



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Schlossberg, Helgeson, Brown and Carlson
FROM: Megan Capper, Power Planning Supervisor, and Catherine Gray, Senior Energy Resource Analyst
DATE: May 22, 2020
SUBJECT: EWEB's 2019 Oregon Renewable Portfolio Standard Report
OBJECTIVE: Information Only

Issue

In accordance with the Oregon Renewable Portfolio Standard (RPS), EWEB's 2019 RPS Compliance report is included with this memorandum for Board review.

Background

The Oregon Renewable Energy Act of 2007 established a Renewable Portfolio Standard (RPS) for all Oregon electric utilities. The statute applicable to EWEB that governs compliance reporting, ORS 469A.170, states "A consumer-owned utility shall make the report available to the members or customers of the utility" by June 1 of each year. Each year EWEB has met the reporting requirements of this standard by providing a detailed report to its governing Board and posting a copy on the website for its customer owners.

Recommendation and Requested Board Action

This item is information only and accordingly there is no requested Board action.

Eugene Water Electric Board
Oregon Renewable Portfolio Standard
2019 Compliance Report

May 22, 2020

2019 Oregon Renewable Portfolio Standard Compliance

EWEB's 2019 Oregon Renewable Portfolio Standard (RPS) compliance obligation, after exemptions, is 117,254 MWh. This is the first year EWEB used renewable energy credits (RECs) to meet its RPS compliance. The primary driver for the increase in the 2019 RPS compliance obligation after exemptions in comparison to prior reporting years is due to the decrease in generation from EWEB's owned hydro resources.

Figure 1. EWEB 2019 Oregon RPS Compliance Obligation Calculation

in megawatt hours (MWhs) unless noted

| Category | | MWhs |
|--|------------------|-----------|
| Retail Sales to Customers | a | 2,437,827 |
| RPS Target | b | 15% |
| 2019 RPS Obligation BEFORE Exemption | $c = a \times b$ | 365,674 |
| Generation from Exempt Resources | | |
| BPA Tier 1 net purchases | d | 2,167,817 |
| EWEB hydro (owned) | e | 141,862 |
| Mid-C hydro (contract) | f | 10,895 |
| Total 2019 MWhs from Exempt Resources | $g = d + e + f$ | 2,320,574 |
| Fraction of Retail Sales from Exempt Resources* | $h = g \div a$ | 0.952 |
| Fraction of Retail Sales Greater than Exempt Resources | $l = 1 - h$ | 0.048 |
| RPS Obligation AFTER Exemption Applied | $l \times a$ | 117,254 |
| RECs Required for 2019 RPS Obligation (one REC equals one MWh) | l^*1 | 117,254 |

*Exempt generation in 2019 exceeds 85 percent of total retail sales, by 10%, so EWEB can reduce the 15 percent compliance target by 10% (the amount the exempt generation exceeds 85 percent). If generation from exempt resources had exceeded 100 percent of retail sales, the number of RECs needed for EWEB's 2019 RPS compliance would have been reduced to zero.

The results of the calculation in Figure 1 result in requiring the retirement of 117,254 RECs to meet EWEB's 2019 RPS compliance obligation. The retirement of these RECs has been completed and surplus RECs have been banked for future use or sold.

In accordance with the Oregon Renewable Energy Act (Act) EWEB offers voluntary renewable purchases to EWEB customers under the Greenpower program.

The Greenpower program allows customers the choice to voluntarily pay an additional one cent per kWh which contributes to the development and use of renewable energy. Just as RECs are retired to satisfy any obligations under the mandatory RPS, RECs are also retired to match the volume of sales under EWEB's voluntary retail Greenpower program, with one REC retired for every MWh of program sales.

In 2019, sales to EWEB customers under the Greenpower program totaled 20,439 MWhs. EWEB has retired this amount of RECs from its available portfolio. For additional information on EWEB’s Greenpower program please see: [Greenpower | EWEB](#).

Oregon RPS Compliance Background

In 2007, Oregon enacted Senate Bill 838, the Oregon Renewable Energy Act (Act), which created an RPS that all Oregon electric utilities must follow. The purpose of the RPS is to decrease Oregon utilities’ reliance on fossil fuels for electric generation, and increase their use of renewable energy sources. In 2016, SB 1547 further increased RPS targets for investor-owned utilities (IOUs) only.

Oregon’s RPS establishes standards for electric utilities, requiring that a percentage of their annual retail sales must come from qualifying renewable resources. The exact percentage required and the year the compliance obligation begins differs for large and small electric utilities, and specifically for large IOUs, as shown in Figure 2, below. Therein, the “Utility Size” is determined as a percentage of Oregon’s total retail electric sales in the year. EWEB is the only Consumer Owned Utility (COU) classified as a “Large Utility.” PacifiCorp and Portland General Electric are assigned an even larger target based on both size and utility type (IOU).

Figure 2. Annual percentage target of qualifying electricity by year

| | Utility Size | 2011 | 2015 | 2020 | 2025 | 2040 |
|--------------------|-----------------|------|------|------|------|------|
| Large IOU | 3% or more | | | 20% | 27% | 50% |
| Large Utilities | 3% or more | 5% | 15% | 20% | 25% | |
| Smaller Utilities | From 1.5% to 3% | | | | 10% | |
| Smallest Utilities | Under 1.5% | | | | 5% | |

The Oregon Public Utilities Commission (PUC) oversees IOU reporting and compliance with the RPS. However, Oregon COUs are not regulated by the PUC. The statute governing RPS compliance reporting, ORS 469A.170, states: “A consumer-owned utility shall make the report to the members or customers of the utility.” EWEB’s long term RPS compliance strategy is addressed in its Integrated Resource Plan (IRP) which is updated every 5 years, or as determined by the EWEB Board of Commissioners.

The Act also defines which types of renewable generation are considered “qualifying electricity.” In general, qualifying renewable resources must have an on-line date of January 1, 1995 or later, with some exceptions.¹

In recognition of the low-emission resources already existing in the region, and other reasonable barriers to compliance, there are four exemptions in the Act that allow utilities to reduce their annual compliance target, by specifically exempting utilities from taking actions for compliance that:

¹ See link for a list of conditions under which pre-1995 resources are eligible to produce qualifying electricity, <https://olis.leg.state.or.us/liz/2016R1/Downloads/MeasureDocument/SB1547/Enrolled>
A later amendment to the RPS allows for pre-1995 woody biomass to qualify, but the RECs will not be eligible for use in compliance until 2026.

- Would cause the utility to spend over 4 percent of annual costs to comply with RPS;
- Force COUs to replace Bonneville Power Administration (BPA) Tier 1 power with new renewable electricity;
- Force a utility to acquire resources in excess of their load requirement, or
- Force a utility to replace older renewable or non-fossil fuel generation (i.e. legacy hydroelectric projects) with new renewable generation.

Currently, the vast majority of EWEB's energy supply source is from BPA Tier 1 resources and EWEB owned or contracted legacy hydro. EWEB's understanding of the policy rationale for these exemptions is that the intent of the RPS is to displace fossil fuels, not to require EWEB to replace energy from our existing legacy hydro projects with other renewable energy resources. As a result, it is EWEB's interpretation that these resources can be used towards the exemption.

Oregon RPS Compliance Rules

Per rules adopted by the Oregon Department of Energy, generation volumes qualifying for RECs are based on values recorded and reported to the Western Renewable Energy Generation Information System (WREGIS). WREGIS is a large database that receives monthly generation volumes of renewable generation and serves as the regional system of record to issue, monitor, account for or transfer Renewable Energy Certificates (REC). Each MWh of renewable generation equals one REC. The RECs have identification numbers that indicate the generation project and the month the electricity was generated. The purpose of this system is to ensure that renewable generation and its associated REC are not used to meet the requirements of more than one program.

As detailed above, EWEB's compliance target for 2019 is 15 percent of retail sales, subject to exemptions. Compliance is demonstrated by retiring a quantity of WREGIS RECs equal to the compliance target. Once a REC is retired in WREGIS it is no longer available to be used in any other program. However, as long as a REC has not been retired it can be retained, or banked, for a future use such as compliance, a voluntary program, or sold to another entity.

Under EWEB's interpretation, two exemptions significantly reduce EWEB's current and projected compliance targets. The first exemption releases EWEB from reducing purchases of BPA Tier 1 energy in order to take in qualifying electricity. The second exemption releases EWEB from replacing energy produced by non-fossil resources (such as our legacy hydro) with qualifying electricity.

Under Oregon's RPS rules, if exempt generation in 2019 exceeds 85 percent of total retail sales, then EWEB can reduce the 15 percent compliance target by the amount the exempt generation exceeds 85 percent. If exempt generation exceeds 100 percent of total retail sales, then EWEB can reduce its compliance target to zero.

As a result, and in accordance with Oregon's RPS rules, EWEB's 2019 RPS compliance obligation results in the retirement of 117,254 RECs.

This report will be published on EWEB's website by June 1, 2020