with Oregon's Renewable Portfolio Standard during the 2019 period; and
2. Direct Portland General Electric to retire the RECs identified in its 2019 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.

[4] Docket No. UM 2112, PGE's Reply Comments, September 23, 2020.