MEMORANDUM

TO: Jon Piliaris and Phil Haines

FROM: Tricia Fischer, Chris Schaefer and Brian Tyson

DATE: December 14, 2022

SUBJECT: Renewable portfolio standard

Background

Chapter 480-109 of Washington Admininstrive Code (WAC) establishes rules that electric utilities must follow to comply with the requirements of the Energy Independence Act (Chapter 19.285 RCW). Specifically, WAC 480-109-200 Renewable portfolio standard states:

> (1) **Renewable resource target.** Each utility must meet the following annual targets.
> …
> (c) By January 1st of each year beginning in 2020 and continuing each year thereafter, each utility must use sufficient eligible renewable resources, acquire equivalent renewable energy credits, or a combination of both, to supply at least fifteen 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.

Summary

Pursuant to the requirements of WAC 480-109-200 Renewable portfolio standard, we have prepared this Memorandum to document that Puget Sound Energy ("PSE") has acquired sufficient eligible renewable resources in its portfolio, by January 1, 2023, to supply at least fifteen percent of its 2021-2022 average load for the 2023 target year.
The following provides detail of PSE's eligible renewable resources, load and renewable energy target.

Eligible Renewable Resources

Eligible renewable resources that PSE may elect to use in whole or in part to meet its 2023 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 Avangrid);
- Golden Hills Wind
- Clearwater Wind
- Sierra Pacific Burlington
- Snoqualmie Falls Hydroelectric Efficiency Upgrades;
- Lower Baker River Hydroelectric Efficiency Upgrades;
- Allocation of Hydroelectric Efficiency Upgrades that may be (now or in the future) a part of PSE's Mid-C Contracts;
- Biomass
- Customer-Generator owned facilities taking service from PSE under PSE electric rate Schedule 91;
- WA RPS compliant REC purchases; and
- Any other eligible renewable resources that may become available.

Total 2021 generation from Hopkins Ridge, Wild Horse, Wild Horse Expansion, Lower Snake River, Klondike III and Sierra Pacific Burlington was approximately 2,341,534 megawatt-hours (not inclusive of the extra apprenticeship credits); similar generation may be achieved for 2022 and 2023.

These eligible renewable resources may be impacted by events beyond PSE's reasonable control, which could not be reasonably anticipated, that could prevent 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 PSE.

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 for meeting its 2023 renewable resource target. However, there may be events beyond PSE's control during calendar year 2023 which could prompt PSE to utilize one of the above mentioned alternative

compliance mechanisms. Such determination will be made when PSE reports on its final 2023 compliance in the 2024 or 2025 report.

PSE may choose to purchase eligible RECs to meet annual compliance targets and use PSE-owned resources for other purposes.

Load

As defined in the rule, "'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 2021 delivered load was 21,036,614,000 kilowatt-hours (21,036,614 megawatt-hours) and the 2022 forecast load is 20,397,725,000 kilowatt-hours (20,397,725 megawatt-hours). This forecast does not include Microsoft load served under the Special Contract in Docket UE-161123.

Consistent with WAC 480-109-210(2), based on the average of PSE's load in 2021 and 2022 and as reflected above, PSE's estimated load for purposes of meeting its 2023 target is 20,717,170 megawatt-hours.

2023 Renewable Resource Target

Pursuant to Chapter 480-109-200(1)(b) WAC, PSE's renewable resource target shall be fifteen percent of its 2021-2022 average load. Therefore, PSE's estimated renewable energy target for 2023 is approximately 3,107,575 megawatt-hours (fifteen percent of 20,717,170 megawatt-hours.) PSE expects that eligible renewable energy generation in 2023 combined with an estimate of 1,065,000 surplus RECs generated in 2022 will be in excess of its 2023 requirement.

PSE will report on the specific renewable energy credits produced and to be retired for final compliance with the 2023 target in either its 2024 or 2025 annual report, and reserves the right to submit renewable energy credits from the resources reported here or to substitute with renewable energy credits produced from 2022 to 2024 by other eligible renewable resources or with 2023 generation from eligible renewable resources that have not been converted to renewable energy credits.

Conclusion

PSE has acquired sufficient eligible renewable resources or renewable energy credits to meet the estimated renewable energy target for 2023.

PSE's expected 2023 eligible renewable resource generation of 4,213,079 megawatt-hours, not including extra apprenticeship credits, plus 2022 eligible renewable resource generation banked forward, exceeds its 2023 renewable resource target of 3,107,575 megawatt-hours.