

Agenda Date: July 24, 2014  
Item Number: A2

**Docket:** UE-140800  
Company: Puget Sound Energy

Staff: Jeremy Twitchell, Regulatory Analyst

### **Recommendation**

Issue an Order in Docket UE-140800 finding:

1. Under RCW 19.285.040(2)(a)(i) and WAC 480-109-020(1)(a), the 2014 renewable energy target for Puget Sound Energy is 635,202 megawatt-hours.
2. Puget Sound Energy has complied with the June 1, 2014, reporting requirements pursuant to WAC 480-109-040. These reporting requirements include Puget Sound Energy's plan for meeting its RPS obligation in 2014.
3. Puget Sound Energy has demonstrated that, by January 1, 2014, Puget Sound Energy acquired at least 635,202 megawatt-hours of eligible renewable resources, equivalent renewable energy credits, or a combination of them, for its use in 2014, 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, 2016, that lists the certificate numbers in the Western Renewable Energy Generation Information System for every megawatt-hour and renewable energy credit that Puget Sound Energy retired to meet the January 1, 2014, target.

### **Background**

In 2006, Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). Now codified in RCW 19.285, the EIA created a renewable portfolio standard (RPS) that requires electric utilities with more than 25,000 customers to serve an increasing percentage of their retail load with eligible renewable resources and to file an annual compliance report (RPS report) by June 1 of each year.<sup>1</sup>

The Washington Utilities and Transportation Commission (commission) is responsible for administering the EIA for the state's three investor-owned utilities (IOUs).<sup>2</sup> The commission has adopted a two-step process for determining whether an IOU has complied with the RPS. The first step is the annual compliance report required by statute, in which a utility must calculate its RPS target for that year as prescribed by the EIA<sup>3</sup> and document that by January 1 of that year, the utility had acquired enough renewable resources and renewable energy credits to meet the target.

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<sup>1</sup> RCW 19.285.070.

<sup>2</sup> RCW 19.285.060(6).

<sup>3</sup> RCW 19.285.040(2).

The second step is a compliance report to be filed in the same docket, no later than two years after the initial report, in which the utility identifies the specific resources that it used to meet the target.<sup>4</sup> As directed by the EIA, the Washington Department of Commerce has designated the Western Renewable Energy Generation Information System (WREGIS) as the system to be used for tracking and verifying the resources used for RPS compliance in Washington.

The EIA requires any renewable energy credit used for RPS compliance to be verified by WREGIS, as selected by the Department of Commerce. And while the EIA recognizes incremental energy produced by upgraded hydropower facilities as an eligible resource, it does not allow incremental hydropower to generate a renewable energy credit.<sup>5</sup> This has created a disconnect between the resources that may be used for RPS compliance and the tracking of those resources. While the EIA does not explicitly require eligible hydropower resources to be registered in WREGIS, staff believes that the broader goals of tracking RPS compliance and ensuring that resources are not being double-counted support the registration of all incremental hydropower facilities in WREGIS. This will allow for each megawatt-hour of eligible generation to be tracked and verified with a WREGIS certificate identification number. Staff therefore recommends that when determining final compliance with 2014 RPS targets, the commission only accept resources that have corresponding certificates retired in WREGIS.

This may create a problem with public utilities in Washington that sell incremental hydropower to the investor-owned utilities, but have not registered their resources in WREGIS. Staff believes that verifying resources and preventing double-counting are key components of the EIA, and that those facilities should be registered in WREGIS. While the commission has no authority to require those entities to do so, staff encourages the investor-owned utilities, as customers of the public utilities, to encourage WREGIS registration.

Puget Sound Energy (PSE or company) filed its 2014 RPS report on May 30, 2014, which is the first step of the two-step process. PSE will have until June 1, 2016, to file a final compliance report that identifies the specific resources the company used to meet its 2014 target and documents that the corresponding certificates were retired in WREGIS.

### **Discussion**

Commission staff (staff) filed comments on June 30, 2014, which analyzed and summarized the RPS reports of PSE, Avista Corporation and Pacific Power & Light Company. As explained in those comments, PSE's initial report did not meet statutory requirements because it failed to

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<sup>4</sup> *In the Matter of Puget Sound Energy's Renewable Energy Target Progress Report Under RCW 19.285.070 and WAC 480-109-040*, Docket UE-131072, Order 01 ¶ 2 (Sept. 9, 2013).

<sup>5</sup> RCW 19.285.030(20).

identify the resources it planned to use for 2014 RPS compliance and omitted company-owned facilities that produce eligible hydropower. At staff's request, PSE filed a revised report on June 26, 2014, that addressed those issues. Based on the information that PSE provided in its revised report, staff believes that the company correctly calculated its target for supplying three percent of its retail load in 2014 with renewable resources, and that it has acquired sufficient resources to meet that target.

Because of lingering construction challenges at the company's recently upgraded hydropower facilities at Snoqualmie Falls and Lower Baker, PSE's revised report estimated the amount of incremental hydropower these facilities will produce in 2014, based on estimated dates of when the facilities will enter full service. Actual incremental generation in 2014 will depend on when the facilities enter service. Staff will review the company's 2014 incremental hydropower generation when PSE files for final 2014 compliance, but suggests that given the partial year of generation that the facilities will produce in 2014, it may be more appropriate for PSE to use Method 1, which is a calculation based on actual production, to determine its incremental hydro production for 2014 only.

PSE's use of Method 3 to calculate its incremental hydropower production is being addressed in the docket associated with PSE's 2013 RPS report, Docket UE-131072. In that docket, the commission accepted the company's use of Method 3, but noted that staff would review the methodology and recommend modifications as necessary.<sup>6</sup> Staff is in the process of reviewing the company's methodology, and will make recommendations in Docket UE-131072. Given that the review of PSE's methodology is ongoing in the 2013 docket, and PSE's projected 2014 incremental hydropower production is an estimate, staff recommends that in accepting PSE's 2014 RPS report, the commission explicitly state that it is not accepting an amount of incremental hydropower or a method of calculating it.

PSE's initial report also incorrectly included the company's second-step filing for its 2012 and 2013 RPS targets. The commission has ordered that the second-step compliance filings be filed in the docket associated with their year; that is, the 2012 request belongs in the 2012 docket and the 2013 request belongs in the 2013 docket.<sup>7</sup> PSE filed both requests in the 2014 docket. At staff's request, the company filed the 2012 and 2013 requests in their associated dockets on July 10, 2014. Staff will address those filings in those dockets.

Staff's comments on the utilities' 2014 RPS filings also discussed the commission's open rulemaking in Docket UE-131723, which will update the commission's EIA implementation rules in WAC 480-109. Issues that staff has previously identified with the utilities' RPS reports

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<sup>6</sup> *In re Puget Sound Energy, Inc.'s Renewable Energy Target Progress Report under RCW 19.285.070 and WAC 480-109-040*, Docket UE-131072, Order 01 ¶ 23.

<sup>7</sup> *In re Puget Sound Energy, Inc.'s Renewable Energy Target Progress Report under RCW 19.285.070 and WAC 480-109-040*, Docket UE-131072, Order 01, page 2, footnote 8 (Sept. 9, 2013).

are being addressed in that proceeding; a summary of those issues and their status was provided in staff's comments.

The commission received one set of public comments regarding PSE's 2014 RPS report, which were filed jointly by Renewable Northwest (RNW) and the Northwest Energy Coalition (NWEC). Like staff, RNW and NWEC filed one set of comments that broadly addressed the reports of all three utilities. Generally, RNW and NWEC commended the utilities for achieving their targets with low cost impacts and without relying on the alternative compliance mechanisms allowed by the EIA.

The joint comments expressed lingering concerns with the utilities' approaches to calculating their incremental costs of RPS compliance and production from eligible hydropower facilities, but acknowledged that those issues are being addressed in the rulemaking. RNW and NWEC also expressed reservation with the utilities' reporting of eligible hydropower purchased from public utilities, which do not use any of the three methodologies that the commission has approved for calculating the amount of RPS-eligible power produced by upgraded hydro facilities.<sup>8</sup>

### **Conclusion**

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

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<sup>8</sup> PSE purchases hydropower from both Chelan and Grant County. The Washington State Auditor recently found that the Chelan County method for calculating incremental hydropower may not be acceptable. The Washington Department of Commerce is reviewing the method, and is expected to issue a new determination of eligibility shortly. Staff prefers to wait for this determination before making any recommendation about these facilities going forward.