

Attachment 1

MEMORANDUM

TO: Roger Garratt, Michael Mullally, Ken Johnson

FROM: Eric Englert, Anna Mikelsen Mills

SUBJECT: Requirements of Chapter 480-109-020 WAC

DATE: December 31, 2014

Background

Chapter 480-109-020 WAC Renewable resources states:

"(1) Each utility must meet the following annual targets.

(a) *By January 1 of each year beginning in 2012 and continuing through 2015, each utility must use sufficient eligible renewable resources, acquire equivalent renewable energy credits, or a combination of both, to supply at least three percent of its load for the remainder of each year.*

...

(2) 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 1 of the target year.

(3) In meeting the annual targets of this subsection, a utility must calculate its annual load based on the average of the utility's load for the previous two years.

(4) 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."

(Emphasis added.)

Summary

Pursuant to the requirements of Chapter 480-109-020 WAC, we have prepared this Memorandum to document that Puget Sound Energy, Inc. ("PSE") has acquired sufficient

eligible renewable resources in its portfolio by January 1, 2015 to supply at least three percent of its estimated load for the year 2015.

This is consistent with the information provided to the WUTC on May 31, 2013 in PSE's compliance filing in Docket No. UE-120767, in regard to PSE's 2013 Integrated Resource Plan ("IRP"). In the Executive Summary of the IRP, PSE stated that:

"... PSE has acquired enough eligible renewable resources and RECs to meet the requirements of the law through 2022."

Following provides a summary of the Company's eligible renewable resources, load and renewable energy target.

Eligible Renewable Resources

PSE has acquired sufficient eligible renewable resources in its portfolio to supply at least three percent of its estimated load for the year 2015, in advance of January 1, 2015.

Eligible renewable resources that PSE may elect to use in whole or in part to meet its 2015 target include (but 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 Iberdrola);
- 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;
- Customer-Generator owned facilities taking service from PSE under PSE electric rate Schedule 91; and
- Any other eligible renewable resources that may become available in 2015 or 2016.

Total 2013 generation from Hopkins Ridge, Wild Horse, Wild Horse Expansion and Lower Snake River was about 1,884,000 megawatt-hours (not inclusive of the extra apprenticeship credits); similar generation may be achieved for 2014 and 2015.

These eligible renewable resources may be impacted by events beyond PSE's reasonable control that could not have been reasonably anticipated or ameliorated that prevented 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 a qualifying utility.

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 480.109.030(1),(3) instead of meeting its 2015 renewable energy target. However, there may be events beyond PSE's control during the remainder of the calendar year 2015 which could prompt PSE to utilize the alternative compliance mechanisms in RCW 19.285.040(2)(i) and WAC 480.109.030(2). Such determination will be made when PSE reports on its final 2015 compliance in the 2016 or 2017 report.

Load

Load is defined in the rules as:

"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 2013 delivered load is 21,208,608,000 kilowatt-hours (i.e. 21,208,608 megawatt-hours) and the 2014 forecast load is about 20,773,350,255 kilowatt-hours (i.e. 20,773,350 megawatt-hours).

Consistent with WAC 480-109-020(3), based on the average of PSE's load in 2013 and 2014 and as reflected above, the Company's estimated load for purposes of meeting its 2015 target will likely be in the neighborhood of 20,990,979 megawatt-hours.

2015 Renewable Energy Target

Chapter 480-109-020(1)(a) WAC states: "By January 1 of each year beginning in 2012 and continuing through 2015, each utility must use sufficient eligible renewable resources, acquire equivalent renewable energy credits, or a combination of both, *to supply at least three percent of its load for the remainder of each year.*" (Emphasis added.)

Based on the load estimations above and the three percent requirement in Chapter 480-109-020(1)(a) WAC, the Company's estimated renewable energy target for 2015 may end up being approximately 629,729 megawatt-hours.

PSE expects to generate more eligible renewable energy than its 2015 requirement (not including any renewable energy credits generated in 2014 that the Company may elect to use for its 2015 requirement).

PSE will report on the specific renewable energy credits produced and to be retired for final compliance with the 2015 target in either its annual 2016 or 2017 report, and reserves the right to submit renewable energy credits from the resources reported here or to substitute with renewable energy credits produced from 2014 to 2016 by other eligible renewable resources or with 2015 generation from eligible renewable resources that have not been converted to renewable energy credits.

Conclusion

PSE's eligible renewable resources in 2015 may be expected to generate approximately 2,524,274 megawatt-hours and/or renewable energy credits and/or extra apprenticeship credits (not inclusive of: i) any renewable energy credits that may be committed/sold to third-parties and/or customers or ii) any renewable energy credits generated in 2014 that the Company may elect to use for its 2015 renewable energy target).

Events beyond PSE's reasonable control may yet occur during the remainder of calendar year 2015 which could prompt PSE to utilize the alternative compliance mechanism in RCW 19.285.040(2)(i) and WAC 480.109.030(2). 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 a qualifying utility. Such determination will be made when PSE reports on its final 2015 compliance in the annual 2016 or 2017 renewable energy target report.

As reported to the WUTC on May 31, 2013 in PSE's compliance filing in Docket No. UE-120767, in regard to PSE's 2013 IRP, PSE is on track to meet the Renewable Energy Target requirements for the year 2015 and all the way to the year 2022. PSE has acquired enough eligible renewable resources or renewable energy credits to meet the estimated renewable energy target for 2015 as noted in RCW 19.285.040(2).