



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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June 26, 2018

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Puget Sound Energy's 2007-2016 Energy and Emissions Intensity Report
Docket UE-170696

Dear Mr. King:

This is Commission staff's response to Puget Sound Energy's (PSE) June 1, 2017, Energy and Emissions Intensity (EEI) Metrics Report, which is required by WAC 480-109-300. This rule governing EEI metrics is relatively new. The commission adopted WAC 480-109-300 in 2015, in response to amendments to the Energy Independence Act. Under the rule, Washington investor-owned utilities must annually report their respective EEI metrics to the commission. The reports "must include annual values for each metric for the preceding ten calendar years." *Id.* at (1). Here, commission staff recommends the commission acknowledge PSE's 2007-2016 EEI Report and direct the company to follow the guidance set forth in the commission's order adopting the reporting requirement, as described below.

In its order adopting WAC 480-109-300, the commission stated that "each utility must document in detail the sources of data and methods used to make each calculation required under WAC 480-109-300."¹ The commission outlined a methodology to be used to calculate energy and emissions from known generation sources, but did not clearly identify any methodology to be used to calculate energy and emissions from unknown generation sources,² recognizing that methodologies "[m]ay become available in the future that would more effectively ascertain ... the short tons of CO₂ emissions allocated to a utility's electric generation."³

On March 23, 2017, the commission issued an acknowledgement letter to PSE regarding its 2006-2015 EEI report. In that letter, the commission noted that the reporting of energy sales and

¹ Docket UE-131723, General Order R-581, at ¶ 20.

² *Id.* at ¶ 19. The order specified the method for calculations required by WAC 480-109-300(2)(d)-(e). Unknown generation sources are addressed in WAC 480-109-300(3).

³ *Id.* at ¶ 21.

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purchases was both a topic for discussion and an area for improvement. The reporting issue was also one of the key topics discussed at a recessed open meeting on April 18, 2017.

Staff commends PSE for incorporating much of the feedback and guidance provided during last year's review into its 2016 report. Staff worked with the company to identify a handful of additional improvements which would enable PSE to better achieve the clarity and consistency required in the commission's order adopting WAC 480-109-300.

Staff provided informal feedback to PSE based on its 2016 report in April of this year. Staff includes the informal feedback as an attachment to this letter with the intent of providing more clarity around staff's expectations for PSE's future reports.

Staff appreciates the company's willingness to consider this feedback as it developed its 2017 report, which was filed on June 1, 2018, under docket UE-180526. A preliminary review of PSE's 2017 report leads staff to believe that many of the items in the attachment have been sufficiently addressed. Staff will perform a more thorough review of the 2017 report and submit a letter to the Executive Director and Secretary, filed to docket UE-180526, by October 31, 2018. Thank you for your consideration.

Sincerely,

Kyle Frankiewich
Regulatory Analyst
Conservation and Energy Planning

ATTACHMENT

Staff feedback re: PSE's 2007-2016 EEI Report

1. *Differentiating between known and unknown sources*: Staff requests additional narrative explaining how PSE determines whether a source is known or unknown. If the company makes any assumptions or adjustments regarding any unknown sources, it should clearly describe these assumptions or adjustments and explain why the company made them. Staff assumes that all purchases which are not unit-specific are classified as unknown, regardless of the identity of the counterparty.
2. *Differentiating between known and unknown sources – Bonneville Power Administration (BPA)*: Staff commends PSE for providing additional nuance where available, and for making the conservative presumption that contracts which may be fulfilled with market power should use the Commerce emissions intensity estimate. Staff is amenable to adding nuance to purchases from BPA and others if Commerce and the other investor-owned electric utilities agree that it is appropriate. Until then, and until the other two electric utilities also implement this nuance, the commission's principles of clarity and consistency prompt staff to request that PSE continue to use the Commerce fuel mix figure for any non-unit-specific purchases.
3. *Unknown Sources – Purchase and sales reporting methodology*: After several rounds of discussion last year and after reviewing analysis performed by the utilities, Staff believes the appropriate methodology for reporting purchases and sales is the net-by-counterparty approach:
 - (a) for each transaction partner whose generation is from an unknown resource, subtract the total annual sales to this party from the total annual purchases from this party;
 - (b) if the result is positive, apply the Department of Commerce fuel mix emissions intensity factor to calculate emissions associated with the net purchase;
 - (c) if the result is negative, apply an aggregate, fleet-wide emissions intensity factor for the utility's known sources to calculate emissions associated with the net sale.Staff contends that the net-by-counterparty approach represents an optimal balance among the three competing priorities of accuracy, consistency, and burden on company and commission resources. Staff understands that this approach has largely been implemented by PSE in prior reports.
4. *Energy Imbalance Market (EIM)*: Staff requests clarification on how the company's participation in the EIM is represented in its EEI report. Staff notes that some known facilities are listed in the "2016 Unknown" worksheet, and are assigned the Commerce market emissions intensity factor. It is unclear to staff whether EIM's operations give PSE the knowledge of which generation facility is either supplying PSE during an EIM purchase, or is being used to provide energy for an EIM sale. Staff requests clarity in the report and in the workpapers on this issue. Also missing from the report is any narrative analysis regarding the emissions intensity impacts of PSE's participation in the EIM. Staff encourages the company to provide a deeper analysis of EIM's impacts on Washington's emissions intensity in the narrative section of the report.

5. *Total Load Served and Busbar MWh*: Staff requests that the company include in its narrative text an explanation of the differences between the “Total Load Served” figure found in the “Energy Intensity Metrics” section of the yearly report worksheet, and the sum of “Busbar MWh” figures for known and unknown sources serving Washington, also found in the “Emissions Intensity Metrics” section of the yearly report worksheet.