

In keeping with past updates to UM 1432, Staff bases its Renewable Portfolio Standard (RPS) Alternative Compliance Payment (ACP) price on the levelized cost of energy (LCOE) of renewable resources. According to ORS 469A.180(2):

The commission shall establish an alternative compliance rate based on the cost of qualifying electricity, contracts that the electric company or electricity service supplier has acquired for future delivery of qualifying electricity and the number of unbundled renewable energy certificates that the company or supplier anticipates using in the compliance year to meet the renewable portfolio standard applicable to the company or supplier. The commission shall also consider any determinations made under [ORS 469A.170 \(Compliance reports\)](#) in reviewing the compliance report made by the electric company or electricity service supplier for the previous compliance year. In establishing an alternative compliance rate, the commission shall set the rate to provide adequate incentive for the electric company or electricity service supplier to purchase or generate qualifying electricity in lieu of using alternative compliance payments to meet the renewable portfolio standard applicable to the company or supplier.

Unlike past updates to the RPS ACP price, Staff interprets ORS 469A.180(2) to mean that a different rate should be set for each electric utility or electric service supplier (ESS). As such, Staff will propose three ACP prices: one for PacifiCorp, one for Portland General Electric (PGE) and one for all the remaining ESSs. PacifiCorp and PGE's rates are based on the average LCOE of wind and LCOE of standalone solar projects coming online in 2024 and 2025 according to their most recent Integrated Resource Plan (IRP). These prices are then adjusted for actual and expected inflation. The rate for the remaining ESSs employs the same methodology but uses publicly available data from the Energy Information Administration. In order to incentivize renewable energy use as prescribed by ORS 469A.180(2), Staff recommends setting the ACP price at a level slightly above the higher of the two LCOEs described above as has been done in past updates to the ACP price.

PGE's 2019 IRP in LC 73 presents the average LCOE of wind resources coming online in at various locations and solar resources in 2024 and 2025.¹ PacifiCorp presents the LCOE of individual projects in its 2021 IRP in LC 77.² Both present the LCOE of various resources in 2020 \$/MWh, which Staff then adjusts to 2024 dollars using both actual inflation since 2020 and expected inflation in 2023 and 2024. Using data from the Bureau of Labor Statistics on inflation from January 2020 to June 2022 – approximately 14.16 percent according to Consumer Price Index data found on the St. Louis Fred³ – and the Federal Reserve's median expected inflation of 2.6 percent in

¹ Page 161 of this [document](#).

² Page 181 of this [document](#).

³ Found [here](#).

2023 and 2.2 percent in 2024,⁴ I estimate that the total inflation from 2020 to the end of 2024 is 19.7 percent.

The EIA estimates that the average LCOE of onshore wind and standalone solar on page 17 of its Levelized Costs of New Generation Resources in the Annual Energy Outlook 2022.⁵ The values are presented in 2021 \$/MWh, which Staff then converts to 2024 \$/MWh. Staff calculates estimates inflation between 2021 and 2024 using a similar methodology above at 18.1 percent.

For all entities, Staff uses the LCOE estimates without applying any tax credits or incentives. Using the data and assumptions discussed above, the following are the rates chosen for each of the three entities:

	Proposed 2024/2025 ACP Price (\$/MWh)	Wind LCOE (2024 \$/MWh)	Solar LCOE (2024 \$/MWh)
PacifiCorp	60	57	58
PGE	85	72	84
Other ESSs	45	42	39

Staff notes that a rate was not previously set for 2023 and intends the above prices to function as the interim 2023 RPS ACP price.

⁴ Page 2 [here](#).

⁵ Found [here](#).