

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

AR 610

In the Matter of

Rulemaking Regarding the Incremental Cost
of Renewable Portfolio Standard Compliance.

RENEWABLE NORTHWEST'S
RESPONSE TO STAFF'S
REQUEST FOR COMMENT

I. INTRODUCTION

Renewable Northwest is grateful for this opportunity to comment on Oregon Public Utility Commission (“OPUC” or “Commission”) Staff’s March 27, 2020 Request for Comment as part of the Rulemaking Regarding the Incremental Cost of Renewable Portfolio Standard (“RPS”) Compliance. We appreciate Staff’s work to contemplate how to address RPS compliance in rules at a time when RPS-eligible renewable resources are often the least-cost, least-risk resources based on traditional economic principles.

II. COMMENTS

Renewable Northwest structured these comments around the questions Staff posed in their Request for Comment. Where we prefer not to comment on a particular question, we so indicate in our response.

1) Are there any additional options for calculating incremental cost that Staff should consider? What legal or policy reasons support your position?

Staff’s Request for Comment identifies the following potential options for calculating the incremental cost of RPS compliance:

- a) Counting REC cost at Retirement (Retire most expensive RECs first)
- b) Counting REC cost at the time of generation
- c) Counting REC cost at the time of generation, not including RECs sold
- d) Counting REC cost at the time of generation, minus revenue from REC sales (Sell most expensive RECs first and retire the least expensive RECs.)

e) Counting REC cost at time of generation, minus revenue from REC sales, with active cost management. (Use the 20% limit of unbundled RECs and sell all other RECs generated.)

Compliance occurs via retirement, so REC cost should be accounted for at the time of retirement.

Because it has been some time since Renewable Northwest filed its last set of comments in this docket, we repeat the following discussion from our September 14, 2018 comments:

The cost of qualifying electricity should be included in a utility's incremental cost of compliance in the year the utility retires the associated RECs. At the most basic level, the incremental cost of compliance is just that -- the cost incurred when the utility takes action to comply with the RPS in accordance with statute. This is distinct from the costs incurred in implementing a least-cost, least-risk procurement strategy for energy, capacity and RECs, in order to generate RECs for compliance in a future year.

Under ORS 469A.070(1), "an electric utility . . . must comply with the [RPS] applicable to the utility . . . in each calendar year by: (a) [u]sing bundled [RECs] issued or acquired during the compliance year; (b) . . . using unbundled or banked [RECs]; or (c) [m]aking alternative compliance payments." We are not aware of any recent instance of utilities complying through alternative compliance payments, so utilities comply with the RPS primarily through retiring RECs consistent with ORS 469A.070(1)(a) and (b).

Utilities achieve RPS compliance by *retiring* RECs, not by generating or otherwise acquiring RECs. It therefore seems illogical to calculate the incremental cost of compliance in a given year by accounting for the cost of RECs that have been generated or acquired in that year but that will be retired for RPS compliance in some future year. An incremental cost of compliance methodology that included the cost of all RECs associated with electricity generated in a given year would create a number of unnecessary complications, precisely because such methodology would not focus on how the utility complies with the RPS. For example, under such a proposal, what would happen if the utility sells RECs already accounted in the incremental cost for a prior year? Therefore, Renewable Northwest recommends that any updates to the incremental cost of compliance calculation retain the focus on RECs retired for compliance in a given year.

The costs or benefits of RECs associated with electricity generated in a given year may provide useful information and context to the Commission, utilities, and stakeholders, but that information is not the incremental cost of compliance. To the extent that Staff, stakeholders, and/or the Commission would like to see utilities calculate that figure, we encourage that they calculate it as a figure separate from the incremental cost of compliance.¹

2) Should AR 610 include rules or standards for assessing REC bank management? What legal or policy reasons support your position?

REC bank management may be subject to review via existing processes such as IRP acknowledgment, but addressing REC bank management through separate rules at this time likely does not make sense. This is particularly true now as the electricity system and resource economics are rapidly changing and it is within the realm of possibility that a 100% clean energy policy may be enacted in Oregon in the near future, requiring additional regulatory changes.

3) Are there any RECs that should not be included in the compliance calculation? If so, please identify these and explain why.

Renewable Northwest does not have a firm position on this issue at this time, but some circumstances when it may make sense not to include RECs in the compliance calculation include:

- RECs generated by traditional least cost, least risk resources;
- RECs generated by resources procured for purposes other than RPS compliance;
- RECs retired for purposes other than RPS compliance (e.g. customer choice programs); and
- Any RECs that are not retired, whatever the reason.

Any RECs that are not retired for the purpose of RPS compliance, or that are not generated by resources procured for the purpose of RPS compliance, cannot fairly be said to be part of the incremental cost of RPS compliance.

¹ Oregon Public Utility Commission, Docket No. AR 610, Renewable Northwest's Response to Staff's Memorandum at 3-4 (Sept. 14, 2018), available at <https://edocs.puc.state.or.us/efdocs/HAC/ar610hac16189.pdf>.

Assume REC costs are included in the incremental and total cost calculations in the year of generation.

4) Is this appropriate? Is it feasible?

As discussed above, this is not appropriate because RPS compliance occurs via REC retirement, not REC generation.

5) Are there alternatives that are also feasible and/or more appropriate? If not, why not?

As discussed above, it is more appropriate to account for the cost of RECs at the time the RECs are retired.

6) What should happen to the existing bank of RECs once the new method of calculating cost is implemented? Should RECs being retired from the existing REC bank be accounted for in the total cost and/or incremental cost calculation? If so, how? If not, why?

Because the most appropriate approach is to account for the cost of RECs at the time of retirement, nothing needs to happen to a utility's existing bank of RECs.

Assume that REC Sales are subtracted from the total cost of compliance.

7) Is this appropriate? Is it feasible?

Renewable Northwest does not have a firm position on this issue at this time, but it is appropriate either to subtract REC sales from the total cost of compliance in the year the sale occurs or otherwise to use sold RECs to offset costs included in the incremental cost calculation.

8) Are there alternatives that are also feasible and/or more appropriate? If not, why not?

Renewable Northwest has no comment on this issue at this time.

III. CONCLUSION

Renewable Northwest again thanks Staff for this opportunity to inform its thinking as it develops draft rules. When considering changes to the incremental cost of compliance methodology, we strongly encourage Staff to retain its focus on how utilities comply with the RPS in a given year: by retiring RECs. We look forward to further engagement with Staff, utilities, and other stakeholders as this rulemaking progresses.

Respectfully submitted this 10th day of April, 2020,

/s/ Max Greene

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