

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1739

In the Matter of

PACIFICORP, dba PACIFIC POWER

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 Pacific Power'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.			

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 20 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.<sup>1</sup> The following table illustrates the compliance mechanisms available to Oregon electric utilities and ESS providers.

<b>Compliance Instruments and Cost</b>	<b>RPS Compliance Mechanisms</b>	<b>Oregon Statutes</b>
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

### **Pacific Power's 2014 Compliance Report**

Pacific Power's total number of megawatt-hours sold to retail customers in 2014 was 12,958,736 Megawatt-hours (MWhs). The RPS requires Pacific Power to retire RECs equal to 5% of this total in 2014, (654,499 RECs), or provide an alternative compliance payment.

The following tables show how Pacific Power reports retirement of the following types of RECs to meet the RPS compliance target for 2014 consistent with Oregon statutes and rules:

<b>Type of REC</b>	<b>Number of RECs</b>	<b>Percentage of RPS</b>
Newly acquired - unbundled	0	
Banked - unbundled	129,587	
<i>Subtotal Unbundled</i>	<i>129,587</i>	<i>20.0%</i>
Newly acquired - bundled	0	
Banked - bundled	518,350	80.0%
<b>Total</b>	<b>647,937</b>	<b>100.0%</b>

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

Compliance Rule/Statute		
OAR 860-083-0350(2)(a) ORS 469A.052	The total number of megawatt-hours sold to Oregon retail consumers in 2014	12,958,736 megawatt-hours
OAR 860-083-0350(2)(b)	RECs (bundled or unbundled) acquired in the compliance year	0
OAR 860-083-0350(2)(c)	RECs (bundled or unbundled) acquired January 1 to March 31, 2015 for 2014 compliance year	0
OAR 860-083-0350(2)(d)	Number and cost of unbundled RECs (banked or unbanked)	129,587
OAR 860-083-0350(2)(e)	Number of banked bundled RECs	518,350
OAR 860-083-0350(2)(f)	Number of bundled or unbundled RECs issued in the compliance year and banked for future RPS compliance	1,554,142 (bundled)
OAR 860-083-0350(2)(g)	Number of RECs included in Oregon rates sold during the compliance year	0
OAR 860-083-0350(2)(h)	List of REC-qualified generating facilities	Provided/Verified
OAR 860-083-0350(2)(i)	Amount of alternative compliance payments	0
OAR 860-083-0350(2)(k)	Documentation of RECs	Provided under Confidential Attachment C/Will retire WREGIS certificates upon Commission approval.
OAR 860-083-0350(2)(l)	Any material deviations from the applicable implementation plan as acknowledged by the Commission.	The 2014 RPS Compliance Report is consistent with the acknowledged 2015-2019 RPIP with the exception that the 2014 RPS Compliance Report includes additional facilities that are certified by ODOE.
OAR 860-083-0350(2)(m)	Total RECs (bundled and unbundled) and cost of compliance	647,937
OAR 860-083-0350(2)(n)	Projected annual revenue requirement and its total cost of compliance	. Oregon allocated Levelized Incremental Cost: \$687,000 . 4% of Oregon Annualized Revenue requirement: \$50,452,000 . % of Oregon Annualized Revenue requirement: 0.054%.
OAR 860-083-0350(2)(r)	The number and total cost of bundled RECs issued	Provided under Confidential Attachment D for the period 2007 through 2014.
OAR 860-083-0350(2)(s)	The number and total cost of bundled RECs issued that are associated with new qualifying electricity since the last compliance report.	Provided under Confidential Attachment D

Pacific Power's 2014 RPS Compliance Report demonstrates compliance with the RPS through the use of 518,350 banked bundled RECs and 129,587 banked unbundled RECs. The total of unbundled RECs is exactly 20 percent of the required 647,937 RECs, which is within the allowable limit on use of unbundled RECs for compliance.

Through data request, Staff asked Pacific Power to provide detail of its calculation of the percentage of revenue requirement (0.03 percent) that the total cost of compliance represents. Pacific Power's data response indicated that the Oregon allocated nominal levelized incremental cost should have been \$687,000 rather than the \$161,000 as originally indicated and that the percentage of revenue requirement that the total cost of compliance represents is 0.054 percent. Staff will follow up with additional data requests for further clarification on these data. Nevertheless, the value is far below the cost cap of four percent of revenue requirement established by statute.

*Comparison to RPS Implementation Plan*

ORS 469A.075 requires electric companies that are subject to the RPS to file an implementation plan every two years which forecasts the resources expected to be used to meet the RPS targets, and an estimate of the cost of compliance.

Pacific Power's Compliance Report is consistent with the acknowledged 2015-2019 RPS Implementation Plan with the exception that the 2014 RPS Compliance Report includes additional facilities that are certified by Oregon Department of Energy, including projects in the Oregon Solar Incentive Program and qualifying facility contracts.

**Conclusion**

Staff concludes that Pacific Power has met the RPS compliance targets mandated by ORS 469A.052(1)(a) and has met the RPS compliance reporting requirements mandated by OAR 860-083-0350. However, Staff will review all comments that will be filed by interested persons and any responses that Pacific Power 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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Administrator  
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