

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1782**

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2015 Renewable Portfolio Standard
Compliance Report

STAFF'S COMMENTS

Introduction

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 SB 1547 and the resulting changes to RPS compliance and reporting do not apply to an electric utility's 2015 RPS compliance. Therefore, any statutory or rule reference provided in these comments reflect the applicable legal and regulatory situation prior to the signing of SB 1547.

These comments reflect Staff's response to PacifiCorp's 2015 RPS Compliance Report.

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.

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.

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.¹ 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 Electric Service Supplier (ESS)).

These renewable energy goals are codified in ORS 469A.052. Under this statute, utilities that supply three percent or more of the state’s total retail load must ensure that a certain percentage of the electric energy sold to retail customers within the state of Oregon is derived from eligible renewable energy resources. For those utilities meeting the retail load criteria, the 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. These sources include electricity generated from solar, wind, low-impact hydropower, hydropower efficiency upgrades, ocean thermal, wave

¹ The changes to the RPS and compliance means found in SB 1547, signed into law March 2016, do not apply to PacifiCorp’s 2015 RPS compliance.

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

and tidal power, post-1995 hydropower, geothermal, hydrogen using anhydrous ammonia derived from certain renewable sources, municipal solid waste, and biomass, including biogas.³ Eligible resources must be located within the Western Electricity Coordinating Council territory or must be designated "environmentally preferred power" by the Bonneville Power Administration.⁴

Generally, to qualify as an eligible renewable resource, electricity must be generated by a facility that became operational on or after January 1, 1995.⁵ However, incremental energy delivered from facilities operational before January 1, 1995, that is attributable to efficiency upgrades performed on or after January 1, 1995, also is considered to be qualifying.⁶ Other exceptions are contained in ORS 469A.020.

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).⁷ RECs may be either bundled with energy or exchanged separately (unbundled).⁸ One REC is issued per megawatt-hour of generation produced.⁹

RECs procured before March 31, 2016, may be used for the 2015 RPS compliance, and RECs were allowed to be banked and carried forward indefinitely for future compliance.¹⁰ However, only 20 percent of a regulated utility's RPS compliance obligation may be satisfied using unbundled RECs in any given compliance year.¹¹

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.¹² The following table illustrates the compliance mechanisms available to Oregon electric utilities and ESS providers for the 2015 compliance year.

³ See ORS 469A.025.

⁴ See ORS 469A.010.

⁵ ORS 469A.020(1).

⁶ ORS 469A.020(2).

⁷ OAR 330-160-0020.

⁸ OAR 330-160-0025.

⁹ OAR 330-160-0015(15).

¹⁰ See SB 1547 for new requirements regarding REC generation and banking privileges.

¹¹ ORS 469A.145(1).

¹² 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% 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 RECs	Electric utilities can bank RECs for compliance in future years. Banked RECs must be used subject to limitations imposed by ORS 469A.145 before other RECs are used.	ORS 469A.140(2)(a) and (2)(b) and ORS 469A.145 / OAR 860-083-0300(3)(B) and (3)(C)
Unbundled RECs	For large electric utilities, unbundled RECs, including banked unbundled RECs, may not be used to meet more than 20% 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

PacifiCorp's 2015 Compliance Report

PacifiCorp's total number of megawatt-hours sold to retail customers in 2015 was 12,862,461. RPS compliance requirements for 2015 direct PacifiCorp to retire 15 percent of this total in 2015, which amounts to 1,929,369 RECs.

The following tables show how PacifiCorp reports retirement of the various types of RECs to meet the RPS compliance target for 2015 consistent with Oregon statutes and rules:

Type of REC	Number of RECs	Percentage of RPS
Unbundled – newly acquired	0	
Unbundled - banked	211,726	
Unbundled subtotal	211,726	11.0%
Bundled – newly acquired	0	
Bundled – standard banked	1,717,643	
Bundled subtotal	1,717,643	89.0%
Total	1,929,369	100%

PacifiCorp's 2015 RPS Compliance Report demonstrates compliance with the RPS through the use of 1,717,643 bundled RECs and 211,726 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 (0.27 percent) that the cost represents. This value is below the cost cap of four percent of revenue requirement established by statute. In the context of the incremental calculations prescribed in OAR 860-083-0100, Staff finds the calculations reasonable.

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.¹³

PacifiCorp's 2015 Compliance Report does not differ materially from the 2015-2019 Implementation Plan (UM 1681).¹⁴ PacifiCorp forecasted the 2015 megawatt-hour RPS requirement very close to the actual 2015 requirement; the difference was only 38,072 megawatt-hours. The difference between forecasted and actual unbundled REC is only 722 RECs, which is a product of the difference between forecasted and actual loads of previous years where unbundled RECs were also used to comply.

¹³ See ORS 469A.075

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

Staff has reviewed these differences and finds them reasonable. The 2015 RPS Compliance Report is consistent with the acknowledged 2015-2019 RPS Implementation Plan.

Ongoing discovery

Amongst other matters being explored, Staff asked the Company to provide additional information regarding incremental cost data for RECs generated in 2015 as well how the incremental cost for 2015 RPS compliance was calculated. Staff will send additional discovery if necessary based on its review of PacifiCorp's response to Staff's initial discovery as well as its ongoing review of the 2015 RPS Compliance report. However, it is not necessary for Staff to receive this information in order for Staff to reach the following conclusion in these Staff Comments concerning PacifiCorp's compliance filing.

Conclusion

Staff concludes that 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 upon submission of the 2015 bundled REC incremental cost data. 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 July, 2016.



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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 2015	12,862,461 MWh
OAR 860-083-0350(2)(b)	Total number of RECs (bundled or unbundled) acquired in and used for 2015 RPS compliance	0 bundled 0 unbundled
OAR 860-083-0350(2)(c)	Total number of RECs (bundled or unbundled) acquired January 1 to March 31, 2016 for 2015 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 2015 RPS compliance	211,726 RECs See Confidential Attachment A for cost data.
OAR 860-083-0350(2)(e)	Total number of banked bundled RECs used for 2015 RPS compliance	1,717,643
OAR 860-083-0350(2)(f)	Total number of RECs (bundled or unbundled) issued in 2015 and banked for future RPS compliance	Provided/Verified See Confidential Attachment B for specific data
OAR 860-083-0350(2)(g)	Number of RECs included in Oregon rates that were sold during 2015	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 2015 RPS compliance	0
OAR 860-083-0350(2)(k)	Documentation of RECs	Provided under Confidential Attachment C/Will retire WREGIS certificates upon Commission approval
OAR 860-083-0350(2)(l)	Any material deviations from the 2014 RPS Implementation Plan as	None

	acknowledged by the Commission	
OAR 860-083-0350(2)(m)	Total number and cost of bundled RECs used for 2015 RPS compliance	TBD ¹⁵
OAR 860-083-0350(2)(n)	PGE's projected annual revenue requirement and its total cost of 2015 RPS compliance	<u>Incremental cost: \$3,456,000</u> <u>Projected annual revenue requirement: \$1,261,300,000</u> <u>Percentage of Oregon annualized revenue requirement: 0.27%</u>
OAR 860-083-0350(2)(r)	Total number and cost of all bundled RECs issued in 2015	See main body of comments.
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 Attachment C.

¹⁵ Staff sent PacifiCorp discovery requesting clarification on its response to this particular reporting requirement. Staff will report on this in its report to the Commission.