

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

AR 610

In the Matter of

Rulemaking Regarding the Incremental
Cost of Renewable Portfolio Standard
Compliance.

MEMORANDUM

To assist Staff in the rulemaking process, Staff requests that Stakeholders review and answer the following ten questions as thoroughly as possible. Staff requests that stakeholders submit responses to these questions, as well as any additional comments or legal analysis in the AR 610 docket by September 7, 2018. Staff appreciates the opportunity to consider stakeholder comments during the informal stage of this rulemaking docket. If you would prefer not to comment on a particular question, please respond that you are choosing not to take a position on that issue at this time.

Incremental Cost of Compliance

The Commission seeks comment on how we might change our rules to more accurately capture the incremental cost of RPS compliance.

In ORS 469A.100(4), the incremental cost of compliance is defined as follows:

“...the incremental cost of compliance with a renewable portfolio standard is the difference between the levelized annual delivered cost of the qualifying electricity and the levelized annual delivered cost of an equivalent amount of reasonably available electricity that is not qualifying electricity. For the purpose of this subsection, the commission or the governing body of a consumer-owned utility shall use the net present value of delivered cost, including:

- a) Capital, operating and maintenance costs of generating facilities;
- b) Financing costs attributable to capital, operating and maintenance expenditures for generating facilities;
- c) Transmission and substation costs;
- d) Load following and ancillary services costs; and
- e) Costs associated with using other assets, physical or financial, to integrate, firm or shape renewable energy sources on a firm annual basis to meet retail electricity needs.”¹

The corresponding rules that may need to be changed include, but are not limited to:

- OAR 860-083-0010(19) defining incremental cost of compliance;
- OAR 860-083-0010(39) defining total cost of compliance;
- OAR 860-083-0100(2) describing cost categories included in the forecast of incremental cost.

With this as background, Staff requests that Stakeholders comment on the following questions:

1. Is the proxy plant methodology, last examined in Order No. 14-034 in Docket No. UM 1616, and summarily defined in OAR 860-083-0010(30), accurately and appropriately serving as the baseline for the incremental cost of compliance calculation?
2. Do our incremental cost rules accurately reflect the appropriate categories of cost for the incremental cost of compliance calculation?

¹ ORS 469A.100. https://www.oregonlegislature.gov/bills_laws/ors/ors469a.html

3. Are there any additional components of delivered cost that you would specify must be included in the calculation of incremental cost for long-term or short-term resources? What legal and/or policy justification is there for your position?
4. Should the cost of qualifying electricity be included in the incremental cost of compliance in the year the electricity is generated, or in the year the associated RECs are retired? What legal and/or policy justification is there for your position?
5. Should the rules be amended to reflect any changes you suggested? Do you have any specific recommendations for changes to the rules?

Four Percent Cost Cap:

The Commission seeks comment on how our rules might be amended to include more guidance about the process when the four percent cap is reached.

ORS 469A.100(1) states the following about the four percent cost cap:

“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 exceeds four percent of the electric utility’s annual revenue requirement for the compliance year.”²

Staff requests that Stakeholders comment on the following questions:

² ORS 469A.100. https://www.oregonlegislature.gov/bills_laws/ors/ors469a.html

6. What should happen when an electric company reaches the four percent cost limit? What legal and/or policy justification is there for your position?
7. What guidance, if any, should our rules provide about the process for when four percent is reached? Do you have any specific recommendations for changes to the rules?
8. Also considering ORS 469A.075, which requires an implementation plan, what should happen if an electric company is forecast to reach the four percent cost limit in a future compliance year? What legal and/or policy justification is there for your position?
9. Should utilities include the cost of unbundled REC purchases at the time of purchase or the time of retirement? What legal and/or policy justification is there for your position?

Other Category of Question:

10. Are there any specific changes you would like to see to the administrative rules regarding any aspect of the ORS 469A.100 cost limit calculation? What legal and/or policy justification is there for your position?

This concludes Staff's initial questions for stakeholders.

Thank you.

Dated this 15th day of August, 2018, at Salem, Oregon.

/s/ Rose Anderson
Rose Anderson
Renewable Energy Analyst
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