

Attachment 1

MEMORANDUM

TO: Kathie Barnard, Roger Garratt, Michael Mullally

FROM: Anna Mikelsen Mills, Chris Schaefer

SUBJECT: Requirements of Chapter 480-109-200 WAC

DATE: December 18, 2015

Background

Chapter 480-109-200 WAC Renewable portfolio standard states:

"(1) **Renewable resource target.** Each utility must meet the following annual targets.

(b) *By January 1st of each year beginning in 2016 and continuing through 2019, each utility must use sufficient eligible renewable resources, acquire equivalent renewable energy credits, or a combination of both, to supply at least nine percent of its two-year average load for the remainder of each target year.*

...

(2) **Credit eligibility.** Renewable energy credits produced during the target year, the preceding year or the subsequent year may be used to comply with this annual renewable resource requirement provided that they were acquired by January 1st of the target year.

(3) **WREGIS registration.** All eligible hydropower generation and all renewable energy credits used for utility compliance with the renewable resource target must be registered in WREGIS, regardless of facility ownership. Any megawatt-hour of eligible hydropower or renewable energy credit that a utility uses for compliance must have a corresponding certificate retired in the utility's WREGIS account.

(5) **Target calculation.** In meeting the annual targets of this section, a utility must calculate its annual target based on the average of the utility's load for the previous two years.

(6) **Integration services.** A renewable resource within the Pacific Northwest may receive integration, shaping, storage or other services from sources outside of the

Pacific Northwest and remain eligible to count towards a utility's renewable resource target. (Emphasis added.)

Summary

Pursuant to the requirements of Chapter 480-109-200 WAC, we have prepared this Memorandum to document that Puget Sound Energy, Inc. ("PSE") has acquired sufficient eligible renewable resources in its portfolio by January 1, 2016 to supply at least nine percent of its estimated load for the year 2016.

This is consistent with the information provided to the WUTC on November 25, 2015 in PSE's compliance filing in Docket No. UE-141170, PSE's 2015 Integrated Resource Plan ("IRP"). In the Executive Summary of the IRP, PSE stated that:

"... PSE has acquired enough eligible renewable resources and RECs to meet the requirements of the law through 2022."

Following provides a summary of the Company's eligible renewable resources, load and renewable energy target.

Eligible Renewable Resources

PSE has acquired sufficient eligible renewable resources in its portfolio to supply at least nine percent of its estimated load for the year 2016, in advance of January 1, 2016.

Eligible renewable resources that PSE may elect to use in whole or in part to meet its 2016 target include (but are not limited to):

- Hopkins Ridge Wind Project;
- Wild Horse Wind Project;
- Wild Horse Expansion Wind Project (including extra apprenticeship credits);
- Lower Snake River Wind Project (including extra apprenticeship credits);
- Klondike III Wind Project (e.g. the output PSE purchases from Iberdrola);

- Snoqualmie Falls Hydroelectric Efficiency Upgrades¹;
- Lower Baker River Hydroelectric Efficiency Upgrades²;
- Allocation of Hydroelectric Efficiency Upgrades that may be (now or in the future) a part of PSE's Mid-C Contracts;
- Customer-Generator owned facilities taking service from PSE under PSE electric rate Schedule 91; and
- Any other eligible renewable resources that may become available in 2016 or 2017.

Total 2014 generation from Hopkins Ridge, Wild Horse, Wild Horse Expansion and Lower Snake River was about 1,973,000 megawatt-hours (not inclusive of the extra apprenticeship credits); similar generation may be achieved for 2015 and 2016.

These eligible renewable resources may be impacted by events beyond PSE's reasonable control that could not have been reasonably anticipated or ameliorated that prevented PSE from meeting the renewable energy target. Such events may include weather-related damage, mechanical failure, strikes, lockouts, or actions of a governmental authority that adversely affect the generation, transmission, or distribution of an eligible renewable resource owned by or under contract to a qualifying utility.

PSE does not currently intend to utilize one of the alternative compliance mechanisms provided for in RCW 19.285.040(2)(d) or RCW 19.285.050(1) and WAC 480-109-220 instead of meeting its 2016 renewable resource target. However, there may be events beyond PSE's control during the remainder of the calendar year 2016 which could prompt PSE to utilize the alternative compliance mechanisms in RCW 19.285.040(2)(i) and WAC 480-109-220. Such determination will be made when PSE reports on its final 2016 compliance in the 2017 or 2018 report.

¹ PSE is anticipating its Snoqualmie Falls Hydroelectric Project will be WREGIS registered in 2016. However, the Company will have more than enough renewable energy credits to meet the 2016 target without the WREGIS registration.

² PSE is anticipating its Lower Baker River Hydroelectric Project will be WREGIS registered in 2016. However, the Company will have more than enough renewable energy credits to meet the 2016 target without the WREGIS registration.

Load

Load is defined in the rules as:

"Load" means the amount of kilowatt-hours of electricity delivered in the most recently completed year by a qualifying utility to its Washington retail customers. Load does not include off-system sales or electricity delivered to transmission-only customers.

PSE's actual 2014 delivered load is 20,575,878,000 kilowatt-hours (i.e. 20,575,878 megawatt-hours) and the 2015 forecast load is about 20,659,370,027 kilowatt-hours (i.e. 20,659,370 megawatt-hours).

Consistent with WAC 480-109-210(2), based on the average of PSE's load in 2014 and 2015 and as reflected above, the Company's estimated load for purposes of meeting its 2016 target will likely be in the neighborhood of 20,617,624 megawatt-hours.

2016 Renewable Resource Target

Chapter 480-109-200(1)(b) WAC states: *"By January 1st of each year beginning in 2016 and continuing through 2019, each utility must use sufficient eligible renewable resources, acquire equivalent renewable energy credits, or a combination of both, to supply at least nine percent of its two-year average load for the remainder of each target year."* (Emphasis added.)

Based on the load estimations above and the nine percent requirement in Chapter 480-109-200 WAC, the Company's estimated renewable energy target for 2016 may end up being approximately 1,855,586 megawatt-hours.

PSE expects to generate more eligible renewable energy than its 2016 requirement (not including any renewable energy credits generated in 2015 that the Company may elect to use for its 2016 requirement).

PSE will report on the specific renewable energy credits produced and to be retired for final compliance with the 2016 target in either its annual 2017 or 2018 report, and reserves the right to submit renewable energy credits from the resources reported here or to substitute with renewable energy credits produced from 2015 to 2017 by other eligible renewable resources or with 2016 generation from eligible renewable resources that have not been converted to renewable energy credits.

Conclusion

PSE's eligible renewable resources in 2016 may be expected to generate approximately 2,529,739 megawatt-hours and/or renewable energy credits and/or extra apprenticeship credits (not inclusive of: i) any renewable energy credits that may be committed/sold to third parties and/or customers or ii) any renewable energy credits generated in 2015 that the Company may elect to use for its 2016 renewable resource target).

Events beyond PSE's reasonable control may yet occur during the remainder of calendar year 2016 which could prompt PSE to utilize the alternative compliance mechanism in RCW 19.285.040(2)(i) and WAC 480-109-220. Such events may include weather-related damage, mechanical failure, strikes, lockouts, or actions of a governmental authority that adversely affect the generation, transmission, or distribution of an eligible renewable resource owned by or under contract to a qualifying utility. Such determination will be made when PSE reports on its final 2016 compliance in the annual 2017 or 2018 renewable resource target report.

As provided to the WUTC on November 25, 2015 in PSE's compliance filing in Docket No. UE-141170, (PSE's 2015 IRP), PSE is on track to meet the renewable resource target requirements for the year 2016 and all the way to the year 2022. PSE has acquired enough eligible renewable resources or renewable energy credits to meet the estimated renewable energy target for 2016.