

# AR 610

Calculating the Cost of Compliance  
with the RPS Mandate



# Agenda:



- Introduction & Icebreaker (11:00am)
  - Name, Organization, and one thing that makes you happy.
- Background (11:15 – 11:30am)
  - Review of Main Issues
  - Recap Of Where Docket Left Off
- Discussion of Proposals and Options (11:30am – 12:15pm)
  - Recap of Options and Proposals raised thus far in docket
  - Discussion of new considerations or change in views
  - Prioritization of Issues
- Next Steps (12:15pm – 12:30pm)
  - Schedule

# Applicable Statutes



- ORS 469A.100- RPS guidance
- ORS 469A.100(1) –Cost Cap
- ORS 469A.025 & 469A.020-Qualifying energy defined & reqs
- ORS 469A.140(3)-REC banking
- ORS 469A.140; ORS 469A.145- Restrictions on use of RECs for compliance
- ORS 469A.052 (Senate Bill 1547)- raises the percentage of required qualifying energy

# AR 610: Cost of Compliance

Cost  
Categories:

Timing:

Proxy Resource:

Cost Cap:

Firming,  
Shaping,  
Integrating

Fuel Price  
Hedging

Generation  
v.  
Retirement

Qualifying  
electricity &  
unbundled  
RECs

Thermal  
Resource

Renewable  
Resource

Calculations  
from the  
IRPs

What  
happens  
when  
reached

What  
happens  
when  
projected  
to be  
reached

# AR 610 Recap



Last time AR 610 was active Staff received comments from stakeholders on all issues and a straw proposal from AWEC on revising the Total Cost Calculation methodology.

Date	Event
1/10/18	Stakeholder Workshop
4/10/18	Public Meeting- Split AR 610 into several rulemaking dockets (AR 616 & AR 617)
5/23/18	Stakeholder Workshop
7/10/18	Stakeholder Workshop
8/15/18	Staff Memo w/ Stakeholder Questions

# Costs Categories

What gets included in the calculation of incremental cost

# Stakeholder Comments



- Most stakeholders felt that incremental cost rules accurately reflect the appropriate categories of cost for the incremental cost of compliance calculation
- firming, shaping, integration methodology could be clarified and simplified.
- firming, shaping, and integrating' costs could/should reflect OATTs wherever possible.

# Timing

When should costs be included in the Incremental & Total Cost Calculations?



# Stakeholder Comments



- The cost of qualifying electricity must be included in the year it's generated.
- Cost of compliance should be based on the year the RECs are retired.
- To protect customers and contain costs, the calculation should be aligned with rate impacts. The cost of compliance should include generation, acquired RECs delivered to WREGIS, and alternative compliance payments. Value should be based in the year the REC is acquired, not some future predicted value.

# Proxy Resource

What resource should be used in cost comparison?

# Stakeholder Comments



- OAR 860-083-0010(30) should clarify that the appropriate proxy plant should be the least-cost non-qualifying resource from the relevant IRP at the time of resource acquisition.
- The approach could be modified to recognize some renewables weren't built to comply with the RPS. In these cases, the proxy resource should be the same resource with a hypothetical REC sale representing the opportunity cost of retiring instead of selling the RECs.
- Rules could be updated to reflect Order No. 14-034 which uses SCCT in addition to CCCT to establish capacity equivalence

# Cost Cap

Total cost of compliance with the RPS mandate is capped at 4% of the utility's annual revenue requirement

# Stakeholder Comments



What should happen when cost cap is reached?:

- Nothing should happen, since it is the utility's choice to comply.
- After reaching the cost limit, utilities should a) not have to retire RECs for compliance for costs that exceed 4%, and b) not have to acquire new RPS qualifying generation or RECs.
- It may make sense for the RECs to be sold and revenue provided to customers, or to retain RECs for future compliance, which may allow delay in future investment in additional renewable resources.

# Stakeholder Comments



What should happen if the 4% cost cap is forecasted to be reached?:

- RPS implementation plans should be incorporated into the utilities' IRPs.
- If a utility forecasts it will reach the cost cap, it could sell RECs and use revenues to reduce rates, or delay additional renewable investment.
- Current rules are sufficient.

# Cost of Compliance Calculation

# Total Cost of Compliance



- For purposes of this rule, “total cost of compliance” is defined to include the cumulative cost of: (a) The incremental cost of compliance; (b) The cost of unbundled renewable energy certificates used to meet the applicable renewable portfolio standard for a compliance year; and (c) The cost of alternative compliance payments used to meet the applicable renewable portfolio standard for a compliance year. OAR 860-083-0010(39).

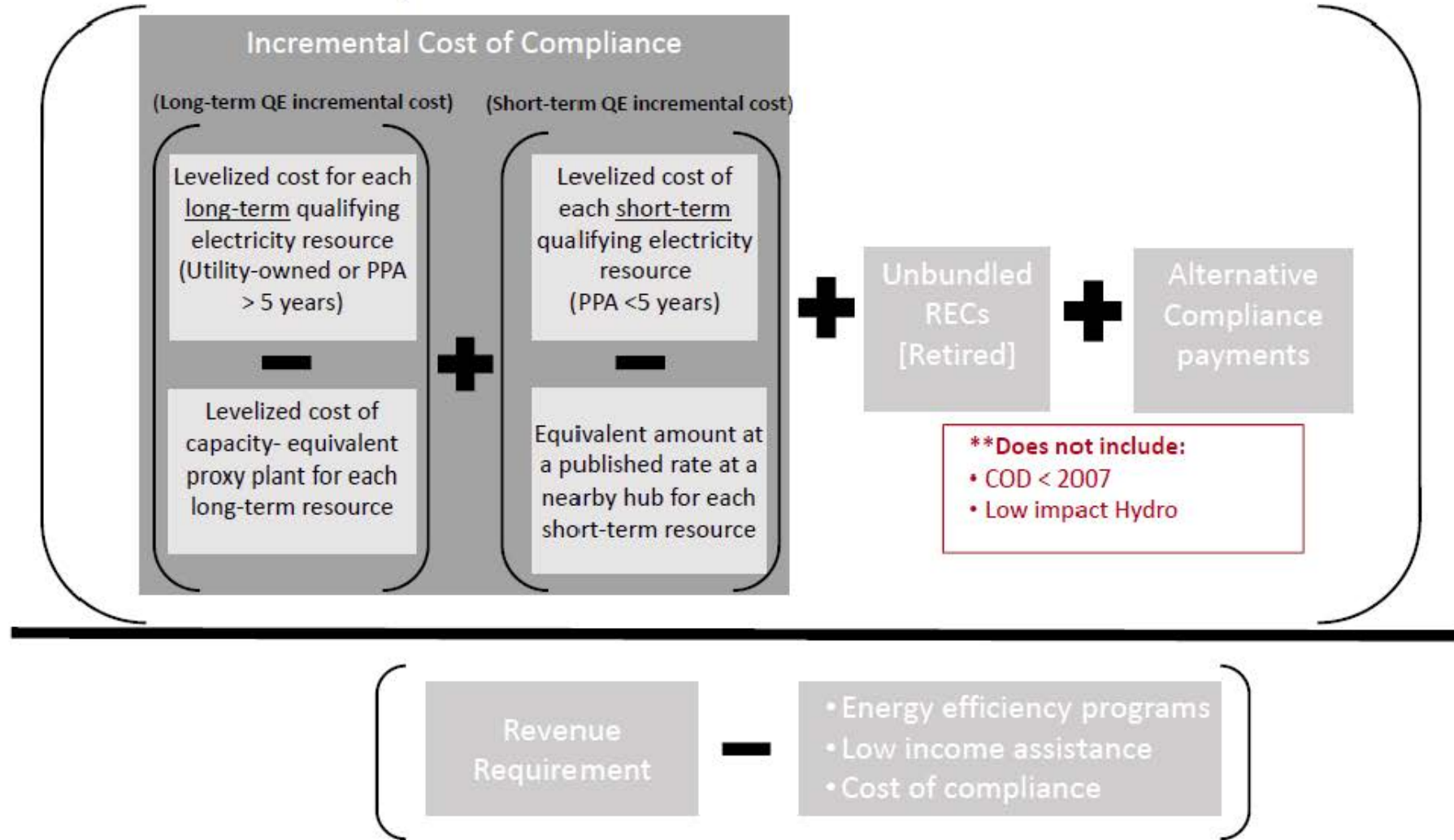


# Incremental Cost of Compliance



- ORS 469A.100 contains a definition of the phrase “incremental cost of compliance”:
- For the purposes of this section, the incremental cost of compliance with a renewable portfolio standard is the difference between the levelized annual delivered cost of the qualifying electricity and the levelized annual delivered cost of an equivalent amount of reasonably available electricity that is not qualifying electricity. For the purpose of this subsection, the commission or the governing body of a consumer-owned utility shall use the *net present value* of delivered cost, including:
  - (a) Capital, operating and maintenance costs of generating facilities;
  - (b) Financing costs attributable to capital, operating and maintenance expenditures for generating facilities;
  - (c) Transmission and substation costs;
  - (d) Load following and ancillary services costs; and
  - (e) Costs associated with using other assets, physical or financial, to integrate, firm or shape renewable energy sources on a firm annual basis to meet retail electricity needs.

# RPS Cost of Compliance Calculation



# Group Discussion

Are there new considerations? Have views changed?

# Prioritization of Issues

Which issues are important to address first?



Next Steps

# Thank you!



For questions or comments please contact:

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