

Agenda Date: July 24, 2014
Item Number: A3

Docket: UE-140801
Company: Avista Corporation

Staff: Jeremy Twitchell, Regulatory Analyst

Recommendation

Issue an Order in Docket UE-140801 finding:

1. Under RCW 19.285.040(2)(a)(i) and WAC 480-109-020(1)(a), the 2014 renewable energy target for Avista Corporation is 167,884 megawatt-hours.
2. Avista Corporation has complied with the June 1, 2014, reporting requirements pursuant to WAC 480-109-040. These reporting requirements include Avista Corporation's plan for meeting its RPS obligation in 2014.
3. Avista Corporation has demonstrated that, by January 1, 2014, Avista Corporation acquired at least 167,884 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. Avista Corporation 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 Avista Corporation retired to meet the January 1, 2014, target.¹

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.²

The Washington Utilities and Transportation Commission (commission) is responsible for administering the EIA for the state's three investor-owned utilities (IOUs).³ 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 EIA⁴ and document that by January 1 of that year, the utility had acquired enough renewable resources and renewable energy credits to meet the target.

¹ Staff also notes the commission's order in response to Avista's 2013 RPS report, Docket UE-131056, which requires Avista to compare the results of its incremental hydropower calculation methodology against the results that would have been provided by an alternative methodology, and report its findings in the company's 2017 RPS report.

² RCW 19.285.070.

³ RCW 19.285.060(6).

⁴ 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.⁵ 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.⁶ 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 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.

Avista Corporation (Avista or company) filed its 2014 RPS report on May 30, 2014 with the commission, which is the first step of the two-step process. Avista 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 their corresponding certificates were retired in WREGIS.

Discussion

Commission staff (staff) filed comments on June 30, 2014, which analyzed and summarized the RPS reports of Avista, Puget Sound Energy and Pacific Power & Light Company. Based on the information that Avista provided in its 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.

⁵ *In the Matter of Avista Corporation's Renewable Energy Target Progress Report Under RCW 19.285.070 and WAC 480-109-040*, Docket UE-131056, Order 01 ¶ 2 (Sept. 9, 2013).

⁶ RCW 19.285.030(20).

Staff's comments 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 previously identified with the utilities' RPS reports 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 Avista's 2014 RPS report, which were filed jointly by Renewable Northwest (RNW) and the Northwest Energy Coalition (NWECC). Like staff, RNW and NWECC filed one set of comments that broadly addressed the reports of all three utilities. Generally, RNW and NWECC 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 NWECC also expressed reservation with the utilities' reporting of eligible hydropower purchased from public utilities, which do not use the three methodologies that the commission has approved for calculating the amount of RPS-eligible power produced by upgraded hydro facilities.

Conclusion

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