

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 13, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE September 13, 2016

DATE: August 23, 2016

TO: Public Utility Commission

FROM: Paul Rossow ^{PR}

THROUGH: Jason Eisdorfer ^J and Michael Dougherty ^M

SUBJECT: CONSTELLATION NEWENERGY INC: (Docket No. UM 1778) 2015 Renewable Portfolio Standard Compliance Report.

STAFF RECOMMENDATION:

Staff recommends that, based upon the Constellation NewEnergy Inc. (Constellation) 2015 Renewable Portfolio Standard (RPS) Compliance Report (Compliance Report), the Commission: (1) find that Constellation complied with the RPS for the 2015 compliance period; and (2) direct Constellation to retire the RECs identified in its Compliance Report, and to provide a Western Renewable Energy Generation Information System retirement report to the Commission, subject to appropriate non-disclosure agreements, within 30 calendar days of the Commission's Order.

DISCUSSION:

Issue

Whether Constellation's Compliance Report, filed on May 31, 2016, complies with all applicable laws.

Applicable Laws

Oregon Administrative Rule (OAR) 860-083-0350(1)(a) requires that each electric company subject to Oregon's RPS provide an annual report demonstrating its compliance, or explaining in details its failure to comply with the RPS. The RPS is codified at ORS 469A.005 through ORS 469A.210. OAR 860-083-0350(2) sets forth specific information that the electric company must address in its Compliance Report.

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 categories, 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 it provides a complete Compliance Report and satisfactorily shows that it has acquired and retired an appropriate number of valid RECs, bundled or unbundled, banked or unbanked, for the compliance year.

ORS 469A.100(1) provides 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 exceeds four percent of the utility's annual revenue requirement for the compliance year."

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 the Electric Service Supplier (ESS)]. See ORS 469A.065.

OAR 860-083-0300(2)(a) defines the compliance cost limit for an ESS as four percent of the weighted average of the average retail revenues per megawatt-hour (MWh) of the electric companies in whose service areas the ESS sells electricity. One REC is issued per megawatt-hour of generation produced. See OAR 330-160-0015(15).

Analysis

RPS compliance may be demonstrated through the retirement of RECs that are maintained through the Western Renewable Energy Generation Information System. RECs may be either bundled with energy or exchanged separate from the energy (unbundled).

As an ESS, Constellation must meet the requirements of the RPS that apply to the electric utilities that serve the territories serviced by Constellation. Constellation serves customers in the territories of Pacific Power and Portland General Electric. Therefore, for the compliance year 2015, Constellation must meet its RPS target through the retirement of RECs equal to 15 percent of its retail load or provide an alternative compliance payment. Constellation 2015 RPS Compliance Report demonstrates compliance with the RPS through the use of non-banked unbundled RECs.

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.¹

Staff is in agreement with Constellation's calculation of the total cost of compliance and the percentage of revenue requirement that this cost represents. Staff found that Constellation's total cost of compliance is below the cost cap of four percent of revenue requirement established by law.

Conclusion

Staff finds that Constellation's 2015 Report demonstrates that it complied with the RPS by the purchase and planned retirement of unbundled RECs equivalent to 15 percent of the electricity that Constellation sold to retail electricity consumers.

PROPOSED COMMISSION MOTION:

- (1) Constellation is found to have complied with Oregon's Renewable Portfolio Standard during the 2015 compliance period; and
- (2) Constellation is directed to retire the RECs identified in its Compliance Report, and to provide a Western Renewable Energy Generation Information System retirement report to the Commission, subject to appropriate non-disclosure agreements, within 30 calendar days of this Order.

Constellation 2015 RPS Compliance Report

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