

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1735

In the Matter of

NOBLE AMERICAS ENERGY SOLUTIONS INC

2014 Renewable Portfolio Standard Compliance
Report.

STAFF COMMENTS

Introduction

Oregon Administrative Rule (OAR) 860-083-0350(1)(a) requires that each electric company subject to Oregon's Renewable Portfolio Standard (RPS) provide an annual compliance report (Compliance Report) demonstrating its compliance, or explaining in details its failure to comply with the RPS. These comments reflect Staff's response to Noble Americas Energy Solutions (NAES)'s 2014 RPS Compliance Report.

Pertinent statutes and rules

Among other reporting details required by OAR 860-083-0350(2)(a-s), the Compliance Report must contain a complete accounting of renewable energy certificates (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 implementation plan filed under OAR 860-083-0400.

OAR 860-083-0350(2)(b-g) specifically states that an electric company may be considered in compliance with the RPS if they provide a complete Compliance Report and satisfactorily show they have acquired and retired an appropriate number of valid RECs, bundled or unbundled, banked or unbanked, for the compliance year.

Oregon Revised Statutes (ORS) provide 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 (Electric companies) exceeds four percent of the utility's annual revenue requirement for the compliance year." See ORS § 469A.100(1).

Background

As part of the Oregon Renewable Energy Act of 2007 (Oregon Senate Bill 838), the state of Oregon established a RPS for electric utilities and retail electricity suppliers. Under the law, Oregon large utilities must deliver a percentage of their electricity from eligible renewable resources. The RPS establishes renewable energy goals for the state’s public power utilities based on the total retail sales of the utility (or Electric Service Supplier (ESS)).

These renewable energy goals are codified in ORS 469A.052. Under this statute, utilities that supply three percent or more of the state's total retail load must ensure that a certain percentage of the electric energy sold to retail customers within the state of Oregon is derived from eligible renewable energy resources. For those utilities meeting the retail load criteria, the specific annual RPS targets are shown below:

RPS Class	Share of State Sales	Affected Utilities and Electric Service Suppliers (ESS)	Standard By Year			
			2011-2014	2015-2019	2020-2024	2025 and beyond
Large Utilities	> 3%	Eugene Water & Electric Pacific Power Portland General Electric	5%	15%	20%	25%
Smaller Utilities	1.5% ≤ share < 3%	No Investor-Owned Electric Utility or ESS	No RPS Obligations			10%
Smallest Utilities	< 1.5%	Idaho Power Company	No RPS Obligations			5%
ESS	Any	All	Same RPS Obligations as the distribution utility in the same service territory.			

As an ESS, NAES must meet the requirements of the RPS that apply to the electric utilities that serve the territories serviced by NAES. NAES serves customers in the territories of Pacific Power (PAC) and Portland General Electric (PGE).

Both PAC and PGE are subject to the same annual RPS targets under ORS 469A.052 – these RPS targets are shown in the table below:

RPS Class	Share of State Sales	Affected Utilities and Electric Service Suppliers (ESS)	Standard By Year			
			2011-2014	2015-2019	2020-2024	2025 and beyond
Large Utilities	> 3%	NAES Eugene Water & Electric Pacific Power Portland General Electric	5%	15%	20%	25%

The energy sources that qualify as RPS-eligible renewable resources are defined by ORS 469A.020-025. These sources include electricity generated from solar, wind, hydropower, ocean thermal, wave and tidal power, geothermal, hydrogen using anhydrous ammonia derived from certain renewable sources, municipal solid waste, and biomass, including biogas. Eligible resources must be located within the Western Electricity Coordinating Council (WECC) territory or must be designated “environmentally preferable” by the Bonneville Power Administration (BPA).

To qualify as an eligible renewable resource, electricity must be generated by a facility that became operational on or after January 1, 1995. However, incremental energy delivered from facilities operational before January 1, 1995, that is attributable to efficiency upgrades performed on or after January 1, 1995, also is considered a qualifying resource.

RPS Compliance and Renewable Energy Credits

RPS compliance must be demonstrated through the retirement of RECs that are maintained through the Western Renewable Energy Generation Information System (WREGIS). RECs may be either bundled with energy or exchanged separately (unbundled). One REC is issued per megawatt-hour of generation produced. See OAR 330-160-0015(15).

RECs procured before March 31 of a given year may be used for a previous year's compliance, and RECs may be banked and carried forward indefinitely for future compliance. However, only twenty percent of a regulated utility’s RPS compliance obligation may be satisfied using unbundled RECs in any given compliance year.

There are two mechanisms that serve as cost protections for Oregon consumers – an alternative compliance payment (ACP) mechanism and a cost cap on RPS expenditures equal to four percent of annual revenue requirement. In lieu of procuring renewable resources, utilities are allowed to pay an ACP and the funds are placed in a holding account to be spent on energy conservation programs or for procuring additional eligible resources.¹ The following table illustrates the compliance mechanisms available to Oregon electric utilities and ESS providers.

Compliance Instruments and Cost	RPS Compliance Mechanisms	Oregon Statutes
Cost Limitation	No requirement to comply with the RPS in a given year if the incremental cost of compliance exceeds 4% of a utility’s annual revenue requirement.	469A.100 (1),(6)/OAR 860-083-0400(5)(a) and OAR 860-083-0300(2)(a)
Alternative Compliance Payments	Electric utilities may use alternative compliance payments to meet RPS requirements in any year.	469A.180 (3)/OAR 860-083-0500
Unlimited Banking of RECs	Electric utilities can bank RECs for compliance in future years. Banked RECs must be used subject to limitations imposed by ORS 469A.145 before other RECs are used.	469A.140 (2)(a) and (2)(b) and 469A.145 / OAR 860-083-0300(3)(B) and (3)(C)
Unbundled RECs	For large electric utilities, unbundled RECs, including banked unbundled RECs, may not be used to meet more than 20% of RPS requirements in any year. There is no limit on the amount small utilities and ESSs can use.	469A.145 (1) and Sec. 17a exception for large consumer-owned utilities.

¹ See ORS 469A.180(4), OAR 860-083-0300(2)(a) and OAR 860-083-0300(3)(b)(A).

NAES's 2014 Compliance Report

For the compliance year 2014, NAES must meet its RPS target through the retirement of RECs equal to five percent of its retail load or provide an alternative compliance payment. NAES's 2014 RPS compliance report demonstrates compliance with the RPS through the use of banked unbundled RECs.

Staff is in agreement with NAES's calculation of the total cost of compliance and the percentage of revenue requirement that this cost represents except that NAES used 2013 utility load and revenue per MWh for PAC and PGE. Staff will request that NAES update its calculations with 2014 numbers. Nonetheless, Staff recalculated NAES's cost of compliance using PGE's and PAC's 2014 load and revenue per MWh and found that this value is far below the cost cap of four percent of revenue requirement established by statute.

Conclusion

Staff finds no compliance issues with NAES's 2014 RPS Compliance Report. Staff concludes that NAES has met the RPS compliance targets as mandated by ORS 469A.052(1)(a) and has met the RPS compliance reporting requirements as mandated OAR 860-083-0350. However, Staff will review all comments that will be filed by interested persons and any responses that NAES may file. Staff will submit a report with its final recommendations for the Commission's consideration at a future public meeting.

This concludes Staff's comments.

Dated at Salem, Oregon, this 15th of July, 2015.



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