

**ICNU Statement of Issues Regarding the
Inquiry on Regulatory Treatment for Renewable Energy Resources**

UE-100849

June 11, 2010

The Industrial Customers of Northwest Utilities (“ICNU”) appreciates the opportunity to submit an issue list in the Washington Utilities and Transportation Commission (“WUTC” or the “Commission”) “Inquiry on Regulatory Treatment for Renewable Energy Resources.” Pursuant to the Commission’s May 21, 2010 notice of opportunity to file statements of issues and written comments, ICNU provides the following statement of issues and positions. ICNU intends to submit more detailed comments during the workshops and formal comment periods.

The Commission’s initial list of issues appears to be focused on identifying and removing barriers to the development of renewable resources, and considering whether the Commission should adopt incentives for additional acquisition of renewable resources. ICNU’s statement of issues provides additional but related topics which should be addressed when reviewing the statutory and regulatory policies regarding the treatment of renewable resources in Washington.

The Commission is considering whether there are existing statutory or regulatory frameworks that impede compliance with the renewable portfolio standard (“RPS”) requirements and whether the Commission should propose legislative changes to resolve certain potential impediments. A significant potential problem associated with the utilities’ ability to acquire renewable resources is the current, unduly narrow definition of renewable resources under Washington law. ICNU recommends that the Commission consider proposing statutory modifications to expand those resources that qualify as renewable under Washington law.

Specifically, ICNU proposes that the definition of renewable resources be modified as explained below:

- The geographical limitations in the Washington RPS should be expanded. The goal of the RPS is to increase Washington’s use of renewable resources, and the current law prevents Washington ratepayers from taking advantage of lower cost renewable resources that can be used to serve Washington load.
- The vintage date for renewable resources, especially as applied to biomass facilities is unnecessarily narrow. Biomass facilities that are rebuilt or significantly expanded should qualify as renewable resources.

- There is no sound basis to exclude certain low impact hydro facilities as renewable resources. The Oregon RPS standard allows utilities to count up to 50 average megawatts of low impact hydro per year for compliance purposes. The Commission should consider recommending a similar change to Washington's RPS.
- Efficiency upgrades at all hydro facilities should be counted for meeting the Washington RPS.
- The Washington RPS should be expanded to include "black liquor," which can be used to generate electricity. Generation facilities powered by black liquor to fuel mills should qualify as renewable because it reduces fossil fuel usage, and is a carbon-neutral biomass-based fuel that results in no net increase of carbon dioxide.

ICNU raises a number of other issues regarding the statutory and regulatory treatment of renewable resources which should ease compliance with the Washington RPS at a lower cost for customers and utilities. These include:

- Utilities should not be allowed to place into rates renewable resources built in advance of need. Technological changes can potentially reduce the costs of future renewable resources. In addition, forecasted load growth can be wildly inaccurate and dependent upon uncertain economic conditions, which can eliminate or reduce the need for the acquisition of any new resources.
- Utilities should not be required to displace existing generation resources with new renewable resources. Utilities with low or shrinking load growth should be allowed to use their existing generation resources to meet their existing load, and should not be forced to retire generation facilities before their useful life expires and replace them with newer, more expensive resources. Many utilities in Washington rely upon hydro facilities which are a zero carbon renewable resource that meet the current needs of a significant portion of Washington's overall electric load. These utilities should not be required to replace these low cost hydro renewable resources with higher cost renewable resources.
- The Washington RPS banking system for renewable energy credits ("REC") should be modified. The Washington banking system allows for only limited banking over a short three-year period. In contrast, the Oregon RPS allows unlimited banking of qualifying renewable resources, although there is a limitation on the amount of banked RECs that can be used in any single compliance year. Oregon's banking system is more reasonable and provides utilities with additional flexibility, and the Commission should consider proposing that similar modifications be adopted in Washington.
- The Washington RPS does not include an effective cost cap to protect customers. In addition, it is unclear whether all the costs of renewable resources are being recognized. For example, the costs of renewable resources are greater than simply the capital and fuel costs, but also including integration, shaping and firming costs,

and the cost to build new transmission facilities to move certain resources to load. The Commission should ensure that the full cost of renewable resources are recognized, and should consider proposing a meaningful cost cap.