

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 13, 2022**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: December 2, 2022

TO: Public Utility Commission

FROM: Abe Abdallah

THROUGH: Bryan Conway, JP Batmale, Kim Herb **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2239)
2021 Renewable Portfolio Standard Compliance Report.

STAFF RECOMMENDATION:

Staff recommends the Commission take the following actions, based on the PacifiCorp 2021 Renewable Portfolio Standard (RPS) Compliance Report:

1. Find that PacifiCorp, dba Pacific Power (PAC or Company) complied with the RPS for the 2021 compliance period;
2. Direct PacifiCorp to retire the renewable energy certificates (REC) identified in its 2021 RPS Compliance Report; and
3. Direct PacifiCorp 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 the Commission's Order.

DISCUSSION:

Issue

Whether the PacifiCorp's RPS Compliance Report for the year 2021, demonstrates compliance with the applicable RPS requirements.

Applicable Rule or 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 2021 RPS Compliance Report (hereinafter referred to as "Compliance Report" or "Report") demonstrates PAC's compliance with the RPS for the period of January 1, 2021 through December 31, 2021.

The Company filed its Compliance Report on June 1, 2022. Staff generated six Information Requests (IRs) and had further discussions with the Company for clarifications on the response to its IRs. As a result of the discussions, the Company submitted a corrected version of Attachment A and a modified version of Attachment D, both attachments being supplements to the Compliance Report.

By analyzing the Company's Compliance Report, Staff identified that PacifiCorp was short of one REC to meet the compliance threshold. After discussions with Staff, on September 22 the Company submitted a corrected Compliance Report to rectify the shortfall in the number of RECs used for compliance and to correct clerical errors. Shortly after, the Company identified an error with the percentage of RECs allocated to the State of Oregon, and on September 29 submitted another corrected Compliance Report. Staff appreciates the level of detail that PacifiCorp provided to answer Staff's questions and the perseverance by PacifiCorp's staff to ensure that the compliance report and all the associated data are accurate.

No comments by any party were filed in the docket.

PacifiCorp's RPS Compliance Report

The following table summarizes PAC's 2021 RPS obligations and compliance activities.

Renewable Portfolio Standard Compliance Summary	
RECs Obligation	Value
Oregon retail sales (MWh)	13,429,333 ¹
RPS % Obligation	20%
RPS Obligation of qualifying electricity (RECs)	2,685,867
RECs used for RPS Compliance in 2021	Value
Bundled - newly acquired (RECs)	20,941
<i>Bundled - newly acquired (% RPS)</i>	<i>0.8%</i>
Bundled - from bank (RECs)	2,664,926 ²
<i>Bundled - from bank (% RPS)</i>	<i>99.2%</i>
Bundled RECS subtotal	2,685,867
<i>Bundled RECS subtotal (% RPS)</i>	<i>100%</i>
Unbundled - newly acquired (RECs)	0
<i>Unbundled - newly acquired (%)</i>	<i>0.0%</i>
Unbundled - from bank (RECs)	0
<i>Unbundled - from bank (%)</i>	<i>0.0%</i>
Unbundled RECs subtotal	0
<i>Unbundled RECs subtotal (% RPS) [subject to 20% cap]</i>	<i>0%</i>
Total RECs	2,685,867

¹ PAC's FERC Form 1, Docket No. RE 68, May 26, 2022, Column (d), page 2, *minus* 80,990 MWh (Load served by Electricity Service Suppliers (ESS), as shown in PAC 2021 RPS Compliance Report, in Docket No. UM 2239, section OAR 860-083-0350(2)(a), page 2).

² Banked bundled total RECs includes a total of 2 x 7,758 MWhs from the two-for-one Black Cap solar resource as permitted by ORS 757.375 and OAR 860-84-0070(2).

PAC's RPS Obligation is 2,685,867 megawatt hours (MWh). The total number of bundled RECs used by PAC for RPS Compliance in 2021 adds up to 2,685,867 total RECs. No unbundled RECs were used by PAC for RPS Compliance in 2021.

PAC's total cost of compliance is \$14,651,742. The total cost represents 1.2 percent of PAC's revenue requirement, which is below the four percent cap established by statute. It appears consistent with the 1.2 percent in the 2020 compliance year.³

Material Deviations

While Staff was unable to identify any material differences between PAC's applicable RPIP and the 2021 RPS compliance, there were two issues that surfaced in this docket that warrants attention. The first is that Staff and the Company continue to disagree about which RPIP should be used to determine material differences, the 2021-2023 RPIP or the 2023-2025 RPIP.⁴ The second is that neither the information provided in the 2021-2023 RPIP, nor that in the 2023-2025 RPIP, provide sufficient information for Staff to be able to fully evaluate whether there are material differences.

OAR 860-083-0350(2)(l) states that each electric company must include in its compliance report a detailed explanation of any material deviations from the applicable implementation plan filed under OAR 860-083-0400 (Implementation Plans by Electric Companies), as acknowledged by the Commission. Staff interprets the requirement for assessing material deviations to be referencing the use of the acknowledged 2021-2023 RPIP filed in docket UM 2049 because it is where Staff evaluated, and the Commission acknowledged, the RPS plan for the year 2021. PAC, however, interprets this to reference the most recently acknowledged RPIP, which in this case was its 2023-2025 RPIP.

PAC stated that its 2021 RPS compliance report was consistent with its 2023-2025 Renewable Portfolio Standard Implementation Plan (RPIP) and that there were no material deviations from this implementation plan. PAC stated that it made its assessment against the 2023-2025 RPIP because it was the most up to date levelized incremental cost available for PacifiCorp's applicable RPS resources reports. PAC added that its approach to compliance in 2021 was consistent with the Company's 2023-2025 RPIP compliance strategy of seeking near-term procurement opportunities for unbundled or bundled RECs and utilizing RECs with the shortest life first, in order to meet its compliance obligation.

³ See response to OAR 860-083-0350(2)(n) in page 13 of the 2020 RPS Compliance Report filed in Docket No. UM 2171.

⁴ See Order No. 18-337 in UM 1959.

While Staff appreciates PAC's interest in leveraging up to date data, Staff maintains that the appropriate RPIP for comparison should be the 2021-2023 RPIP for the reasons stated above. Staff notes, however, that had PacifiCorp used the 2021-2023 RPIP, the compliance strategy would not be different and the company would comply under both comparisons.

Per the requirements under OAR 860-083-0400(2), Staff focused on the **cost** and **number** of RECs the Company planned to use for compliance in the RPIP, compared to what it actually used for compliance in 2021.

PAC used the 2023-2025 RPIP filed on December 27, 2021, in Docket No. UM 2212 as the planning document to which it would compare its 2021 RPS Compliance Report because it provided the most up-to-date levelized incremental cost available for PacifiCorp's applicable RPS resources reported.⁵ However, as the discussions with the Company confirmed, neither PAC's 2023-2025 RPIP, nor its 2021 RPS Compliance Report include the quantities of RECs planned to be used (retired) for compliance, or the planned total incremental cost of compliance for the year 2021. Consequently, Staff could not compare the total number, or the total incremental cost of RECs planned for use for 2021 compliance in the RPIP with those of the actual compliance year.

With regards to **number** of RECs in the RPIP, the Company has not historically forecast the number of RECs to be used for meeting the compliance requirement in any particular year in the forecasting range. The Company's RPIP rather estimates the quantities of bundled RECs forecasted to be issued for each resource for each year it is forecasting. This is unlike how PGE forecasts REC usage for compliance and, as noted above, makes assessment of material deviations from planning difficult, if not impossible. Staff will work with PAC to ensure future RPIP filings capture planned REC retirements for compliance.

With regards to the **cost** in the RPIP, PAC estimates only the average levelized incremental cost (\$/MWh) of compliance for each resource. The compliance cost for a resource is calculated as the average incremental cost (\$/MWh) multiplied by the MWhs or RECs generated by each resource. As the forecasted RECs used for compliance are not available in the RPIP, the total compliance cost cannot be calculated.

Regarding the RPIP alignment with the RPS compliance report, Staff makes the following key observations:

Qualifying Electricity RECs: The Company issued around 990,000 new qualifying electricity RECs since the last compliance report.⁶ This is about 14 percent short of the planned new qualifying electricity RECs in the RPIP for 2021,⁷ but represents a significant increase from the 2020 compliance year.⁸

Compliance Cost Reporting: As referenced above, to be able to make a direct comparison between the forecasted and the actual compliance cost, the Company's RPIP would need to include forecasted quantities of RECs with associated vintage years, used to meet the compliance requirement for each year being forecasted. This will help Staff better understand how projected costs in the near term compare to what transpired in the actual compliance year being assessed.

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.

Additionally, Staff anticipates working with the Company over the next year to address the compliance cost forecasting issues identified by Staff in PACs RPIP and to harmonize how the RPIP and RPS Compliance interact with implementation of HB 2021 and associated Clean Energy Plans.

PROPOSED COMMISSION MOTION:

1. Find PacifiCorp to be compliant with Oregon's Renewable Portfolio Standard during the 2021 period;
2. Direct PacifiCorp to retire the RECs identified in its 2021 Compliance Report; and
3. Direct PacifiCorp 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.

⁶ See Table 6 in page 15 in the 2021 RPS Compliance Report filed in docket UM 2239.

⁷ The forecasted number of RECs for all new qualifying electricity is calculated by adding only the forecasted RECs in 2021 for resources with Commercial Operation Date (COD) of 2020 in Column U, "Bundled REC Costs" tab in confidential workpaper "_02_PAC OR RPS 2021 RPIP - Total Compliance Cost Workpaper CONF.xls," filed under UM 2212.

⁸ The actual number of RECs for all new qualifying electricity is calculated by adding only the actual RECs in 2020 for resources with Commercial Operation Date (COD) of 2019 in Column S, "Attachment D" tab in confidential workpaper "Attachment D - CONF - RY2020-CORRECTED.xls", filed under UM 2171.