

February 8, 2007

Status Report: REWG Debate on Oregon’s Renewable Portfolio Standard

Targets

Summary of Key Concepts	Areas of Agreement	Areas of Disagreement
<p>General Structure</p> <p>The proposed renewable portfolio standard (RPS) for Oregon consists of three separate standards, tied together by a common set of implementation and compliance parameters that are based on the use of Renewable Energy Certificates (RECs) to serve as the compliance mechanism for the RPS. All utilities in Oregon would be subject to a primary or secondary standard, and Electricity Service Suppliers would have a related standard.</p>	<p>General consensus that use of RECs for RPS compliance is acceptable.</p>	<p>Some are fundamentally and philosophically opposed to the RPS or similar style mandates. Thus such disagreement would extend to every box below and the policy as a whole.</p>
<p>Primary Standard for Utilities</p> <p>Those utilities that are responsible for one percent or greater of total retail electric sales in Oregon would be required to ensure that by 2025 and beyond at least 25 percent of their retail sales come from renewable sources. Similarly, interim targets are set for 2011, 2015, and 2020 at 5, 15, and 20 percent, respectively. The target level remains in effect each year until the next target becomes effective, creating a minimum floor for compliance.</p>	<p>Most seem to agree that using percentage of retail sales as the metric of RPS applicability is acceptable.</p>	<p>Where threshold for RPS applicability should fall: Lower limit: ½ percent Upper: limit 5 percent.</p> <p>Number of “hard” targets: Lower limit: none Upper limit: every year</p> <p>Some would like standard to be load growth only.</p>
<p>Secondary Standard for Utilities</p> <p>Utilities responsible for less than one percent of total retail electric sales in Oregon would be required to meet the lesser burden of having either 60 percent of any growth in retail sales or 25 percent of their total retail sales come from renewable sources by 2025 and thereafter. To begin with in 2015 these utilities would be required to meet the lesser burden of having either 20 percent of growth in retail sales or 15 percent of their total retail sales come from renewable sources by 2015 and each year after until 2020. Similarly, by 2020 these utilities would be required to meet the lesser burden of having either 40 percent of growth in retail sales or 20 percent of their total retail sales come from renewable sources by 2020 and each year after until 2025.</p>	<p>Most seem amenable to the “lesser burden of ” concept to avoid unwanted interaction effects between the Primary and Secondary standards (i.e., the burden of the Secondary surpassing that of the Primary in later years)</p>	<p>Some question need for Secondary standard.</p> <p>60 percent of retail sales growth considered too high by some.</p>
<p>Standard for Electricity Service Suppliers (ESSs)</p> <p>ESSs are required to ensure that in each year the RPS is in effect the amount of their retail sales that come from renewable sources is equal to an amount that is calculated as if each of the ESS’s customers were instead being served by their applicable utility based on the service territory in which those customers reside. Thus, this summation of retail sales obligations may include a mix of amounts from both the primary and secondary standards.</p>	<p>ESSs should be subject to a standard that creates a “level playing field” between utilities and ESSs in Oregon.</p>	<p>Some not sure of feasibility of implementing standard in this manner.</p>
<p>Federal Base System (FBS) Firm Power Exemption</p> <p>If RPS requirements would unavoidably displace firm FBS power preference rights for a consumer-owned utility in a given year then the obligation for that utility is reduced proportionally by an amount equal to that unavoidable displacement of power.</p>	<p>General consensus that preference rights to firm FBS BPA power should not be lost due to RPS obligations.</p>	<p>Belief that the same guarantee should extend to non-firm BPA power. Concern about slice customers.</p>

<p>RPS Obligations in Excess of Load Growth</p> <p>If the primary standard results in a utility having no other choice but to acquire power resources in excess of their load growth in a compliance year, and if the RPS obligation would result in the displacement of a power resource other than a fossil-fueled resource by the utility, the requirement for that compliance year is reduced by an amount up to such displacement.</p>	<p>Most seem to agree with the principle behind this provision.</p>	<p>Belief that only the second clause of this provision (regarding displacement of non-fossil fueled resources) should apply.</p>
<p>Mid-Columbia Hydropower Obligation Deferment</p> <p>For those consumer-owned utilities that have low-price hydro contracts with the Mid-Columbia non-federally owned dams the RPS obligation for a given year is reduced by an amount equal to the amount of power obtained under said contracts until those contracts are no longer in effect, or until those contracts can't be renewed at a substantially similar low-cost power rate.</p>	<p>Most seemed to accept logic that this situation is substantially similar to BPA power and deserves consideration.</p>	<p>Belief that the same deferment opportunity should extend to IOUs.</p>
<p>Cost Cap Off-Ramp Provision</p> <p>Utilities need only comply with the renewable portfolio standard in a given year up to the point where they expend a percentage (proposed as 4 percent) of their RPS-applicable portion of annual revenue requirements on the costs of RPS compliance.</p>	<p>General consensus that cost cap provision is an essential element to the RPS. Some agreement on very basic elements of cost cap structure.</p>	<p>Disagreement on retail revenues vs. power costs, need for additional cost effectiveness test, cost cap percentage, and a long list of other issues.</p>
<p>Movement From Secondary Standard To Primary Standard</p> <p>When a utility that was responsible for less than one percent of Oregon's total retail electric sales increases its share of those sales to one percent or more, then that utility becomes subject to the primary standard. However, its burden under the RPS is calculated under a timeline adjusted such that it has the same ramp-up of obligations as if it had been in the primary standard since the start date of the RPS program.</p>	<p>Most seemed to agree to this provision.</p>	

Resources

<p>Date of Eligibility</p> <p>Generating facilities using qualifying renewable resources must have been placed into operation on or after January 1, 1995.</p>		<p>Some would prefer no date, i.e., all qualifying resources eligible. For those that agree a date makes sense the range is: Lower limit: 1981 Upper limit: 1999</p>
<p>Facility Location</p> <p>Facilities using qualifying renewable resources must physically reside in the geographic boundaries identified by the North American Electric Reliability Council (NERC) Western Electricity Coordinating Council (WECC) region.</p>	<p>The geographic eligibility for the Oregon RPS need not extend beyond WECC.</p>	<p>Many would prefer it be limited to Pacific NW, others would like Oregon-only to the extent feasible.</p>
<p>Standard RPS Resources</p> <p>Electricity generated from wind, solar photovoltaic, solar thermal, wave, tidal, ocean thermal, and geothermal would all be RPS eligible.</p>	<p>General consent seemed to exist for all of these resources at the Eugene REWG meeting.</p>	

Incremental or Proportionate Resources	After modifications, most seem OK with these resources.	Some would like efficiency and conservation measures to count as resources in RPS.
Both the renewable proportion of a multi-fuel generation process and the incremental improvement to a qualifying renewable energy generating unit (non-hydro) made through capital improvements after the qualifying date would be eligible.		
Hydrogen and Fuel Cells	Most seem OK with this resource given the qualifications.	Some would like fuel cell use to not be dependent on renewable sources.
Electricity generated from the use of hydrogen reformed from or electrolyzed entirely from qualifying renewable resources would be eligible. The use of fuel cells, in and of themselves, would not necessarily qualify unless the hydrogen fuel in use qualified.		
Biomass and Biogas Resources	Most seem to agree with those resources described by the first sentence. General consensus with biogas range of inclusions.	Many disagree on including spent pulping liquor and/or excluding MSW combustion. Concern about the lack of sustainability criteria. Some question feasibility of excluding treated wood
Includes biomass and byproducts from organic human or animal waste; solid organic fuels from wood, forests, and field residues; and dedicated energy crops. Includes spent pulping liquor. Includes biogas from organic sources, wastewater, anaerobic digesters, and municipal solid waste (e.g. landfills). Does not include wood treated with chemical preservatives or municipal solid waste combustion.		
Hydropower	General agreement that low-impact hydro should qualify.	Disagreement about nearly all aspects of what type of limits on hydropower to include.
Any hydroelectric facility not located in a federally-protected area in effect upon the enactment of SB 1149, i.e., not on a river or stream area listed by the Northwest Power and Conservation Council as protected or considered a Wild and Scenic River by Congress.		
Incremental Improvements to Hydropower Facilities	Most seem to agree that hydro efficiency projects should be included to some degree.	Disagreement as to whether BPA dam projects should be included, as well as on amount of projects that should be eligible. Problems with proportion calculation noted by some.
The increment of improvement resulting from an efficiency upgrade to an existing hydropower facility, completed after the qualifying date, would qualify but there would be an upper limit on the use of BPA efficiency projects based on the proportion of FBS power that Oregon COU's receive relative to the total amount (i.e, from WA/ID/MT).		
Determination of Additional Qualifying Resources		Some feel that additional resource determination should be left to legislature.
An ODOE rulemaking procedure will be established to add new resources as necessary to the eligibility list for the RPS. Under no circumstances, however, will electricity derived from fossil fuel resources, nuclear, or the combustion of municipal solid waste be considered an eligible resource under the RPS.		
BPA Renewable Energy Product	Most agree that allowance should be made for BPA EPP-type product.	
Irrespective of any delivery requirement, Oregon RPS-qualifying RECs associated with BPA Environmentally Preferred Power (EPP) or a substantially similar product from BPA ("Tier II Renewable Product") would be eligible for the RPS.		

Renewable Energy Certificates

Use of Renewable Energy Certificates (RECs)	No disagreement on using WREGIS system.	
REC verification and tracking will come from the Western Renewable Energy Generation Information System (WREGIS).		

Timing of Bundled REC Creation	Most seem amenable to accepting this definition, along with the implications for allowing shaping and firming resources.	
A bundled REC is considered to be created at the point when qualifying renewable power hits the first point of interconnection with the BPA control area, the Northwest Power Pool (NWPP) control area, or any Oregon RPS-obligated utility's transmission system. This has important implications for shaping and firming resources, as it allows unlimited substitution of the power component of a bundled REC as it makes its "journey" from that first point of interconnection to an Oregon RPS-obligated utility.		
Usage of Unbundled RECs for Compliance	Most seem OK with the inclusion of some level of unbundled RECs	Geography: WECC vs. Pacific NW (noted above)
No more than 20 percent of compliance within a given compliance year for the Primary standard can be met with unbundled RECs, but these RECs can come from anywhere within the WECC. No upper limit exists for the Secondary or ESS standard. Exemptions for certain RECs from smaller projects can raise the upper limit.		Upper limit: Some want unlimited, others closer to 5 to 10 percent limit
Usage of Bundled RECs for Compliance	Most seem comfortable with WECC region for bundled RECs as an outer boundary.	Some would prefer to get rid of delivery language and simply base eligibility on physically located within WECC.
Bundled RECs will comprise the majority of compliance with the RPS. Eligible bundled RECs derive from facilities located with the WECC and that deliver power to Oregon RPS-obligated utilities through a path involving the BPA control area, the Northwest Power Pool (NWPP) control area, or any Oregon RPS-obligated utility's transmission system, or a combination of the above systems.		
RECs Funded from the Public Purpose Charge	General consensus (once this got fixed) seems to exist on this.	
In cases where RECs derive from projects funded by the public purpose charge and are then retired on behalf of ratepayers those RECs will be credited to the utility serving those ratepayers.		
RECs from Small-Scale Renewable Energy Projects	Most seem OK with this.	Some believe that Oregon-only part of language might cause legal issues.
The ceiling on unbundled RECs is raised by one MWh for each bundled REC purchased from a PURPA "qualifying facility" located in Oregon. Unbundled RECs from WREGIS-qualifying off-grid and customer-sited resources located in Oregon are RPS eligible and also exempt from the ceiling on unbundled RECs.		
RECs from Voluntary Green Energy Utility Programs	Most seem OK with Gov's Office idea of "returning" RECs from state facilities back to utilities for RPS use.	Disagreement as to whether such policies may be applied to COUs.
RECs obtained by utilities and used to satisfy voluntary retail green pricing tariff programs ("green power programs") are not eligible for RPS compliance. RECs transferred to customers by such a program may, at the customer's sole discretion or through voluntary contract, be transferred back to the utility for RPS use.		
REC Integrity	Most seem OK with these concepts.	
RECs used for the Oregon RPS can't be used for other states' RPS programs. No disaggregation (removing one or more individual attributes) of RECs is allowed. In future legislation mechanisms will be devised to allow RECs used for compliance with the Oregon RPS to comply with any potential carbon cap legislation that emerges.		
Multi-state Allocation of RECs for RPS Compliance	Unknown.	
For a multi-state IOU decisions on the share of bundled RECs allocated to Oregon will reflect the above-market costs paid by Oregon ratepayers and a fair allocation of RECs for market (or cheaper) cost purchases as determined by OPUC proceedings.		

Compliance

Route of Compliance		
Utilities and ESSs request that RECs be retired in the WREGIS system to achieve the desired level of annual compliance.	Most seem to be fine with use of WREGIS.	
Flexibility in Reaching Annual Compliance		
RECs may be retired up to 90 days past the year in which they are intended to satisfy compliance, and may be banked for an unlimited amount of time. However, banked RECs must be retired on a first in, first out (FIFO) basis so that the oldest RECs being banked are used prior to any newer RECs being used.	Most seem fine with 90 day “true up” period.	Some believe that a “shelf life” (i.e., a time limit on the use of RECs) should be put on banked RECs.
Minimum Level of Annual Compliance for Primary Standard		
Each utility must retire enough RECs every year to satisfy the target in effect for that year. At a minimum, enough RECs must be retired to meet the last interim or final target in effect or the interim or final target that goes into effect that year. This “step function” creates a minimum floor of compliance for utilities.		
Minimum Level of Annual Compliance for Secondary Standard		
Each utility must retire enough RECs to meet their obligation as determined by the percentage target in effect that year and the increase in retail sales (if any) for that utility during that year.		
Minimum Level of Annual Compliance for ESS Standard		
Each ESS must retire enough RECs to meet their annual burden as determined through the aggregation of their customer’s relevant utility obligations as described in the target section.		
Filing of Compliance Plans		
Each utility must submit a compliance plan every two years to ODOE (for COUs) or OPUC (for IOUs and ESSs) that specifies exact “soft” targets above the minimum compliance floor for which the utility will strive to achieve. For IOUs this reporting process will be aligned with IRP protocols to the extent possible.		Disagreement as to whether COUs should have to submit compliance plans.
Compliance Letter		
All utilities and ESSs will submit a letter to ODOE (for COUs) or OPUC (for IOUs and ESSs) noting their level of compliance for a given year and any reasons for not meeting either the minimum level of compliance or a “soft” target for a given year.	Most agree that a notification on whether a utility has complied or not is reasonable.	Disagreement as to whether ODOE should require compliance letters from COUs.
Compliance Determination		
After submission of the compliance letter ODOE (for COUs) or OPUC (for IOUs and ESSs) will make a determination as to whether the utility or ESS is in compliance for a given year.		Disagreement as to whether ODOE should have the right to make such determinations.

Compliance Shortfalls

<u>Option 1: Alternative Compliance Payments</u>		
Alternative Compliance Payment Mechanism		Inclusion of the alternative compliance payment mechanism is highly controversial.
If alternative compliance payments are included as a mechanism then any shortfalls in compliance using RECs could be addressed by paying a dollar per MWh payment total to a designated entity (or into a special fund) to be used for acquiring eligible resources in the future.		
Designation of Alternative Compliance Payment Amount		For those that support the alternative compliance payment mechanism, there is a large degree of debate as to where the level should be set.
The alternative compliance payment amount would be an amount higher than, and indexed to, the incremental costs associated with eligible resources, as determined by the PUC or the applicable governing body for consumer-owned utilities.		
<u>Option 2: Penalties</u>		
Penalty Determination for Primary Standard	Most seem OK with idea of applying 3-year average before making penalty determination.	Concern with delay involved if the 3-year average test is used. Disagreement about penalties for COUs. Some support alternative compliance payment scheme in lieu of penalties.
Penalties are only applied if the compliance determination finds that the minimum floor of compliance is not achieved in a given year between targets or, for each interim target year and beginning with the final target year, after an additional three-year averaging test is applied and the results of that average also indicate a level of compliance below the target for that year.		
Penalty Determination for Secondary and ESS Standard		Disagreement about penalties for COUs. Some support alternative compliance payment scheme in lieu of penalties.
If a utility or ESS is found not to have retired sufficient RECs to be in compliance in a given year then penalties will be applied		
Penalty Amount and Appeal Process	General consensus that penalties, if used, should be non-recoverable.	Disagreement as to amount of the penalty and the applicability to COUs of such penalties.
A penalty of \$45 per MWh of shortfall will be assessed on any utility or ESS deemed out of compliance after the appropriate test. This penalty will be non-recoverable in rates for IOUs. A penalty hearing process will be created through rulemaking so that in exceptional hardship cases penalties may not be applied.		
Penalty Recipient	Most seem to agree that it is fine for IOU penalties to go to PPC entity.	Disagreement on dispatch of COU penalties to third party entity.
Penalties from IOUs will be paid to the NGO sub-contracted to the OPUC to manage public purpose charge funds and used for renewable energy projects. Penalties from COUs will be paid to a similar entity (to be determined through rulemaking by ODOE) for renewable energy projects in consumer-owned utility territory or territories.		

Task Force

Periodic Task Force	Most seem to agree that some sort of feedback mechanism is appropriate.	Some disagreement about timing and scope of authority.
A task force will be convened by the Governor after each of the Primary interim target years to evaluate the RPS and report back to the Legislature if there are items that need to be addressed.		

Public Purpose Charge

Renewable Energy Component of the Public Purpose Charge	Community Caucus agreed to this provision (among others) in lieu of a "carve out" target for small-scale renewable energy..	Some do not feel this should be part of RPS. Some think 20 MW is too big.
Focus the renewable energy portion of the Public Purpose Charge on funding a mix of projects of 20 MW or less and exclude funding of projects larger than 20 MW. Require as part of this statute that the OPUC will ensure that implementation of public purpose charge programs reflects this change in focus.		
Extension of the Public Purpose Charge (PPC)	Part of Community Caucus agreement.	Disagreement as to whether PPC should be extended to any degree.
Extend the public purpose charge through 2025 so that the PPC will be consistent with and serve as a complement to the RPS policy to promote a diversity of renewable energy sources.		

Related Energy Policy

Cost Recovery for Investor-Owned Utilities	General consensus that this seems reasonable.	Concern about cost recovery aspects of early-stage renewable development activity.
Compliance with the RPS is not considered an above-market cost as defined in ORS 757.612(1). In addition, all prudently incurred costs associated with RPS compliance are recoverable under the RPS, including those associated with transmission and delivery of renewable energy to customers in Oregon.		
Mandatory Green Power Program for all Utilities		Disagreement as to necessity and desirability of such a mandate.
All utilities will be required to offer a voluntary green power purchasing program to their customers. Program details are largely left to the discretion of the utility		
State PURPA Reinstatement	Part of Community Caucus agreement.	Disagreement as to whether this should be part of package.
Modify ORS 757.612 (4) to require PGE and Pacific Power to meet state PURPA Statute ORS 758.505 to 758.555.		
Non-binding Goal for Community Energy	Community Caucus agreed to this provision (among others) in lieu of a "carve out" target for small-scale renewable energy.	Disagreement as to whether goal is necessary or appropriate. Arguments about semantics in regard to the word "goal". Some support multiplier for small-scale projects.
A non-binding goal will be included in the RPS that at least eight percent of Oregon's retail sales should come from a mix of small-scale renewable energy projects by 2025. Direction to state agencies to try and help achieve this goal through appropriate policies and programs would also be included.		
Changes to ORS for People's Utility District RPS Compliance	No objections noted at Portland meeting when the group was queried.	
<ol style="list-style-type: none"> 1) Authority to operate on REC market. 2) Revise ORS to exempt renewables from cost effective test. 3) PUDs eligible for renewable energy development zones. 4) Change various facets of public voting for PUDs. 5) Change various facets of financing for PUDs. 6) Change taxations status for PUD partially owned projects. 7) Change public contracting requirements for renewables. 8) Allow PUDs to participate in Joint Operating Agencies. 9) Allow PUDs to form LLC's for renewables development. 10) Revise ORS regarding PUD's and judicial validation. 		