

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

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-140800

ORDER 01

ORDER APPROVING COMPLIANCE
WITH ELIGIBLE RENEWABLE
ENERGY TARGET REPORTING
REQUIREMENTS FOR 2014

BACKGROUND

¹ The Energy Independence Act (EIA or Act)¹ requires qualifying electric utilities to obtain certain percentages of their electricity from eligible renewable resources. The Washington Utilities and Transportation Commission (Commission) enforces compliance with the EIA by investor-owned utilities.² Commission rules implementing the Act require that “[b]y January 1 of each year beginning in 2012 and continuing through 2015, each [qualifying investor-owned] utility must use sufficient eligible renewable resources, acquire equivalent renewable energy credits (RECs), or a combination of both, to supply at least 3 percent of its load for the remainder of each year.”³ The Act requires a utility to file a report demonstrating that it met that obligation⁴ and describing “the steps [it] is taking to meet the renewable resource requirements for the current year.”⁵ Ultimately, the Commission must determine “whether the utility complied with its . . . renewable resource targets.”⁶

¹ RCW Chapter 19.285.

² RCW 19.285.060(6).

³ WAC 480-109-020(1)(a). For a detailed discussion of the Commission’s implementation of the EIA and the meaning of the terms used in the statute, see *In re Puget Sound Energy’s Renewable Energy Target Progress Report under RCW 19.285.070 and WAC 480-109-040*, Docket UE-120802, Order 01, Order Regarding 2012 Renewable Energy Target (Sept. 13, 2012).

⁴ RCW 19.285.070; WAC 480-109-040.

⁵ WAC 480-109-040(1)(d).

⁶ WAC 480-109-040(2)(c).

2 The Commission has implemented these requirements by establishing a two-step compliance process.⁷ Because a utility may comply with its renewable portfolio standards (RPS) obligation by using RECs acquired in the year after the target year, ultimate compliance for 2014, for example, may be demonstrated as late as June 1, 2016. Accordingly, there will be two commission decisions for each year's compliance: (1) a determination that the company has enough resources to meet the 3 percent target; and (2) the retrospective compliance decision. Before the Commission is the initial resource-adequacy filing made by Puget Sound Energy (PSE or Company) for its 2014 obligation. The Commission will consider PSE's compliance with its 2014 target when PSE requests such a finding, which the Company must do through a filing in this docket no later than June 1, 2016.

3 On May 30, 2014, PSE filed with the Commission a compliance report under RCW 19.285.070 and WAC 480-109-040 (Initial RPS Report). At Commission Staff's request, PSE filed a revised report on June 26, 2014, (Revised RPS Report) to address Staff's concerns that the initial report did not meet statutory requirements because it failed to identify the resources PSE planned to use for 2014 RPS compliance and omitted Company-owned facilities that produce eligible hydropower.

4 PSE's Revised RPS Report included all items required by WAC 480-109-040 and RCW 19.285.070(1). PSE reported an average load in 2012 and 2013 of 21,173,388 megawatt-hours (MWh), yielding a 2014 target of 635,202 MWh. The following table summarizes PSE's 2014 target and available resources for meeting the target:

2014 Target (MWh)	Incremental Hydro (MWh)	2013 RECs	2014 RECs	Purchased RECs	Total Resources (MWh)
635,202	40,144	595,058	2,144,605	N/A	2,779,807

5 The Company seeks an order from the Commission confirming that PSE has complied with the Commission's EIA reporting requirements and accepting the Company's calculations and eligibility of the renewable resources identified in the RPS Report for 2014.

⁷ *In re Puget Sound Energy's Renewable Energy Target Progress Report under RCW 19.285.070 and WAC 480-109-040, Docket UE-120802, Order 01, Order Regarding 2012 Renewable Energy Target ¶31 (Sept. 13, 2012).*

- 6 On June 9, 2014, the Commission issued a Notice inviting interested persons to file written comments on PSE’s Initial RPS Report. During the comment period, the Commission received written comments from Commission Staff and joint written comments from Renewable Northwest and NW Energy Coalition (RNW/NWEC). Those parties and PSE also provided oral comments at the July 24, 2014, Open Meeting.
- 7 Staff believes that PSE correctly calculated its target for supplying 3 percent of its retail load in 2014 with renewable resources, and that the Company has acquired sufficient resources to meet that target. Staff nevertheless has some concerns with PSE’s filing.
- 8 Staff’s first concern is tracking the resources used to demonstrate RPS compliance. The EIA requires any renewable energy credit used for RPS compliance to be verified by the Western Renewable Energy Generation Information System (WREGIS) selected by the Washington Department of Commerce. The EIA, however, does not allow efficiency improvements to a utility’s hydropower facilities (also known as “incremental hydropower”) to generate a renewable energy credit,⁸ even though the statute recognizes incremental hydropower as an eligible renewable resource.⁹ The EIA thus 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.
- 9 Staff is reviewing the methodology the Company has used to calculate incremental hydropower. Staff observes, however, that the Commission will address this issue in Docket UE-131072, the Company’s 2013 RPS compliance proceeding.
- 10 Staff further notes that the Commission’s rulemaking in Docket UE-131723 to update the EIA implementation rules in WAC 480-109, will include other issues that Staff has previously identified with the RPS reports that PSE and other utilities have filed. Staff believes that the rulemaking is the appropriate proceeding in which to address these issues and does not propose that the Commission resolve them now in this docket.

⁸ RCW 19.285.030(20).

⁹ RCW 19.285.030(11).

- 11 Staff recommends that the Commission issue an order in this docket determining: (1) The 2014 renewable energy target for PSE is 635,202 megawatt-hours; (2) PSE has complied with the June 1, 2014, reporting requirements; (3) PSE has demonstrated that, by January 1, 2014, the Company acquired at least 635,202 megawatt-hours of eligible renewable resources for its use in 2014; (4) the Commission makes no determination on the amount or method for calculation of incremental hydropower; and (5) PSE must file a second report in this docket no later than June 1, 2016, that lists the certificate numbers in WREGIS for every megawatt-hour and renewable energy credit that PSE retired to meet the January 1, 2014, target.
- 12 RNW/NWEC generally commended PSE for achieving its targets with low cost impacts and without relying on the alternative compliance mechanisms allowed by the EIA. These commenters, however, also expressed lingering concerns with PSE's approach to calculating the incremental costs of RPS compliance and production from eligible hydropower facilities, but acknowledged that those issues are being addressed in the rulemaking. RNW/NWEC also expressed reservation with PSE's reporting of eligible hydropower purchased from public utility districts (PUDs), 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.¹⁰

DISCUSSION

- 13 The Commission accepts PSE's calculation of 635,202 megawatt-hours as the Company's renewable energy target for 2014 and determines that PSE has identified sufficient resources to be able to meet that target. The Commission will make its final determination on whether PSE has met its 2014 target when the Company requests such a finding, which PSE must make in this docket no later than June 1, 2016.
- 14 The Commission, however, neither approves nor rejects PSE's methodology for calculating the Company's incremental electricity from hydropower efficiency improvements or the results of those calculations. Rather, the Commission will consider these issues in Docket UE-131072, PSE's 2013 RPS compliance proceeding. Even without considering incremental hydropower, PSE has identified eligible

¹⁰ PSE purchases hydropower from both Chelan and Grant County PUDs. The Washington State Auditor recently found that the Chelan County PUD 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. PSE's purchase of hydropower from Chelan County PUD does not include incremental hydropower at this time, but may do so in the future.

renewable resources far in excess of the amount required for the Company to meet its 2014 renewable energy target under RCW 19.285.040(2)(a)(i).

15 We agree with Staff on the importance of tracking the resources used to demonstrate RPS compliance. We acknowledge that the EIA does not expressly require eligible hydropower resources to be registered in WREGIS, but neither does the statute preclude the Commission from adopting such a requirement. We conclude that the Commission has discretion under the EIA to take actions to further the statute's goals of tracking RPS compliance and ensuring that resources are not being double-counted. We exercise that discretion to require PSE to register in WREGIS all incremental hydropower facilities on which the Company intends to rely to demonstrate RPS compliance.

FINDINGS AND CONCLUSIONS

- 16 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, regulations, practices, and accounts of public service companies, including electric companies.
- 17 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 18 (3) PSE serves more than 25,000 customers within the State of Washington and is a "qualifying utility" within the meaning of RCW 19.285.030(18).
- 19 (4) PSE has properly calculated its renewable energy target for 2014 to be 635,202 megawatt-hours.
- 20 (5) By January 1, 2014, PSE had acquired sufficient eligible renewable resources to supply at least three percent of its load for the remainder of 2014.
- 21 (6) PSE has met the reporting requirements of RCW 19.285.070 and WAC 480-109-040(1). These reporting requirements include PSE's plan for meeting its RPS obligation for the remainder of 2014.
- 22 (7) Pursuant to WAC 480-109-040(5), PSE must provide a summary of its RPS Report to its customers, by bill insert or other suitable method, within ninety days of the date of this Order.

- 23 (8) The Commission makes no findings or conclusions on PSE's methodology for calculating the Company's incremental electricity from hydropower efficiency improvements or the results of those calculations.
- 24 (9) PSE should be required to register in WREGIS all Company-owned incremental hydropower facilities on which the Company intends to rely for compliance with RPS requirements. PSE should be required to file a report no later than June 1, 2016, that lists the certificate numbers in WREGIS for every megawatt-hour and renewable energy credit that PSE retired to meet the January 1, 2014, target.

ORDER

THE COMMISSION ORDERS:

- 25 (1) The Commission accepts the calculation of 635,202 megawatt-hours as the 2014 renewable energy target for Puget Sound Energy.
- 26 (2) Puget Sound Energy has identified eligible renewable resources sufficient to supply at least three percent of its load for 2014.
- 27 (3) Puget Sound Energy has complied with the June 1, 2014, reporting requirements pursuant to WAC 480-109-040.
- 28 (4) Puget Sound Energy must file a second report no later than June 1, 2016, that provides the information necessary to determine whether Puget Sound Energy met the 2014 renewable energy target of 635,202 megawatt-hours.
- 29 (5) Puget Sound Energy must register in the Western Renewable Energy Generation Information System all Company-owned incremental hydropower facilities on which the Company intends to rely for compliance with renewable portfolio standard requirements. Puget Sound Energy must file a 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.

- 30 (6) The Commission Secretary is authorized to accept or approve a filing that complies with the requirements of this Order.

DATED at Olympia, Washington, and effective July 31, 2014.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner