

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1846**

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2016 Renewable Portfolio Standard
Compliance Report

STAFF'S COMMENTS

Introduction

These comments reflect Staff's response to PacifiCorp's 2016 RPS Compliance Report. 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 report demonstrating its compliance (or failure to comply) with the RPS standard. A compliance report is intended to provide Staff and the public a clear accounting of the electric company's chosen means of meeting the State of Oregon's RPS in a given year that balances costs and risks for customers.

Staff notes that this is the first year in which Senate Bill (SB) 1547 impacts PacifiCorp's RPS compliance report.¹ Where appropriate, Staff notes important changes to the RPS requirements and how PacifiCorp complied.

Pertinent statutes and rules

Among the 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 RPS implementation plan filed under OAR 860-083-0400. Staff notes that this rule was implemented prior to the passage of SB 1547.

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

¹ Oregon SB 1547 was enacted by the 78th Oregon Legislative Assembly in 2016. The complete text of the bill can be accessed at:
<https://olis.leg.state.or.us/liz/2016R1/Downloads/MeasureDocument/SB1547/Enrolled>.

Oregon Regulatory Statute (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.”

Background

As part of the Oregon Renewable Energy Act of 2007 (Oregon Senate Bill 838), the state of Oregon established an RPS for electric utilities and retail electricity suppliers, which requires certain large utilities to deliver a percentage of their electricity from eligible renewable resources based on the total retail sales of the utility (or Electric Service Supplier (ESS)).

These renewable energy requirements are codified in ORS 469A.052. ORS 469A.052 was modified by 2016 SB 1547, which among other changes, increased the percentage requirements for investor-owned utilities over a period extended to the year 2040. For those utilities meeting the retail load criteria, the new specific annual RPS targets are shown below:²

RPS Size	Share of State Sales	Affected Utility and Electric Service Suppliers	Standard By Year					
			2015-2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-forward
Large Utilities	> 3%	Eugene Water & Electric	15%	20%	25%			
		Pacific Power Portland General Electric	15%	20%	27%	35%	45%	50%
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 – 469A.025. Generally, these resources include electricity generated from solar, wind, low-impact hydropower, hydropower efficiency upgrades, ocean thermal, wave and tidal power, hydropower, geothermal, hydrogen using anhydrous

² Years 2025 and onward reflect SB 1547 changes to RPS requirements for all affected entities.

ammonia derived from certain renewable sources, municipal solid waste, and biomass, including biogas, for those facilities that become operational on or after January 1, 1995.³ Incremental energy delivered from facilities operational before January 1, 1995, that is attributable to efficiency upgrades performed on or after January 1, 1995, is also considered to be qualifying.⁴ Other exceptions are contained in ORS 469A.020. Eligible resources must be located within the Western Electricity Coordinating Council territory or must be designated "environmentally preferred power" by the Bonneville Power Administration.⁵

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).⁶ RECs may be either bundled with energy or exchanged separately (unbundled).⁷ One REC is issued per megawatt-hour of generation produced.⁸

As a result of SB 1547, only certain RECs can be banked indefinitely while others can be banked for a maximum of five years. RECs issued before March 31, 2017, may be used for 2016 RPS compliance. In addition, only 20 percent of a regulated utility's RPS compliance obligation may be satisfied using unbundled RECs in any given compliance year.⁹

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.¹⁰ The following table illustrates the compliance mechanisms available to Oregon electric utilities and ESS providers for the 2016 compliance year.

³ See ORS 469A.025.

⁴ ORS 469A.020(2).

⁵ See ORS 469A.010.

⁶ OAR 330-160-0020.

⁷ OAR 330-160-0025.

⁸ OAR 330-160-0015(16).

⁹ ORS 469A.145(1).

¹⁰ See ORS 469A.180(4), OAR 860-083-0300(2)(a), and OAR 860-083-0300(3)(b)(A).

Compliance Instruments and Cost	RPS Compliance Mechanisms	Oregon Statutes / Rules
Cost limitation	No requirement to comply with the RPS in a given year if the incremental cost of compliance exceeds 4 percent of a utility's annual revenue requirement.	ORS 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.	ORS 469A.180(3) / OAR 860-083-0500
Unlimited banking of certain RECs	Electric utilities can bank a subset of RECs for compliance in future years. These RECs include (1) those issued before March 8, 2016, (2) those generated for the first five years following the in-service date for utility-owned resources with a commercial operation date between March 8, 2016 and December 31, 2022, and (3) RECs generated during the first five years of operations at a facility with a COD between March 8, 2016 and December 31, 2022, if acquired through a 20+ year PPA with the facility.	Oregon Laws, 2016 Chapter 28, Section 7(3)(a) and Section 7(3)(c).
Unbundled RECs	For large electric utilities, unbundled RECs, including banked unbundled RECs, may not be used to meet more than 20 percent of RPS requirements in any year. There is no limit on the amount small utilities and ESSs can use.	ORS 469A.145(1) and Sec. 17a exception for large consumer-owned utilities

Limited (five-year) banking of certain RECs	Electric utilities can bank the following categories of RECs for up to five years: 1) RECs issued from qualifying electricity from generators built prior to March 8, 2016; 2) RECs issued from qualifying electricity that becomes operational between March 8, 2016 and December 31, 2022 that is acquired through a contract for a duration of less than 20 years; 3) RECs issued from qualifying facilities five years after qualifying electricity that becomes operational between March 8, 2016, and December 31, 2022; 4) RECs issued from qualifying facilities that become operational after December 31, 2022.	Oregon Laws, 2016 Chapter 28, Section 7(3)(b), (d), and (e).
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PacifiCorp's 2016 Compliance Report

PacifiCorp's total number of megawatt-hours sold to retail customers in 2016 was 12,868,974. RPS compliance requirements for 2016 direct PacifiCorp to retire 15 percent of this total in 2016, which amounts to 1,930,346 RECs.

The following tables show how PacifiCorp reports retirement of the various types of RECs to meet the RPS compliance target for 2016 consistent with Oregon statutes and rules:

Type of REC	Number of RECs	Percentage of RPS
Unbundled – newly acquired	10,251	
Unbundled - banked	234,867	
Unbundled subtotal	245,118	12.7%
Bundled – newly acquired	1,685,228	
Bundled – standard banked	0	
Bundled subtotal	1,685,228¹¹	87.3%
Total	1,930,346	100%

PacifiCorp's 2016 RPS Compliance Report demonstrates compliance with the RPS through the use of 1,685,228 bundled RECs and 245,118 unbundled RECs. PacifiCorp's unbundled REC retirement amount falls under the 20 percent limit allowed by ORS 469A.145(1).

Staff reviewed PacifiCorp's calculation of the total cost of compliance and the percentage of revenue requirement (1.21 percent) that the cost represents. This value is below the cost cap of four percent of revenue requirement established by statute. See below for additional analysis.

PacifiCorp's responses to the remaining reporting requirements described in OAR 860-083-0350(2)(a-s) can be found in Appendix A of these comments.

Comparison to the 2015-2019 RPS Implementation Plan

Electric utilities must file an implementation plan every two years that forecasts the resources expected to be used to meet the RPS targets and an estimate of the cost of compliance over a forward five-year period.¹²

PacifiCorp has stated in its 2016 Compliance Report that there are no material differences between the 2015-2019 Implementation Plan (UM 1681)¹³ and its 2016 filing.¹⁴ Staff recognizes that in the 2015-2016 RPS Implementation Plan, PacifiCorp forecasted the 2016 megawatt-hour RPS requirement close to the actual 2016 requirement; the difference was 36,607 megawatt-hours.¹⁵ However, though this

¹¹ Includes 28,471 RECs transferred from the Energy Trust of Oregon.

¹² See ORS 469A.075.

¹³ PacifiCorp's 2015-2019 RPS Implementation Plan was acknowledged by the Commission in Order No. 14-267.

¹⁴ UM 1846, PacifiCorp 2016 RPS Compliance Report, p. 12.

¹⁵ See UM 1681, PacifiCorp RPS Implementation Plan for 2015-2019, Attachment A and UM 1846, PacifiCorp 2016 Compliance Report.

difference was relatively small, PacifiCorp did not forecast that it would meet its REC requirement in 2016 with unbundled RECs.¹⁶ As a result, the difference between forecasted and actual unbundled RECs is 245,118.

In addition to this, the passage of SB 1547 led to a multitude of changes including the elimination of the first in, first out retirement requirement. PacifiCorp indicates that this led to a higher incremental cost of \$15,394,000 in 2016.¹⁷ This results in an \$11,938,000 cost difference as compared to the 2015 RPS Compliance Report. Though Staff notes that this is still below the incremental cost cap of 4 percent, Staff struggles to understand why the Company chose to retire higher-cost RECs from the Oregon Solar incentive program and relied less on zero-cost hydro RECs in the 2016 Compliance Report.¹⁸

Staff requests that in its Reply Comments, the Company address the decision to use higher-cost OSIP RECs and relied less on the lower-cost hydro RECs.

Conclusion

PacifiCorp has met the RPS compliance targets mandated by ORS 469A.052(1)(a) and will meet 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 PacifiCorp 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 12th day of October, 2017.



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¹⁶ UM 1681, PacifiCorp RPS Implementation Plan for 2015-2019, Attachment A.

¹⁷ Oregon-allocated. See UM 1846, PacifiCorp 2016 RPS Compliance Report, pp. 12 & 13.

¹⁸ UM 1846, PacifiCorp 2016 RPS Compliance Report, p. 12.

Appendix A

Compliance Rule/Statute		
OAR 860-083-0350(2)(a) ORS 469A.052	Total number of megawatt-hours sold to Oregon retail consumers in 2016	12,868,974MWh
OAR 860-083-0350(2)(b)	Total number of RECs (bundled or unbundled) acquired in and used for 2016 RPS compliance	1,685,228 bundled 10,251 unbundled
OAR 860-083-0350(2)(c)	Total number of RECs (bundled or unbundled) acquired January 1 to March 31, 2017 for 2016 RPS compliance	0 bundled 0 unbundled
OAR 860-083-0350(2)(d)	Total number and cost of unbundled RECs (banked or non-banked) used for 2016 RPS compliance	245,118 RECs See PacifiCorp's Confidential Attachment A for cost data.
OAR 860-083-0350(2)(e)	Total number of banked bundled RECs used for 2016 RPS compliance	1,685,228
OAR 860-083-0350(2)(f)	Total number of RECs (bundled or unbundled) issued in 2016 and banked for future RPS compliance	818 bundled ¹⁹ 0 unbundled See PacifiCorp's Confidential Attachment B for specific data
OAR 860-083-0350(2)(g)	Number of RECs included in Oregon rates that were sold during 2016	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 used for 2016 RPS compliance	0

¹⁹ Transferred from ETO.

OAR 860-083-0350(2)(k)	Documentation of RECs	Provided under Confidential Attachment C
OAR 860-083-0350(2)(l)	Any material deviations from the 2015-2019 RPS Implementation Plan as acknowledged by the Commission	None
OAR 860-083-0350(2)(m)	Total number and cost of bundled RECs used for 2016 RPS compliance	Total RECs: 1,930,346 See PacifiCorp's Confidential Attachment A for cost data
OAR 860-083-0350(2)(n)	PacifiCorp's projected annual revenue requirement and its total cost of 2016 RPS compliance	<u>Incremental cost: \$3,456,000</u> <u>Projected annual revenue requirement: \$ 1,268,325,000</u> <u>Percentage of Oregon annualized revenue requirement: 1.21 percent</u>
OAR 860-083-0350(2)(r)	Total number and cost of all bundled RECs issued in 2016	See PacifiCorp Confidential Attachment D.
OAR 860-083-0350(2)(s)	Total number and cost of bundled RECs issued that are associated with new qualifying electricity since the last RPS compliance report	Provided in PacifiCorp Confidential Attachment D. See also page 14 of PacifiCorp's 2016 RPS compliance filing.