

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 10, 2019**

REGULAR CONSENT EFFECTIVE DATE September 10, 2019

DATE: September 3, 2019

TO: Public Utility Commission

FROM: Caroline Moore

THROUGH: Jason Eisdorfer and JP Batmale **SIGNED**

SUBJECT: PACIFIC POWER: (Docket No. UM 2014) 2018 Renewable Portfolio Standard Compliance Report.

STAFF RECOMMENDATION:

Staff recommends the Commission take the following actions, based on the PacifiCorp 2018 Renewable Portfolio Standard (RPS) Compliance Report:

1. Find that PacifiCorp (PAC or Company) complied with the RPS for the 2018 compliance period; and
2. Direct PacifiCorp to retire the renewable energy credits (REC) identified in its 2018 RPS Compliance Report, and to provide a Western Renewable Energy Generation Information System (WREGIS) retirement report to the Commission, subject to appropriate non-disclosure agreements, within 30 calendar days of its Order.

DISCUSSION:

Issue

Whether the Commission should find that PacifiCorp complied with the requirements of the RPS over the 2018 period and direct the Company to retire the RECs identified in the 2017 RPS Compliance Report.

Applicable Law

The RPS is codified at ORS 469A.005 through 469A.210. ORS 469A.170(1) and OAR 860-083-0350(1)(a) require that each electric company subject to Oregon's RPS provide an annual report demonstrating its compliance (or failure to comply) with the RPS standard.

Among the reporting details required by ORS 469A.170(2)(a-h) and OAR 860-083-0350(2)(a-s), the Compliance Report must contain a complete accounting of 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.

ORS 469A.170(2) and OAR 860-083-0350(2) subsections (b-g) provide the Commission with the information necessary to determine whether an electric company may be considered in compliance with the RPS. These subsections require the electric company to provide a complete Compliance Report that shows the electric company 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.”

Analysis

Background

The Company's 2019 RPS Compliance Report (hereinafter referred to as “Compliance Report” or “Report”) demonstrates PAC's compliance with the RPS for the period of January 1, 2018 through December 31, 2018.

The Company filed its Compliance Report on May 31, 2019 and Staff filed its comments on July 15, 2019. In its comments, Staff concluded that PAC had met the RPS compliance target mandated by ORS 469A.052(1)(b) and the RPS compliance reporting requirements mandated by OAR 860-083-0350. PAC filed reply comments on August 14, 2019 in agreement with Staff's findings. No other parties filed comments on this matter.

PacifiCorp's 2018 Compliance Report

PAC's 2018 RPS obligation and compliance activity are summarized in the table below.

Table 1: 2018 RPS Compliance Summary		
Oregon retail sales	12,867,233 MWh ¹	
2018 RPS % Obligation	15%	
2018 RPS MWh Obligation	1,930,085 MWh	
RECs used for 2018 RPS	Number of RECs	Percentage of RPS MWh
Bundled – newly acquired	1,692,698 ²	87.7%
Bundled – from bank	0	0%
Bundled subtotal	1,692,698	87.7%
Unbundled – newly acquired	166,013	8.6%
Unbundled – from bank	71,374	3.7%
Unbundled subtotal	237,387	12.3%
Total	1,930,085 RECs	100%

PAC's 2018 RPS Compliance Report demonstrates compliance with its 1,930,085 MWh RPS obligation through the use of 1,692,698 bundled RECs and 237,387 unbundled RECs. PAC primarily used RECs issued in 2018 (96 percent) along with a small number of banked RECs that were issued in 2015 (4 percent). PAC's unbundled REC quantity falls under the 20 percent limit allowed by ORS 469A.145(1). PacifiCorp's total cost of compliance is \$15,628,921. This represents 1.25 percent of PAC's revenue requirement and is below the four percent cap established by statute.

Staff's Comments

In its comments, Staff found that the Company complied with all applicable requirements, but raised two issues to be addressed in the pending RPS rulemakings³.

- 1. Use of unbundled RECs as a material deviation:** Staff highlighted that the Company did not flag the use of unbundled RECs in 2018 as a material deviation from the 2017-2021 RPIP. While the RPIP did not forecast the use of unbundled RECs in 2018, the Company stated that it was evaluating bids for unbundled RECs and would assess the tradeoffs of acquiring bankable RECs as a means to mitigate potentially higher cost long-term compliance alternatives. Staff's concern

¹ See PacifiCorp's 2018 Annual Report Supplement to FERC Form 1 and FERC Form 1, at page 2, Docket No. RE 68, May 29, 2019.

² Includes 4,113 two for one solar RECs eligible under OAR 860-084-0070(2).

³ See *In the Matter of Rulemaking Regarding the Incremental Cost of Renewable Portfolio Standard Compliance*, Docket AR 610; *In the Matter of Rulemaking Regarding Renewable Portfolio Standard Planning Process and Reports*, Docket AR 616; and *In the Matter of Rulemaking to Address Renewable Energy Certificate (REC) Issues in Renewable Portfolio Standard (RPS)*, Docket AR 617.

with the Company failing to flag the use of unbundled RECs as a material deviation in its Compliance Report related to the lost opportunity to explain that the use of unbundled RECs for compliance in 2018 was consistent with this strategy. To account for this, Staff requested that PAC clarify its decision to use unbundled RECs in 2018 in its reply comments.

2. **Classification of banked RECs:** Staff stated that the Company's classification of RECs generated in 2018, and used in 2018, as banked RECs obscures the ability to evaluate the Company's approach to REC bank management. Further, Staff noted that it will consider a more transparent definition of banked RECs in AR 616, and AR 617, if necessary.

PacifiCorp's Reply Comments

PAC agreed with Staff and states that the Commission should find the Company in compliance with the applicable RPS requirements. Further, the Company addressed two issues raised in Staff's initial comments.

1. **Use of unbundled RECs as a material deviation:** PAC's reply comments provide a two-fold response to this concern. First, PAC asserts that this was not a material deviation because, "the company's 2017-2021 RPIP specifically informed the Commission and stakeholders that PacifiCorp was evaluating request for proposal responses that included bids for unbundled RECs that would qualify for Oregon RPS compliance."⁴ And PAC further asserts that the Commission approved the Company's decision to procure these unbundled RECs under Docket No. UE 313 based on a Staff recommendation. However, the Company acknowledged that its Compliance Report should have noted the Commission's approval of the REC purchase under UE 313. The Company committed to ensuring that it directly references any separate Commission dockets where analysis of REC procurement occur for efficiency and transparency purposes.⁵

Staff appreciates the Company's commitment to provide this valuable information in future RPS compliance filings and notes that it plans to consider defining material deviation in AR 616, if necessary.

Second, PAC argues that,
the appropriate forum for evaluation of whether the company's RPS compliance strategy represents the least-cost, least-risk compliance

⁴ See In the Matter of PacifiCorp's 2018 Renewable Portfolio Standard Compliance Report, UM 2014, PacifiCorp's Reply Comments, p. 2 (August 14, 2019).

⁵ Ibid.

approach is not the Commission's review of RPS reports. Rather, the least-cost, least-risk compliance approach is developed and reviewed as part of the integrated resource plan and any acquisitions would be reviewed for prudence in a rate proceeding.

Staff's interest in understanding the costs and risks associated with the Company's decision to use unbundled RECs for 2018 compliance is related to its need to verify that the Company did not deviate from the unbundled REC strategy stated in its 2017-2021 RPIP. This strategy includes "balance risks and expected costs as required by the IRP guidelines in 1.b. and c. of Commission Order No. 07-047 and subsequent guidelines related to implementation plans set forth by the Commission."⁶ Staff will consider the need to further clarify the purpose of reviewing RPS Compliance Reports in AR 616, if necessary.

2. **Classification of banked RECs:** In its reply comments, PAC agrees not to describe current reporting year RECs as banked when used for compliance in the same year, and recommends that this be required in future reports. The company also suggests the definition of banked RECs be discussed further in AR 616 and AR 617.

Staff agrees that the issue of whether any additional clarity is needed for reporting purposes may be considered in AR 616 and AR 617.

Conclusion

Staff concludes that PacifiCorp has met the RPS compliance target mandated by ORS 469A.052(1)(b) and the RPS compliance reporting requirements mandated by OAR 860-083-0350. While the 2018 RPS Compliance Report raises several issues, Staff finds that these issues would be best addressed in the holistic context of the upcoming RPS rulemakings.

PROPOSED COMMISSION MOTION:

1. Find PacifiCorp to be compliant with Oregon's Renewable Portfolio Standard during the 2018 compliance period; and
2. Direct PacifiCorp to retire the RECs identified in its 2018 Compliance Report, and to provide a Western Renewable Energy Generation Information System

⁶ *Id.* 3.

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retirement report to the Commission, subject to appropriate non-disclosure agreements, within 30 calendar days of this Order.

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