Agenda Date: July 26, 2013

Item Number: A4

**Docket: UE-131072**

Company: Puget Sound Energy

Staff: Chris McGuire, Regulatory Analyst

Jeremy Twitchell, Regulatory Analyst

Deborah Reynolds, Assistant Director, Conservation and Energy Planning

**Recommendation**

Issue an Order in Docket UE-131072 finding

1. Under RCW 19.285.040(2)(a)(i) and WAC 480-109-020(1)(a), the 2013 renewable energy target for Puget Sound Energy is 639,514 megawatt-hours.
2. Puget Sound Energy has complied with the June 1, 2013, reporting requirements pursuant to WAC 480-109-040. These reporting requirements include Puget Sound Energy’s plan for meeting its RPS obligation for the remainder of 2013.
3. Puget Sound Energy has demonstrated that, by January 1, 2013, Puget Sound Energy acquired at least 639,514 megawatt-hours of eligible renewable resources, equivalent renewable energy credits, or a combination of them, for its use in 2013, as required by RCW 19.285.040(2)(a)(i) and WAC 480-109-020(1)(a).
4. Puget Sound Energy must file a second report no later than June 1, 2015, that provides the information necessary to determine whether Puget Sound Energy met the January 1, 2013, target, including the specific megawatt-hours and/or renewable energy credits used to meet the target.

**Background**

On May 31, 2013, Puget Sound Energy (PSE or company) timely filed its annual report detailing its progress in meeting the renewable portfolio standard (RPS) targets established in RCW 19.285.040. On July 22, 2013, PSE filed an amended RPS report at the request of staff.

On June 7, 2013, the Washington Utilities and Transportation Commission (commission) issued a Notice of Opportunity to File Written Comments pursuant to RCW 19.285.040 and WAC 480-109-040. On July 1, 2013, interested parties, including staff, filed comments on PSE’s RPS report in Docket UE-131072.

This memo summarizes the comments provided by third parties and identifies issues likely requiring further discussion at the July 26, 2013, Open Meeting. Staff also provides a recommendation for language to be included in Order 01 of this docket.

**Discussion**

Although PSE filed its 2013 RPS report in a timely manner, the company’s initial report lacked information about its hydro purchases from Grant County PUD and the methodology used to calculate the incremental output of PSE’s newly upgraded Snoqualmie Falls and Lower Baker River facilities. At staff’s request, PSE filed an amended report on July 22, 2013. Staff is satisfied that the amended report provided all of the requested information and meets reporting requirements.

Staff has not yet fully evaluated the supporting materials provided with PSE’s amended report, and is unable to make a recommendation concerning PSE’s use of Method 3 for determining the incremental hydro output of its upgraded facilities at Snoqualmie Falls and Lower Baker River. Staff is also unable to accept the 2013 generation numbers PSE has derived using Method 3 because it is not yet known how long the two facilities will be operational in 2013. While staff does not object to PSE’s use of Method 3 at this time,[[1]](#footnote-1) it respectfully requests the commission delay its finding on PSE’s overall methodology until staff completes its evaluation and determines whether any modifications or additional checks are necessary, and until PSE provides confirmation that the facilities are in service.

**Area of Agreement in Comments**

The joint comments of Renewable Northwest Project and NW Energy Coalition (hereafter “joint comments”) substantively agreed with staff on the following points:

* PSE submitted sufficient information to demonstrate it met the January 1, 2013, acquisition requirements.
* Final 2012 RPS compliance requests and determinations should take place in the 2012 dockets, in PSE’s case Docket UE-120802.
* There is a lack of consistency in the incremental cost calculations employed by PSE and the other two regulated utilities, and staff should work with stakeholders to develop a uniform method of calculating this cost to be used in the 2014 reports as described in Attachment A.

**Incremental Hydro Generation from PUDs**

The joint comments argue that PSE should not be able to claim incremental hydro generation purchased from a public utility district (PUD) until the PUD adopts a methodology that is as reliable and as accurate as the methodologies used by the investor-owned utilities. Staff shares this general concern and has been working with the Washington State Auditor’s Office to resolve any lingering concerns it has with Grant County PUD’s methodology. The State Auditor’s Office has undertaken an evaluation of Grant County PUD’s methodology, and staff recommends that no utility be granted a final finding of RPS compliance for 2012 or 2013 until the State Auditor’s Office has made a ruling and incremental generation figures for the Wanapum facility are finalized. Discussion about the treatment of incremental hydro generation from Chelan County PUD is found in Attachment A.

**Compliance Evaluation**

*Annual Reporting Requirements*

In the orders associated with the 2012 RPS filings, the commission agreed with staff and NWEC/RNP that a two-step process is appropriate for evaluating compliance.  To comply with the two-step process a utility will 1) provide its plan for meeting its obligation for the target year, which shall include demonstration that it had in hand, as of January 1 of the target year, rights to eligible renewable resources or RECs that are likely to produce the required output for the year; and 2) file for final compliance no later than June 1 of the second year after the target year, describing the eligible resources and RECs the utility actually used for compliance during the target year.

In each of their respective 2013 comments, both commission staff and NWEC/RNP argue that a third step is required per commission rule. Both cite WAC 480-109-040(1)(d) which states:

The report must describe the steps the utility is taking to meet the renewable resource requirements for the current year.

Commission staff argues that this language requires each company to report its plan for meeting its RPS obligation for the current year (i.e., in 2013 toward the obligation throughout 2013). NWEC/RNP argues that this language requires the companies to report on progress in the current year toward the next year’s target (i.e., in 2013 toward the January 1, 2014, target).

Staff maintains its position on this issue, and notes that the section of the WAC cited (i.e., WAC 480-109-040(1)(c)) includes language only in reference to the current year.

*Final Compliance Determination*

PSE may ask for a final compliance determination for a specific target year at any time between the end of the target year and the two years following its initial compliance filing for that target year. Staff recommends the companies seek compliance determinations by filing a letter requesting such determination in the corresponding docket (i.e., requests for 2012 compliance determinations should be filed in the 2012 dockets, in PSE’s case Docket UE-120802). A request for a compliance determination must include the specific megawatt-hours and/or renewable energy credit numbers that the company intends to retire. Staff further recommends that, after staff review, compliance may be accepted by a letter from the Executive Secretary.

PSE has requested a finding of compliance for the 2012 target in its 2013 report. This request belongs in Docket UE-120802, consistent with the order in that docket.[[2]](#footnote-2) However, even if it had been properly filed, staff could not recommend granting that request at this time, given the ongoing evaluation of Grant County PUD’s incremental hydro methodology by the State Auditor’s Office.

**Conclusion**

Issue an order as described in the recommendation section of this memo.

Attachment A

1. The Energy Independence Act (EIA) does not specify how to measure or calculate incremental hydropower. The RPS Workgroup convened under Docket UE-110523 agreed on three optional methodologies for calculating incremental hydroelectric efficiency improvements. Method 1 requires an annual calculation, based on actual water flows or generation during that year. Method 2 also requires an annual calculation, multiplying actual generation by a fixed percentage to determine the generation attributable to efficiency upgrades. Method 2 is similar to that adopted by the Oregon Department of Energy under that state’s counterpart to the EIA. Method 3 requires a one-time calculation of the increase in annual megawatt-hours attributable to the efficiency upgrades under average historical water flows. [↑](#footnote-ref-1)
2. Docket UE-120802, Order 01 at ¶50. [↑](#footnote-ref-2)