

October 6, 2014

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
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P.O. Box 47250  
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**RE: DOCKET NO. UE-131723 (I-937 rulemaking)  
Comments of Renewable Northwest and NW Energy Coalition re  
Renewables-Related Rules**

Renewable Northwest and NW Energy Coalition submit the following comments in response to the Commission's September 5<sup>th</sup> Notice of Opportunity to File Written Comments regarding the Energy Independence Act (I-937, WAC 480-109) rulemaking.

As we noted in our May 2014 comments, we find that the Commission's proposed rules for renewables are a significant improvement to the existing rules, bringing much-needed clarity to the I-937 implementation process. The area that would benefit from additional refinement is proposed WAC 480-109-210, which covers the renewable portfolio standard ("RPS") report timeline (WAC 480-109-210(1)) and the incremental cost calculations included in the utilities' annual reports (WAC 480-109-210(2)(a)). Below, we offer our suggestions for improving that language, and also touch on some positive changes in the rules.

**1. Renewable Portfolio Standard Report Timeline**

As noted in our May 9, 2014 comments on the draft rules, the issue of which target year the June 1 report is meant to cover has been the source of significant confusion. We understand that the intent of WAC 480-109-210(1) is to require that in their reports filed on June 1 of a target year, utilities detail the resources they acquired or contracted to acquire by January 1 of that same target year in order to meet their renewable resource obligations for that target year. However, the proposed rule's reference to "the target year" might not eliminate the confusion as to which target year is being referenced. We continue to believe that changing the language to refer to "that target year" could reduce the risk of such confusion.

**2. Incremental Cost Calculation**

With respect to WAC 480-109-210(2)(a), regarding the incremental cost calculation included in a utility's annual report, we generally support the approach set forth in the proposed rule. However, we have some concerns that the proposed rule provides for the calculation of certain renewable resource costs without factoring in renewable resource benefits and without factoring in certain costs of the non-eligible comparator resource. For example, the proposed rule would have utilities calculate the integration costs of the eligible renewable resource but does not specifically provide for the calculation of integration costs, if any, applicable to the noneligible

resource.<sup>1</sup> In addition, the proposed rule does not provide for any accounting of the fuel price risk associated with fueled resources.

Our primary concern with this section's inconsistent treatment of costs and benefits is the proposed approach for calculating an eligible resource's capacity credit in WAC 480-109-210(2)(a)(i)(B). The proposed rule would calculate the peak capacity contribution of eligible renewable resources in the narrowest manner possible, which in turn, would lead to an inaccurately low credit for the capacity contribution provided by such resources, thereby driving up the comparative cost of such resources.

There are different options for refining the language in this section. One approach would be to remove the capacity contribution measure altogether. Such an approach would be consistent with RCW 19.285.050, which requires comparing the levelized costs of the energy delivered from the comparative resources, but does not require an analysis of capacity value. This approach would recognize that the place where thorough comparative portfolio analysis occurs is in the integrated resource planning process. Under such an approach, other elements excluded from this proposed rule, such as the analysis of fuel price risk, could also be left to the integrated resource plan analysis. Conducting a simpler, cost-based comparison between the levelized costs of the energy delivered from the comparative resources would accomplish the objectives of the cost limitation in a transparent and straightforward manner without overly burdening the analysis.

If, instead, the Commission wishes to allow utilities to include the calculation of capacity contribution as part of the incremental cost analysis, the Commission should revise WAC 480-109-210(2)(a)(i)(B) to state an acceptable standard for calculating the resource capacity credit. The proposed language implies that capacity credit could be calculated by examining production during a single hour of a single year. This would be an outlier method that dramatically understated the resource's contribution to capacity and reliability. The most accurate methods for calculating capacity value are reliability-based methods such as the effective load carrying capacity (ELCC) methodology. As the ELCC method is computation- and data-intensive, a variety of acceptable approximations of reliability-based methods like the ELCC have emerged.<sup>2</sup>

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<sup>1</sup> For example, the Bonneville Power Administration ("BPA"), which provides integration services for certain resources in the BPA Balancing Authority Area that are under the Commission's jurisdiction, assesses integration charges for both renewable and non-renewable thermal resources. BPA assesses an integration charge for wind and solar resources known as the "variable energy resource balancing service" or "VERBS" charge and an integration charge for thermal resources known as the "dispatchable energy resource balancing service" or "DERBS" charge. See, e.g., BPA 2014 Transmission, Ancillary, and Control Area Service Rate Schedules and General Rate Schedule Provisions (FY 2014-2015), available at [http://www.bpa.gov/Finance/RateInformation/RatesInfoTransmission/2014%20Transmission%20Rate%20Schedules\(FINAL\).pdf](http://www.bpa.gov/Finance/RateInformation/RatesInfoTransmission/2014%20Transmission%20Rate%20Schedules(FINAL).pdf).

<sup>2</sup> See, e.g., Madaeni et al., *Comparison of Capacity Value Methods for Photovoltaics in the Western United States*, National Renewable Energy Laboratory (July 2012) (comparing reliability-based methods with various approximations, and finding that less data and computationally intense methods can yield similar results); Milligan and Porter, *The Capacity Value of Wind in the United States: Methods and Implementation*, *The Electricity Journal*, March 2006, Vol. 19, Issue 2, available at [http://www.science.smith.edu/~jcardell/Courses/EGR325/Readings/CapValu\\_USA\\_ElecJrnl.pdf](http://www.science.smith.edu/~jcardell/Courses/EGR325/Readings/CapValu_USA_ElecJrnl.pdf), at 94-95 (discussion approximation methods).

Any utility that uses a capacity credit adjustment for renewable resources in the incremental cost analysis should be able to compute that credit using a valid ELCC approximation.

Therefore, if the Commission retains the capacity credit adjustment, we urge the Commission to revise the proposed language to require capacity credit be calculated by using a valid approximation of the effective load carrying capacity of the resource or resource type (*i.e.*, wind generally, solar generally):

**(B) Capacity.** Calculate the capacity credit for each eligible resource by multiplying the resource's nameplate capacity by its percentage capacity value, which must be determined by modeling the eligible resource's output, in megawatts, at the time of the utility's annual system peak or accurately approximating the resource or resource type's effective load carrying capability;

In addition to these refinements, we wish to propose one minor change to WAC 480-109-210(2)(a)(i)(F). For purposes of clarity, the Commission should add a sentence to this provision stating that the end result of the incremental cost calculation may be a negative number.

### **3. Miscellaneous**

#### ***(a) Support measurement of emissions intensity in connection with I-937 filings***

We support the Commission's proposed WAC 480-109-300 requiring utilities to report on metrics of energy and emissions intensity. I-937 is an important component of the state's efforts to lower greenhouse gas emissions. Indeed, analysis performed in connection with the Climate Legislative and Executive Workgroup process identified I-937 as the state's most effective policy at reducing greenhouse gases.<sup>3</sup> We applaud the Commission for looking at I-937 from a broader perspective and thinking about how the utilities' chosen methods for complying with the law are reducing greenhouse gas emissions.

#### ***(b) Support registration in WREGIS***

We support the requirement in WAC 480-109-200(3) that all eligible renewable resource generation and RECs used for utility compliance be registered in WREGIS, regardless of facility ownership.

#### ***(c) Support REC bifurcation language***

We appreciate the codification of the Commission's decision on multiplier-REC bifurcation in proposed WAC 480-109-200(4). The proposed rule language appears consistent with the Commission's decision.

#### ***(d) Support amendment to WAC 480-109-220***

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<sup>3</sup> State of Washington Climate Executive Workgroup (CLEW), Evaluations of Approaches to Reduce GHG Emissions in Washington State, October 14, 2013, available at [www.governor.wa.gov/issues/economy/climateWorkgroup/documents/Task\\_4\\_Final\\_Report\\_10-13-2013.pdf](http://www.governor.wa.gov/issues/economy/climateWorkgroup/documents/Task_4_Final_Report_10-13-2013.pdf).

We support the proposed WAC 480-109-220, which further increases clarity around the core principle that alternative compliance mechanisms may be used to lessen, but not eliminate, the requirement to deliver renewable energy and/or retire RECs on behalf of customers.

***(e) Support new rule addressing multi-state allocations***

We appreciate the proposed WAC 480-109-210(2)(e), which requires clear documentation that RECs and MWhs have been allocated consistently with ratemaking practices.

**4. Conclusion**

We appreciate the efforts of Commission staff in putting together clear and effective proposed rules to further improve the implementation of I-937. We look forward to helping with the continued successful implementation of this important voter initiative.

Thank you for the opportunity to comment.

Sincerely,

*/s/ Dina Dubson Kelley*, Staff Counsel, Renewable Northwest

*/s/ Megan Decker*, Chief Counsel, Renewable Northwest

*/s/ Nancy Hirsh*, Policy Director, NW Energy Coalition

*/s/ Joni Bosh*, Senior Policy Associate, NW Energy Coalition