Summary of Oregon’s Renewable Portfolio Standard

The Renewable Portfolio Standard (RPS) requires that all utilities and electricity service suppliers (ESSs)¹ serving Oregon load must sell a percentage of their electricity from qualifying renewable energy sources. The percentage of qualifying electricity that must be included varies over time, with all utilities and ESSs obligated to include some renewable resources in their power portfolio by 2025.

For current information on Oregon eligible facilities, please visit www.oregon-rps.org.

Table 1 summarizes the percentage targets for the RPS.

Table 1: Summary of RPS Targets and Timelines

<table>
<thead>
<tr>
<th>RPS obligations on all utilities and electricity service suppliers</th>
<th>Percent of Oregon’s Total Retail Electric Sales</th>
<th>Utilities² and ESSs</th>
<th>Applicable Targets in Year:</th>
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<tbody>
<tr>
<td>Large Utilities</td>
<td>Three percent or more</td>
<td>Portland General Electric, PacifiCorp, Eugene Water &amp; Electric Board</td>
<td>2011</td>
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<td>Small Utilities</td>
<td>At least one and a half percent but less than three percent</td>
<td>Central Lincoln PUD, Idaho Power, McMinnville W&amp;L, Clatskanie PUD, Springfield Utility Board, Umatilla Electric Cooperative</td>
<td>No Interim Targets</td>
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<td>Below one and a half percent</td>
<td>All other utilities (31 consumer-owned utilities)</td>
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<tr>
<td>Electricity Service Suppliers (ESSs)</td>
<td>Any sales in Oregon</td>
<td>Any Electricity Service Supplier (ESS)</td>
<td>If an ESS sells electricity in the service area of more than one utility its targets may calculated as an aggregate of electricity sold in its territory.</td>
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Conditional Targets

There are two conditions when a small utility would be required to meet the large utility standard regardless of their size if purchase coal power (ORS 469A.055 (4) or if they annex utility territory (ORS 469A.0555 (5)). In the case that a small utility’s load increases to exceed three percent of the state load for a period of three consecutive years they would also be subject to the standard as a large utility (ORS 469A.052 (2).

¹ Oregon’s deregulation law allows non-utility power sellers (called ESSs) to sell power to non-residential customers. Currently, this applies only to Portland General Electric and PacifiCorp service territory.
Exemptions to RPS Targets
Utilities are not required to comply with an RPS target to the extent that compliance will:

- Lead to a utility expending more than four percent of its electricity-related annual revenue requirement in order to comply with the RPS.
- Displace firm Federal Base System (FBS) preference power rights from the Bonneville Power Administration (BPA) for a consumer-owned utility.
- Result in acquisition of power resources in excess of their load requirements in a given compliance year.
- Result in the displacement of a non-fossil-fueled power resource.
- Unavoidably displace hydropower contracts with Mid-Columbia River dams until such a time when those contracts cannot be renewed or replaced.

Eligible Resources and Facility Eligibility Date

Qualifying electricity for Oregon’s RPS must be derived from the sources and types of facilities listed in Table 2. Qualifying facilities must also be located within the Western Electricity Coordinating Council’s territory. Note that where multiple fuels are used to power a generating facility only the proportion of output that uses qualifying resources can count toward the RPS.

Table 2: Eligible Resource Types Based on Facility Operational Date

<table>
<thead>
<tr>
<th>From Generating Facilities in Operation Before January 1, 1995</th>
<th>From Generating Facilities That Became Operational On or After January 1, 1995</th>
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<tbody>
<tr>
<td>Up to 90 average megawatts (aMW) per utility per compliance year of low-impact certified hydropower, capped at 50 aMW owned by an Oregon utility and 40 aMW not owned by a utility but located in Oregon.</td>
<td>Hydropower, if located outside of certain state, federal, or NW Power &amp; Conservation Council protected water areas.</td>
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<tr>
<td>The increment of improvement from efficiency upgrades made to hydropower facilities, although if the improvement is to a federally-owned BPA facility only Oregon’s share of the generation can qualify.</td>
<td>Wind</td>
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<tr>
<td>The increment of improvement from capacity or efficiency upgrades made to facilities other than hydropower facilities.</td>
<td>Solar Photovoltaic and Electricity from Solar Thermal</td>
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<td></td>
<td>Wave, Tidal, and Ocean Thermal</td>
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<td></td>
<td>Geothermal</td>
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<td></td>
<td>Biomass and biomass byproducts; including but not limited to organic waste, spent pulping liquor, woody debris or hardwoods as defined by harvesting criteria, agricultural wastes, dedicated energy crops and biogas from digesters, organic matter, wastewater, and landfill gas. Under certain conditions, municipal solid waste may qualify. The burning of biomass treated with chemical preservatives disqualifies any biomass resource.</td>
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<tr>
<td></td>
<td>Other resources as determined to qualify through ODOE rulemaking. However, nuclear fission and fossil fuel sources are prohibited in all cases as qualifying resources.</td>
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<tr>
<td></td>
<td>Electricity from hydrogen derived from any of the above resources.</td>
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</table>
Renewable Energy Certificates

Compliance with the RPS requires proof of generation of the qualifying electricity. Like many states, Oregon requires proof in the form of a Renewable Energy Certificate (REC). Oregon Administrative Rule states that a REC is a unique representation of the environmental, economic and social benefit associated with the generation of electricity from renewable energy sources that produce Qualifying Electricity. Each REC represents one megawatt-hour (MWh) of generation of qualifying electricity. By rule, all RECs must be issued by the Western Renewable Energy Generation Information System (WREGIS).

Oregon recognizes two types of Renewable Energy Certificates (RECs) in the RPS. Initially, all RECs are “bundled” together with their associated electricity that is produced at the renewable electricity generation facility. When both a REC and the electricity associated with that REC are acquired together, one has acquired a “bundled” REC.

A generator or REC owner may decide to “unbundle” the REC from the electricity associated with that REC by using or selling the two components separately. In doing so the purchaser of the power loses the ability to claim that the power is renewable energy. The “unbundled” REC may be used by its new owner to comply with the RPS.

To meet an RPS target obligated utilities or ESSs must permanently retire the number of RECs equivalent to the target load percentages. For example, if a utility is subject to a 10% target and sold 100,000 MWh to Oregon customers, then it must retire 10,000 RECs to meet its compliance target.

For large utilities, no more than 20 percent of their compliance target in a given year may be met through the use of unbundled RECs, although large consumer-owned utilities such as EWEB have a limit of 50 percent until 2020. RECs from PURPA facilities in Oregon are exempt from this limit.3

RECs may be banked indefinitely and used in future years. Older RECs must be used before newer RECs, called the “first in first out” principle.

Implementation Plans and Compliance

The Oregon Renewable Portfolio Standard compliance schedule for the state’s three largest utilities began in 2011. In 2012, Eugene Water and Electric Board, PacifiCorp, and Portland General Electric will demonstrate REC retirement in an amount equivalent to five percent of its 2011 retail sales, unless otherwise exempted (see Exemptions to RPS Targets, above).

Every two years, large utilities submit implementation plans detailing how they expect to comply with the standard.4 The plans include annual targets for acquisition and use of qualifying

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3 PURPA is a federal law that requires utilities to purchase the output of smaller energy projects.
4 EWEB reports its plan to comply with the RPS in its Integrated Energy Resource Plan.
electricity and the estimated cost of meeting the annual targets. Prudently incurred costs associated with RPS compliance are recoverable in rates.

Investor-owned utilities and ESSs must submit their annual compliance reports to the OPUC. Consumer-owned utilities report compliance to their customers, boards, or members.

**Consumer Protection and Cost Controls**

There are two mechanisms that serve as cost protections for Oregon consumers: an alternative compliance payment mechanism and an overarching “cost cap” on utility RPS expenditures.

*Alternative Compliance Payment:* In lieu of acquiring a REC to comply with a portion of the RPS, a utility or ESS may instead pay a set amount of money per megawatt-hour (MWh) into a special fund that can be used only for acquiring renewable energy resources in the future, or for energy efficiency and conservation programs. This mechanism sets an effective cap on the cost of complying with the RPS on a per MWh basis.

*Cost Cap:* Utilities are not required to comply with the RPS to the extent that the sum of the incremental costs of compliance with the RPS (as compared with fossil-fuel power), the costs of unbundled RECs, and alternative compliance payments exceed four (4) percent of a utility’s annual revenue requirement in a compliance year. Consumer-owned utilities may also include R&D costs associated with renewable energy projects in this calculation. As of 2012, the incremental cost of compliance for all Oregon utilities has been well below the four percent cap.