



Portland General Electric Company
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204
portlandgeneral.com

April 10, 2020

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Ste. 100
PO Box 1088
Salem, OR 97308-1088

Re: **AR 610 – Incremental Cost of Renewable Portfolio Standard Compliance Rulemaking**

Filing Center:

Enclosed are the comments of Portland General Electric Company in response to Staff's March 27, 2020 questions. PGE appreciates the opportunity to provide commentary and we look forward to working with Parties on this rulemaking.

Should you have any questions or require further information, please call me at 503-464-7805.

Sincerely,

/s/ Jaki Ferchland
Jaki Ferchland
Manager, Revenue Requirement

JF:np
Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON.**

AR 610

In the Matter of
PUBLIC UTILITY COMMISSION OF
OREGON Rulemaking regarding the
incremental cost of Renewable Portfolio
Standard Compliance.

**COMMENTS OF PORTLAND
GENERAL ELECTRIC
COMPANY**

Portland General Electric Company (PGE) respectfully submits these comments in response to Staff’s request that stakeholders review and submit responses to the questions sent March 27, 2020. PGE appreciates the opportunity to provide comments in response to Staff’s questions.

Introduction

In alignment with the State of Oregon’s policy direction of decarbonization, PGE is pursuing efforts as a company to decarbonize its energy supply, increase electricity as a share of total energy use, and enhance operational performance and efficiency. At PGE, we are committed to helping our customers and the communities we serve achieve a clean energy future and providing leadership to advance the state’s energy goals. As PGE meets a growing share of its customer energy needs with renewables and as technological progress offers more competitive clean renewable and capacity options, it becomes increasingly important that the incremental cost calculation rules appropriately reflect the true “incremental” cost of renewable resources relative to non-renewable alternatives for meeting PGE’s resource needs.

Responses to Staff's Questions

Incremental Cost of RPS Compliance

Comments from Stakeholders on the AR 610 docket indicate that there are many options for calculating the incremental cost of compliance with the RPS statute. One of the primary decisions for this docket is when to count the cost of RECs, Stakeholder comments suggest the following options are available:

- a) Counting REC cost at Retirement (Retire most expensive RECs first)
- b) Counting REC cost at the time of generation
- c) Counting REC cost at the time of generation, not including RECs sold
- d) Counting REC cost at the time of generation, minus revenue from REC sales (Sell most expensive RECs first and retire the least expensive RECs)
- e) Counting REC cost at time of generation, minus revenue from REC sales, with active cost management. (Use the 20% limit of unbundled RECs and sell all other RECs generated.)

1) Are there any additional options for calculating incremental cost that Staff should consider? What legal or policy reasons support your position?

No, PGE does not believe there are any methods in addition to the methods listed that would provide additional value to the incremental cost calculation.

2) Should AR 610 include rules or standards for assessing REC bank management? What legal or policy reasons support your position?

No, PGE believes that REC bank management should be evaluated in Docket No. AR 617 in accordance with Commission Order No. 18-128.

3) Are there any RECs that should not be included in the compliance calculation? If so, please identify these and explain why.

PGE does not believe it makes sense to include RECs that are not required for RPS compliance in the incremental cost calculation.

Assume REC costs are included in the incremental and total cost calculations in the year of generation.

4) Is this appropriate? Is it feasible?

PGE believes this approach could be appropriate and feasible only if the incremental cost calculation is performed on a portfolio basis within the IRP in a manner fully consistent with IRP methodologies. This could be done in a way to ensure appropriate allocation of costs to RPS compliance versus other drivers of potential renewable procurement, including energy and capacity value.

However, if the incremental and total cost of compliance continues to be calculated outside of the IRP process on a resource-specific basis PGE believes it is not appropriate to count the cost of RECs in the year of generation toward the incremental cost test because those costs may not be properly attributed to RPS compliance. PGE notes that the generation from RPS-eligible resources in a given year is completely unrelated to whether the utility should be required to comply with the RPS in that year. Consider a situation in which wind resources dramatically outperform expectations in a given year, generating more RECs than are anticipated or needed in that year to comply with the RPS. If those resources have high incremental costs and the total incremental costs are driven by generation rather than retirement of RECs in that year, then their strong performance in that year could theoretically increase the total incremental cost in that year above 4% and remove the obligation that the utility retire RECs in that year to comply with the RPS. This would be an illogical outcome that's not consistent with the intent of the incremental cost cap.

PGE also notes that there may be REC generation from RPS-eligible resources in the future that are not ultimately associated with RPS compliance. This could be the case when, for example, the utility secures a renewable resource to primarily provide energy and capacity to the portfolio, rather than to comply with the RPS. PGE's 2019 IRP Action Plan includes a Renewable Action of this nature. The generation of RECs from such a resource should in no way impact whether PGE is required to comply with the RPS in a given year.

5) Are there alternatives that are also feasible and/or more appropriate? If not, why not?

Consistent with PGE's response to Staff's Question No. 4, PGE does not believe it is appropriate to include RECs in the year they are generated or any variation of RECs as generated in the cost of compliance for the RPS if the cost of compliance continues to be calculated outside of the IRP process. As stated above, we see opportunities for illogical outcomes to result in doing so.

6) What should happen to the existing bank of RECs once the new method of calculating cost is implemented? Should RECs being retired from the existing REC bank be accounted for in the total cost and/or incremental cost calculation? If so, how? If not, why?

Assuming a new method is adopted, consistent with the answer to Staff's Question No. 2, PGE believes REC bank management should be addressed in Docket No. AR 617. Currently RECs are only retired from the existing bank when they are used for RPS compliance, and according they are included in the incremental cost calculation.

Assume that REC Sales are subtracted from the total cost of compliance.

7) Is this appropriate? Is it feasible?

PGE understands that the proposal to reduce incremental costs by REC sales is based on a premise that incremental costs will be based on generated RECs, rather than retired RECs. Such a proposal seems to recognize the fact that RECs that are sold are not used for RPS compliance and therefore should not be factored into the costs associated with RPS compliance. PGE agrees that RECs that are not used for RPS compliance should not be accounted for in the incremental cost calculation. The current methodology of accounting for the incremental costs associated with RECs as they are retired already achieves this objective. If incremental costs are based on REC retirements, then REC sales should not also be subtracted from incremental costs, as this would effectively double count the effect of those REC sales on incremental costs – they would both be excluded from incremental costs and subtracted from incremental costs.

8) Are there alternatives that are also feasible and/or more appropriate? If not, why not?

Consistent with PGE’s response to Staff’s Question No. 7, PGE does not believe it is appropriate to include REC sales or any variation of REC sales in the cost of compliance for the RPS.

Conclusion

PGE appreciates Staff’s questions and the opportunity to provide comments during this rulemaking. As mentioned in our prior comments submitted in AR 610, PGE recommends that the Commission adopt rules that leverage the existing IRP process, which provides a helpful framework and the necessary flexibility to ensure that incremental costs are aligned with true cost impacts to customers and can evolve with changing market conditions and technological progress.