

ITEM NO. CA3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 25, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE July 26, 2017

DATE: July 5, 2017

TO: Public Utility Commission

FROM: Paul Rossow *PR*

THROUGH: *MH LS JC* Jason Eisdorfer and John Crider

SUBJECT: SHELL ENERGY NORTH AMERICA, (US) L.P.: (Docket No. UM 1841)
2016 Renewable Portfolio Standard Compliance Report.

STAFF RECOMMENDATION:

Staff recommends that, based upon Shell Energy North America, (US) L.P.'s (Shell) 2016 Renewable Portfolio Standard (RPS) Compliance Report (Compliance Report) for 2016, the Commission: (1) find that Shell complied with the RPS for the 2016 compliance period; and (2) direct Shell to retire the renewable energy certificates (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 Shell's Compliance Report, for the year 2016, filed on May 30, 2017, complies with all applicable laws.

Applicable Laws

OAR 860-083-0350(1)(a) requires that each electric company subject to Oregon's RPS provide an annual report demonstrating its compliance, or explain in detail 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 the 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 renewable generation produced. See OAR 330-160-0015(16).

Analysis

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

As an ESS, Shell must meet the requirements of the RPS that apply to the electric utilities that serve the territories serviced by Shell. Shell serves customers in Portland General Electric Company's service territory. Therefore, for the compliance year 2016, Shell must meet its RPS target through the retirement of RECs equal to 15 percent of its retail load or provide an alternative compliance payment. Shell's 2016 RPS Compliance

Report demonstrates compliance with the RPS through the use of 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 agrees with Shell's calculation of the total cost of compliance and the percentage of revenue requirement that this cost represents. Staff found that Shell's total cost of compliance is below the cost cap of four percent of revenue requirement established by law.

Conclusion

Staff finds that Shell's 2016 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 Shell sold to retail electricity consumers.

PROPOSED COMMISSION MOTION:

- (1) Find that Shell has complied with Oregon's Renewable Portfolio Standard during the 2016 compliance period; and
- (2) Shell 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.

Shell 2016 RPS Compliance Report

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