

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 22, 2014

REGULAR _____ CONSENT X EFFECTIVE DATE _____ Upon Commission Approval _____

DATE: July 14, 2014

TO: Public Utility Commission

FROM: *aa for RB*
Ryan Bracken

THROUGH: *E* Jason Eisdorfer, *MA G, MG* Maury Galbraith, and *aa* Aster Adams

SUBJECT: PORTLAND GENERAL ELECTRIC (Docket No. UM 1683) Renewable Portfolio Standard Implementation Plan 2015-2019.

STAFF RECOMMENDATION:

Staff recommends that the Commission acknowledge Portland General Electric's (PGE's or Company's) 2013 Renewable Portfolio Standard Implementation Plan (RPIP) analyzing the compliance years 2015-2019 as detailed in the attached Stipulation (Attachment A).

DISCUSSION:

PGE, Oregon Public Utility Commission Staff (Staff), Citizens' Utility Board (CUB), Renewable Northwest (RNW), Industrial Customers of Northwest Utilities (ICNU), and the Oregon Department of Energy (ODOE) have reviewed PGE's RPIP and arrived at the Stipulation that is Attachment A to this memo.

PGE's 2013 RPIP details the Company plans to comply with the Renewable Portfolio Standard (RPS) from 2015 through 2019. Staff reviewed and concluded that PGE's RPIP is consistent with the requirements of OAR 860-083-400, including that PGE submitted the required information and that the required analysis was performed and provided.

The Stipulation details that all of the interested groups with the exception of ICNU support acknowledgement of PGE's RPIP with conditions for additional analysis to be included in the Company's next RPIP to be filed at the end of 2015. ICNU does not oppose acknowledgement consistent with the attached Stipulation.

Page 2

PROPOSED COMMISSION MOTION:

Acknowledge PGE's 2013 RPIP with the conditions detailed in the attached Stipulation (Attachment A).

Docket No. UM 1683; PGE's 2013 RPIP

1 **BEFORE THE PUBLIC UTILITY COMMISSION**

2 **OF OREGON**

3 **UM 1683**

4 In the Matter of PORTLAND GENERAL
5 ELECTRIC

6 Renewable Portfolio Standard Implementation
7 Plan 2015-2019

8 **STIPULATION**

9 **PARTIES**

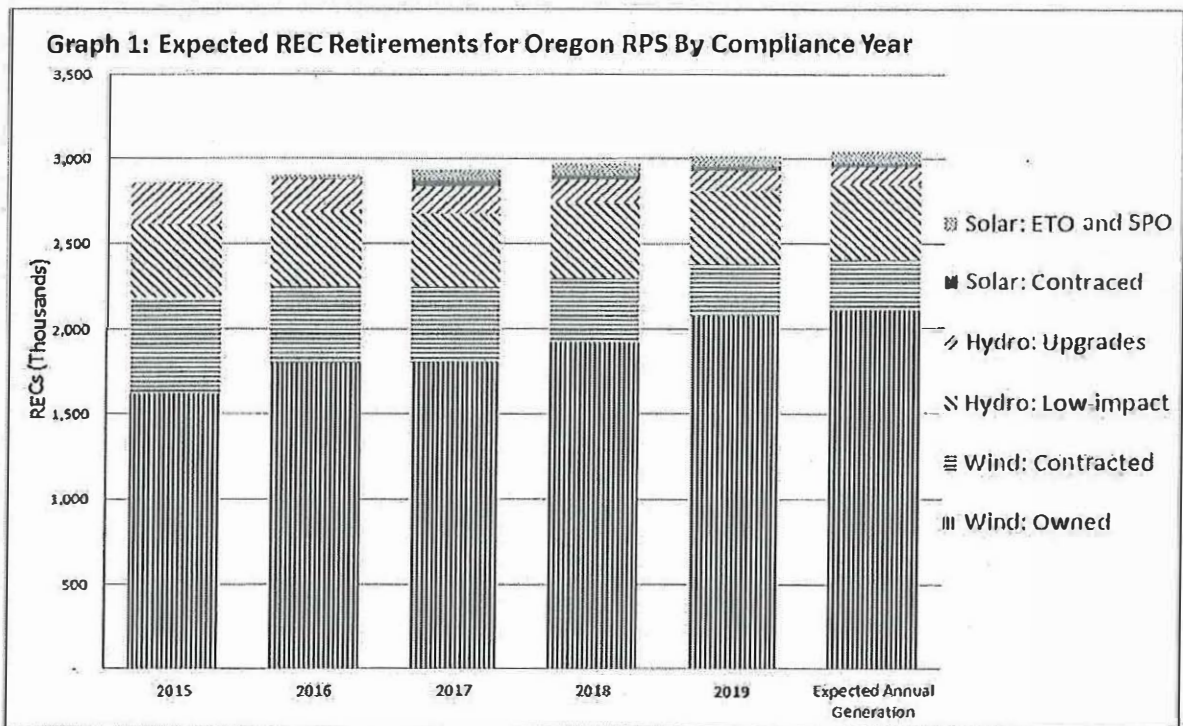
- 10 1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon
11 (“Staff”), the Citizens’ Utility Board of Oregon (“CUB”), Portland General Electric
12 (“PGE”), Renewable Northwest (“RNW”), and Industrial Customers of Northwest
13 Utilities (“ICNU”), and the Oregon Department of Energy (“ODOE”) (collectively “the
14 Parties.”)

15 **BACKGROUND**

- 16 2. ORS Chapter 469A establishes a Renewable Portfolio Standard (“RPS”) for Oregon
17 utilities under which a specific percentage of the energy sold to retail customers must
18 come from certain renewable resources (“qualifying electricity”). For large utilities,
19 including PGE, five percent of the electricity sold to retail customers must be qualifying
20 electricity in calendar years 2011-2014, increasing to 15 percent for calendar years 2015-
21 2024, and increasing to 25 percent for 2025 and subsequent years.
- 22 3. Pursuant to ORS 469A.075 and OAR 860-083-0400, a utility subject to the renewable
23 portfolio standard is required to file a Renewable Portfolio Standard Implementation Plan
24 (“RPIP”) on or before January 1 of each even-numbered calendar year. The RPIP must
25 analyze five compliance years, starting with the next odd-numbered year and include, at a
26 minimum, the annual targets for compliance as well as the estimated costs of meeting
those targets.

- 1 4. Pursuant to OAR 860-083-0400(8), the Commission will acknowledge a RPIP, subject to
2 any conditions specified by the Commission at a public meeting, unless the Commission
3 decides to commence an investigation or take other action as necessary to make its
4 decision regarding acknowledgment of the plan. Acknowledgment must come within six
5 months of the RPIP filing.
- 6 5. PGE filed its RPIP on December 31, 2013, and updated the RPIP on February 18, 2014.
7 At the parties' request, PGE informally updated its RPIP with a number of new
8 assumptions and revisions. ICNU asked that PGE update the Single Cycle Combustion
9 Turbine (SCCT) model to calculate the real levelized cost for the first 20 years and
10 continue the levelized cost with inflation over an additional seven years. RNW asked
11 PGE to update its wind integration costs to be consistent with the results from PGE's
12 2013 Integrated Resource Plan (IRP). Parties discussed additional adjustments to the
13 incremental cost methodology, however, they did not reach agreement on these additional
14 adjustments and agreed to reserve those arguments for future RPIPs. The overall results
15 of the agreed upon updates did not materially change the incremental cost summary in the
16 "Base Case" and no Party asked PGE to formally file the updated incremental cost
17 summary.
- 18 6. Mechanically, to comply with the RPS, PGE must use renewable energy certificates
19 (RECs) that qualify for the Oregon RPS at an amount equal to 15 percent of its Oregon
20 load for each year from 2015-2019. One REC represents one MWh of energy generated
21 by a renewable resource. At least 80 percent of REC's used in a compliance year must be
22 bundled; though all of the REC's used in a year can be generated in previous years (i.e.,
23 banked RECs). ORS 469A.140 directs that banked RECs must be used before RECs
24 generated in the compliance year and that "banked renewable energy certificates with the
25 oldest issuance date must be used to comply with the standard before banked renewable
26 energy certificates with more recent issuance dates are used."

7. The following graph shows PGE's expected REC retirements by compliance year by energy source to meet the 15 percent renewable standard. For a check on the Company's ability to meet the RPS obligation with physical generation, the graph also shows the expected generation of PGE's owned and contracted qualifying resources in 2019. The expected annual generation from the qualifying resources is nearly the same for all years from 2016-2019 since PGE plans no major renewable resources to come online during this time. Expected generation is lower in 2015 as the Tucannon River Wind Farm will not operate for the full year in 2015.



8. Graph 1 above shows that in 2019, PGE expects that roughly 80 percent of its qualifying energy will come from wind power (69 percent from Company-owned resources and 10 percent from contracted resources), 14 percent from low-impact hydro (LIH), 4 percent from hydro upgrades, 2 percent from Energy Trust of Oregon (ETO) and Solar Payment Option (SPO) solar, and 1 percent from contracted solar resources. On a generation

1 basis this mix is nearly constant over the 2015-2019 compliance period. Because the
2 oldest RECs must be retired first and the resources used for compliance have different in-
3 service/qualification dates, the mix of RECs that PGE expects to retire varies in the way
4 shown by the graph above.

5 9. The graph reflects that the Company's expected annual generation from qualifying
6 renewable resources is at least fifteen percent of PGE's Oregon load for 2015-2019
7 compliance period, which means PGE plans to be in physical compliance with the RPS.

8 10. PGE's RPIP also shows that the Company does not intend to utilize unbundled RECs
9 during the 2015-2019 compliance period. However, PGE reserves the right to use
10 unbundled RECS if the availability and market prices warrant it.

11 11. Staff believes that the RPIP should include analysis of the use of unbundled RECs that
12 have not yet been purchased for compliance with the RPS because their use can impact
13 resource planning by changing the optimal timing to construct, acquire, or contract with a
14 qualifying renewable resource. PGE used unbundled RECs for compliance at the 20
15 percent limit in the last compliance year (2013), and the possibility that they will use
16 unbundled RECs that they have yet to purchase for compliance in 2015-2019 is a realistic
17 one, particularly if REC market conditions are favorable.

18 12. PGE contends that because the market for RECs is illiquid and fragmented as well as
19 uncertain due to ramping RPS policies in states across the Western Electricity
20 Coordinating Council (WECC) region, it is both strategically detrimental and
21 hypothetical to forecast REC prices and purchases.

22 13. Staff agrees this is a valid concern, but still believes that it is important to consider the
23 possibility that unbundled RECs will be purchased in the future and used for compliance.
24 Staff recommends that the Commission direct the Company to include a scenario in
25 future RPIPs under the reference case that assumes the Company continues its unbundled
26 REC usage pattern (as a percentage of total RECs used from its last compliance report)

1 assuming an unbundled REC price equal to the weighted average price paid for
2 unbundled RECs used in its last compliance report for each year analyzed in the RPIP.

3 **AGREEMENT**

4 14. The Parties other than PGE have reviewed PGE's RPIP for compliance years 2015-2019.

5 15. The Parties agree that PGE's RPIP shows that PGE is positioned to be in compliance
6 with ORS 469A.052, which states that at least 15 percent of the electricity sold by a large
7 utility to retail customers in each of the calendar years of the next compliance period
8 (2015-2019), must be qualifying energy.

9 16. PGE, CUB, RNW, and ODOE support acknowledgment of PGE's 2015-2019 RPIP.

10 ICNU does not oppose acknowledgment. Staff recommends that the Commission
11 acknowledge PGE's 2015-2019 RPIP subject to the following condition:

12 PGE will include in subsequent RPIPs a scenario under the reference case
13 assumptions where the Company continues its unbundled REC usage pattern
14 (as a percentage of total RECs used for compliance from its last compliance
15 report) assuming an unbundled REC price equal to the weighted average
16 price paid for unbundled RECs used for compliance in its last compliance
17 report for each year analyzed in the RPIP.

18 17. The Stipulation will be offered into the record of the above-captioned docket pursuant to
19 OAR 860-001-0350. The Parties agree to cooperate in drafting and submitting an
20 explanatory brief or written testimony per OAR 860-001-0350(7), unless such
21 requirement is waived. The Parties will support the Stipulation throughout this
22 proceeding, including any appeal, provide witnesses to sponsor the Stipulation at any
23 hearing held in the above-captioned docket, and recommend that the Commission issue
24 an order adopting the settlement contained herein.

25 18. The Parties have negotiated the Stipulation as an integrated document. If the
26 Commission rejects all or any material portion of the Stipulation, or conditions its
approval upon the imposition of additional material conditions, each Party reserves its

1 right (i) to withdraw from the Stipulation, upon written notice to the Commission and
2 other Parties within five (5) business days of service of the final order that rejects this
3 Stipulation in whole or material part, or adds such material condition; (ii) pursuant to
4 OAR 860-001-0350(9), to prevent evidence and argument on the record in support of the
5 Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed
6 appropriate to respond fully to issues, and raise issues that are incorporated in the
7 settlements embodied in the Stipulation; and (iii) pursuant to ORS 756.561 and OAR
8 860-001-0720, to seek rehearing or reconsideration or to appeal the Commission order
9 under ORS 756.610. Nothing in this paragraph provides any Party the right to withdraw
10 from this Stipulation as a result of the Commission's resolution of issues that this
11 Stipulation does not resolve.

12 19. By entering into this Stipulation, no Party shall be deemed to have approved, admitted or
13 consented to the facts, principles, methods or theories employed by any other Party in
14 arriving at the terms of the Stipulation. Except with regard to RPIPs, no Party shall be
15 deemed to have agreed that any part of the Stipulation is appropriate for resolving issues
16 arising in any other proceedings.

17 20. The Stipulation may be executed in counterparts and each signed counterpart shall
18 constitute an original document.

19 This Stipulation is entered into by each Party on the date(s) entered below:

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CITIZENS' UTILITY BOARD

INDUSTRIAL CUSTOMERS OF THE
NORTHWEST UTILITIES

Dated: 6-12-14

Dated: _____

By: [Signature]

By: _____

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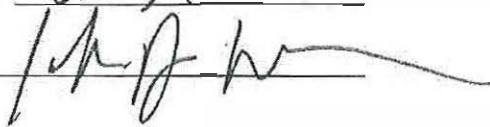
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21 CITIZENS' UTILITY BOARD

INDUSTRIAL CUSTOMERS OF THE
NORTHWEST UTILITIES

22 Dated: _____

22 Dated: 6/12/14

23 By: _____

23 By: 

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PUBLIC UTILITY COMMISSION STAFF

PORTLAND GENERAL ELECTRIC

Dated: 6/12/14

Dated: _____

By: [Signature]

By: _____

RENEWABLE NORTHWEST

OREGON DEPARTMENT OF ENERGY

Dated: _____

Dated: _____

By: _____

By: _____

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PUBLIC UTILITY COMMISSION STAFF

PORTLAND GENERAL ELECTRIC

Dated: _____

Dated: 6/12/14

By: _____

By: *[Signature]*

RENEWABLE NORTHWEST

OREGON DEPARTMENT OF ENERGY

Dated: _____

Dated: _____

By: _____

By: _____

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INDUSTRIAL CUSTOMERS OF THE
NORTHWEST UTILITIES

11 Dated: _____

Dated: _____

12 By: _____

13 By: _____

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15
16 PUBLIC UTILITY COMMISSION STAFF

PORTLAND GENERAL ELECTRIC

17 Dated: _____

Dated: _____

18 By: _____

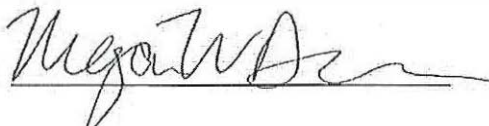
By: _____

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21 RENEWABLE NORTHWEST

OREGON DEPARTMENT OF ENERGY

22 Dated: June 11, 2014

Dated: _____

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24 By: 

25 By: _____

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NORTHWEST UTILITIES

11 Dated: _____

Dated: _____

12 By: _____

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16 PUBLIC UTILITY COMMISSION STAFF

PORTLAND GENERAL ELECTRIC

17 Dated: _____

Dated: _____

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21 RENEWABLE NORTHWEST

OREGON DEPARTMENT OF ENERGY

22 Dated: _____

Dated: 6/12/14

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24 By: _____

By:  _____

1 **CERTIFICATE OF SERVICE**

2 I certify that on June 13, 2014, I served the foregoing Stipulation upon all parties of
3 record in this proceeding by delivering a copy by electronic mail only as all parties waive paper
4 service.

5 **W**
6 ***OREGON DEPARTMENT OF ENERGY**

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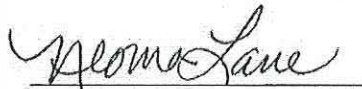
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Department of Justice
Business Activities Section