

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**In the Matter of Puget Sound Energy
2017 Renewable Portfolio Standard
Report**

DOCKET UE-170515

**In the Matter of Avista Corporation
2017 Renewable Portfolio Standard
Report**

DOCKET UE-170682

**In the Matter of Pacific Power and Light
Company 2017 Renewable Portfolio
Standard Report**

DOCKET UE-170694

**COMMISSION STAFF COMMENTS REGARDING
ELECTRIC UTILITY RENEWABLE PORTFOLIO STANDARD REPORTS UNDER
THE ENERGY INDEPENDENCE ACT,
RCW 19.285 and WAC 480-109
(2017 RENEWABLE PORTFOLIO STANDARD REPORTS)**

JULY 14, 2017

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Executive Summary

Background

In 2006, Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). Now codified in RCW 19.285 and Chapter 480-109 WAC, the EIA created a renewable portfolio standard (RPS) that requires electric utilities with more than 25,000 customers to serve 9 percent of their 2017 retail load with eligible renewable resources and to file an annual compliance report (RPS Report) by June 1 of each year.¹ In 2020, and continuing each year thereafter, each utility must serve 15 percent of retail load with eligible renewable resources.² Washington's three investor-owned utilities (IOU's) – Avista Corporation (AVA or Avista), Pacific Power & Light Company (PAC or Pacific Power), and Puget Sound Energy (PSE) – timely filed RPS Reports by June 1, 2017.

In 2015, the Washington Utilities and Transportation Commission (commission) adopted rules for EIA enforcement found in WAC 480-109-200 and WAC 480-109-210. These rules outline a two-step reporting process, which the commission has used for reporting since the RPS went into effect in 2012.³ Each year, a utility will file a report to calculate its target for that year and demonstrate that it has acquired or contracted to acquire sufficient resources to meet the target. No later than two years after the initial report, the utility will file a second report that lists the specific generation and renewable energy credits (RECs) that the utility used to meet its target, and requests a determination from the commission that the utility complied with its target.

After reviewing the comments of other parties, commission staff will present a recommendation at the open meeting on August 10, 2017. The commission may issue an order in each company's docket finding that the utility met its reporting requirements and correctly calculated its 2017 RPS target.

Compliance with Rule

The rule requires that each report must document the companies' renewable resources, which allows staff to review the eligibility of the resources for meeting the rule requirement. Avista, Puget Sound Energy and Pacific Power did not identify any new renewable resources that will be used for RPS compliance in 2017. The resources listed in each of the companies' RPS reports have been determined eligible in previous commission orders.

The rule also requires that each eligible renewable resource must be registered in the Western Renewable Energy Generation Information System (WREGIS).⁴ Because the statute explicitly disallows any resources used for Green Power programs in RCW 19.29A.090, the commission

¹ RCW 19.285.040; RCW 19.285.070. In calculating the target, a utility must use its average retail load for the two years prior to the target year (e.g., the 2017 target is 9 percent of the utility's average load in 2015 and 2016).

² WAC 480-109-200(1).

³ See Docket UE-120802, Order 01 ¶ 24; Docket UE-120813, Order 01 ¶ 38.

⁴ WAC 480-109-200(3) For the commission's discussion on the matter of WREGIS registration and addition of the "regardless of ownership" language, see Docket UE-131723, General Order R-578 (March 13, 2015) ¶ 84 – 94. Until WREGIS registration occurs, Wanapum Dam has been eliminated as an EIA compliance resource.

requires the companies to include some information about the usage of the certificates in the 2019 final report.⁵ Table 1 summarizes each companies' position and how it intends to comply with the 9 percent RPS annual targets.

Table 1: Summary of 2017 Renewable Resource Target and Compliance Plan

	2017 Target (MWh)	Incremental Hydro (MWh)	2016 RECs	2017 RECs	Purchased RECs (unbundled)	Total Resources in 2017 (MWh)
PSE	1,843,118	114,286	1,740,090	0 ⁶	N/A	1,854,376
PAC ⁷	364,047	*	4,353	*	152,663	364,047
AVA	504,050 ⁸	192,039	0	314,361	N/A	506,400 ⁹

For the 2017 Target identified in the first column in Table 1, staff identified inconsistencies with federal and state Washington retail load reported data for Pacific Power and Avista. The 2015 and 2016 load data did not match with federal reporting data (U.S. Energy Information Administration) or state data, including the commission's Electric Annual Report – Washington Supplement or Department of Commerce's Report (I-937). Pacific Power and Avista are working with staff to discuss the discrepancies, correct the errors and resolve staff's concerns. This is discussed in greater detail in the Focus Issues section of this document.

Focus Issues

This section highlights topics of interest and issues identified during staff's review of compliance with RPS reporting rule. Staff continues to have ongoing discussions with the companies pertaining to the following RPS topics: two-year average load data, renewable energy credit multiplier, and incremental cost calculations.

Two-year Average Load Data

A utility must use its average retail load for the two years prior to the target year. For the 2017 RPS Report, the target is 9 percent of the utility's average load in 2015 and 2016. This two-year average of annual load should be consistent with state and federal reporting data requirements,

⁵ The companies will comply with the requirement to report on the "use of certificates, whether it be for annual target compliance, a voluntary renewable energy program as provided for in RCW 19.29A.090, or owned by the customer" when they file the final compliance report in 2019, as per WAC 480-109-210(2)(d)(i). This is because they don't yet know if resources will be used for the EIA or RCW 19.29A.090 (Green Power).

⁶ PSE has not included full-year estimates of renewable generation for 2017.

⁷ Staff continues to have ongoing discussions with Pacific Power about its Washington Retail Load (MWh) federal- and state-reported data and confidentiality related to 2017 RECs.

⁸ On July 11, 2017, the company submitted a revised report to correct its historical load information and 2017 target. As a result of the correction, the 2017 target was reduced to 504,050 MWh from the target of 506,400 MWh, as identified in the company's initial report submitted June 1, 2017.

⁹ In the company's report submitted on July 11, 2017, Table 4, identifies 506,400 MWh renewable energy available for compliance (net REC sales).

including FERC Form 1, the U.S. Energy Information Administration¹⁰ data, and the commission's Electric Annual Report data.¹¹

For Avista and Pacific Power, staff noted differences in state and federal reported total unit sales for customer class, as compared to its 2017 RPS Report load data. On July 11, 2017, Avista corrected its target calculation and submitted a revised report, including annual load figures consistent with other state and federal reporting data. Staff continues to have ongoing discussions with Pacific Power about its 2016 Washington retail load (MWh) RPS Report data. Pacific Power has agreed to file a revised report, correcting the mismatch of data in Tables 1 and 2 of its report. Staff did not find discrepancies in the RPS Report submitted by PSE—the 2015 and 2016 retail sales load data is consistent with FERC Form 1 and the commission's Electric Annual Report data.

Renewable Energy Credit Multipliers

RECs produced during the target year, the preceding year or the subsequent year, may be used to comply with the RPS requirement.¹² As outlined in WAC 480-109-200(4), if certain conditions are met, companies may multiply REC base value of the certificates by the following multipliers:

- One and two-tenths times, for facilities that used apprenticeship programs approved by the Washington state apprenticeship and training council.
- Two times, where the eligible resource was generated by distributed generation.¹³

These renewable energy credit multipliers do not create additional RECs, and after using incremental hydropower and 2016 RECs (both of which would be ineligible in future years), any 2017 RECs that are not needed to meet the utility's target may be held for 2017 compliance or sold. Utilities may not transact the multipliers independent of the associated base value of the certificate.

For the 2017 RPS Report, Avista and PSE included REC apprenticeship credits to meet their respective targets. Staff requested documentation from each company to support the REC multiplier credit eligibility claims. Each company provided the applicable letters from the Washington State Apprenticeship Training Council, approving eligible projects for the RPS multiplier. Staff is satisfied that the documentation provided is sufficient and that the resources identified in the 2017 RPS Reports are eligible for the apprenticeship credits.¹⁴

Incremental Cost Calculations

Incremental cost is the additional cost to ratepayers for the companies to meet the requirements of the Renewable Portfolio Standard. WAC 480-109-210(2)(a) divides the calculation into capacity and energy components and directs utilities to report the incremental cost in two terms:

¹⁰ U.S. Energy Information Administration (EIA) data: <https://www.eia.gov/electricity/data/eia861m/index.html>

¹¹ WAC 480-100-275 Federal Energy Regulatory Commission (FERC) Form No. 1 – Washington Supplement.

¹² RCW 19.285.040(2)(e).

¹³ WAC 480-109-060(11).

¹⁴ PSE's Letter regarding RPS compliance multiplier, submitted on behalf of staff, dated 6/23/2017 in Docket UE-151164; Avista's Letter regarding RPS compliance multiplier, submitted on behalf of Staff, dated 6/23/2017 in Docket UE-160779.

- Cost of all eligible resources acquired.
- Prorated cost of only the resources needed to meet that year’s target (annual calculation of revenue requirement ratio).

The rule ensures that the utilities are making their comparisons in similar terms and allows for accurate comparison of incremental costs across utilities with different renewable penetration rates. The rule also ensures that the three companies provide the incremental cost of all of their renewable resources, regardless if a specific unit was used for compliance, and explicitly states that incremental costs may be negative.

For 2017, staff provided each utility an incremental cost template to improve the transparency of the annual calculation of the revenue requirement ratio. Each company completed the template and included it as an appendix to its 2017 RPS Report. Table 2 shows a side-by-side comparison of the utilities’ reported incremental cost percentages in 2016 and 2017, expressed in two terms: the cost of only the resources required for compliance, and the cost of all resources acquired.

Table 2: Investor-Owned Utilities’ Reported Incremental Cost Percentages, 2016 and 2017

	2016		2017	
	<i>Required Resources</i>	<i>All Resources</i>	<i>Required Resources</i>	<i>All Resources</i>
Avista	(0.1 %)	(0.1 %)	(0.2 %) ¹⁵	(0.1 %)
Pacific Power ¹⁶	0.8 %	*	0.6 %	*
PSE	1.0 %	1.4 %	1.1 %	1.4 %

Avista continues to realize negative incremental costs because of the large proportion of hydropower resources and the “zero incremental cost” assigned to its legacy biomass resource.¹⁷ For PSE and Pacific Power, costs for the target year continue to remain low, hovering around 1.0 percent. Staff is concerned that Pacific Power continues to only report one incremental cost for required resources and is not in-line with its peer utilities.

Company Reports

In this section, staff summarizes each company’s RPS Report, including its target and the resources that it plans to use in meeting its target. Although staff has identified that there are slight differences in the actual retail load reported through federal and state reports, which will need to be corrected, each utility, including PSE, should have sufficient resources to meet the 9 percent target outlined in WAC 480-109-200. Staff’s comments also summarize the total number of resources that each utility has acquired. This analysis is meant to give a complete picture of

¹⁵ Docket UE-170682 Avista RPS Report, as reported in Appendix B – Incremental Cost Calculation.

¹⁶ Staff continues to have ongoing discussions with Pacific Power about its confidentiality claims for incremental costs percentages for all resources.

¹⁷ WAC 480-109-210(2)(a)(i)(G) states, “any eligible resources that the utility acquired prior to March 31, 1999, is deemed to have an incremental cost of zero.”

each utility’s RPS compliance position by identifying all resources available to the utility for 2017 RPS compliance.

Puget Sound Energy (Docket UE-170515)

PSE correctly reported an average load in 2015 and 2016 of 20,479,094 MWh, yielding a 2017 target of 1,843,118 MWh.¹⁸ The purpose of Table 3 is to illustrate the company’s overall compliance position, as reported to the public (redacted):

Table 3: PSE’s 2017 Renewable Resource Target and Compliance Plan

2017 Target (MWh)	Incremental Hydro (MWh)	2016 RECs	2017 RECs	Purchased RECs	Total Compliance Resources (MWh)
1,843,118	114,286	1,740,090	0 ¹⁹	N/A	1,854,376

As Table 3 indicates, PSE will exceed the rule’s 9 percent requirement. PSE plans to meet its 2017 target with a combination of incremental hydro and RECs banked in 2016. The majority of PSE’s renewable generation comes from the company’s wind resources—the company owns six wind facilities and contracts for a portion of the output at a seventh facility. The company’s eligible incremental hydro generation comes from its facilities at Lower Baker and Snoqualmie Falls.

For its 2016 final compliance report, PSE will need to request a waiver of the WREGIS registration requirement in WAC 480-109-200(3) for its incremental hydro production from the Lower Baker and Snoqualmie Falls facilities. Although these two facilities are not new in 2017, PSE obtained official registration for those facilities with WREGIS on June 6, 2016, so any generation from these facilities prior to the second quarter of 2016 was not registered in WREGIS and will require a waiver to be used for RPS compliance. The commission previously granted a waiver for these two facilities to be used in meeting PSE’s 2015 RPS target in docket UE-151164. Staff anticipates additional waiver requests from PSE so that the facilities can be used toward the company’s final compliance with its 2016 target. For its 2017 final report, this issue should not arise.

PSE reported its actual incremental cost for the 2017 compliance plan as \$21.2 million or one percent of the revenue requirement. The company continues to use the Mid-C spot market price and a peaker as the basis for its incremental cost calculations. Compared with other resources, staff notes there may be greater risk using Mid-C as a resource as a selected “non-eligible” resource.²⁰ PSE’s incremental cost is relatively low (one percent). At this time, staff does not believe further changes are needed. The RPS Report contained sufficient information to review incremental cost calculations, and the company did provide a completed version of the template

¹⁸ As reported in PSE’s 2016 FERC Form 1, p. 301, line 10.

¹⁹ The company’s projected 2017 generation is shown as zero because the company has sufficient 2016 RECs banked to meet its 2017 Compliance Plan.

²⁰ WAC 480-109-210(2)(a)(i)(C).

developed by staff during this process in 2016. PSE's report, however, did not feature all the results of the template calculation, and the company chose to modify the template. While staff would encourage the company to work towards a presentation that is consistent with other companies, the report provides adequate information.

It appears that PSE will not need to acquire additional resources for RPS compliance until 2022 or 2023. PSE is not claiming any new resources in its report.

Avista (Docket UE-170682)

Avista owns eleven eligible hydropower facilities, a biomass facility, and has a long-term power purchase agreement for all of the output of the Palouse Wind Farm in Whitman County. The company reported an average load in 2015 and 2016 of 5,600,551 MWh in the revised RPS Report submitted July 11, 2017, yielding a 2017 RPS target of 504,050 MWh. At staff's request, Avista agreed to update its 2016 data and its target consistent with state and federal reporting data.²¹

The 2016 Annual RPS Report target submitted by Avista, and approved by commission order, was 513,809 MWh.²² Based on the corrected sales information, the target should be 508,893 MWh, 4,916 MWh less than originally approved by the commission. If the company wishes to adjust its target, it should file a petition in docket UE-160779. To improve consistency and transparency, staff encourages the company to cite, and be able to replicate, its two-year average load source data in future RPS Reports.

Table 4 shows the company's RPS compliance position, as submitted in its revised RPS Report on July 11, 2017:

Table 4: Avista's 2017 Renewable Resource Target and Compliance Plan

2017 Target (MWh)	Incremental Hydro (MWh)	2016 RECs	2017 RECs	Purchased RECs	Total Compliance Resources (MWh)
504,050	192,039	0	314,361	N/A	506,400

The company has the ability to generate over 9 percent of its two-year average load from eligible renewable energy, including hydroelectric upgrades, wind and biomass resources.²³ Because the company has renewable resources in excess of the 9 percent target, it has included a surplus adjustment in RECs for 2018, which can be applied to 2017.²⁴ Further, Avista includes an adjustment for the values of RECs transferred from Idaho to Washington. The value of the RECs

²¹ For example, the twelve month total for 2016 for the federal EIA preliminary data is listed as 5,578,338 MWh, but the company initially submitted its 2016 actual data as 5,521,300 MWh.

²² Docket UE-160779.

²³ Table 2 of Avista's 2017 RPS Report in Docket UE-170682.

²⁴ WAC 480-109-200(2) - Credit Eligibility. 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 they were acquired by January 1st of the target year.

is split between the two states based on the Company's Production and Transmission Ratio. The Idaho portion of the qualified renewable energy is transferred to Washington based upon the market value of similar renewable resources.

In 2016, Avista contracted with a consultant, KPMG, to calculate the amount of qualifying biomass energy generated and portion of wood waste fuel harvested in Canada. Because there is the potential that a small percentage of Canadian wood supply is old growth, which is prohibited under the EIA, the company has *excluded* the Canadian portion from its calculations. Therefore, the qualifying RPS biomass generation has been reduced. Staff is satisfied with Avista's supporting biomass study documentation (Appendix F – Biomass Methodology Report) and calculations for the fuel component that satisfies the rule requirements to qualify as "biomass energy."²⁵

Avista reported its actual incremental cost for the 2017 compliance plan as -\$743,216, or -0.2 percent. Staff is satisfied that the company can meet its 9 percent RPS target for 2017 and, consistent with last year's analysis, will not need to acquire additional resources for RPS compliance. Avista is not claiming any new resources in its report.

Pacific Power & Light Company (Docket UE-170694)

Pacific Power should meet its Washington 2017 renewable compliance target with a combination of eligible renewable resources, incremental hydro and unbundled REC purchases. Pacific Power's initial filing included two different figures, each intended to represent average load in 2015 and 2016. The correct figure, used in Pacific Power's I-937 compliance filing to the Washington Department of Commerce is 4,044,962 MWh, yielding a 2017 RPS target of 364,047 MWh. Staff continues to work with the company regarding the consistency of its federal and state-specific load reporting data, including reporting data submitted to the Washington Department of Commerce.

Table 5 summarizes Pacific Power's 2017 target and the total amount of resources that the company had acquired by January 1, 2017. It includes the company's excess RECs from 2016 that could be used toward its 2017 target and the company's projected 2017 generation. Pacific Power's portfolio for 2017 includes hydro facilities and company- or third-party-owned wind facilities. The purpose of Table 5 is to illustrate the company's overall compliance position, as reported to the public (redacted):

²⁵ WAC 480-109-060(2).

Table 5: Pacific Power’s 2017 Renewable Resource Target and Compliance Plan

2017 Target (MWh)	Incremental Hydro (MWh)	2016 RECs	2017 RECs	Purchased RECs (unbundled)	Total Compliance Resources (MWh)
364,047	* ²⁶	4,353 ²⁷	*	152,663	364,047

Pacific Power requests confidential treatment for much of the data provided in this filing. Yet again, staff has unresolved concerns that the company may be overlooking the spirit of the *public disclosure* reporting requirements.²⁸ It remains unclear to staff why the 2017 generation by facility and amount of RECs acquired by project should continue to be confidential. The company has included the same level of redaction as the final version of its 2016 Annual RPS Report. WAC 480-07-160 allows parties to challenge a claim of confidentiality, and the company would bear the burden to show that part or all of a document should be protected from disclosure. Staff encourages the company to disclose more information to its customers and interested parties, in-line with other utilities and the spirit of the public disclosure requirements in the EIA.

Pacific Power’s RPS portfolio includes four company-owned incremental hydro facilities located in the Pacific Northwest, three wind projects in Washington, one in Oregon, and four east-side wind facilities in Wyoming.²⁹ Pacific Power uses Method Two for calculating its incremental hydro, which means that the final reported total will be based on actual generation. The incremental hydro in the 2017 RPS Report is a projection.

Pacific Power reported its actual incremental cost for the 2017 compliance plan as \$2,035,312 or 0.6 percent. Staff is satisfied that the company can meet its 9 percent RPS target for 2017. Pacific Power is not claiming any new resources in its report.

Summary

After reviewing the comments of other parties, commission staff will present a recommendation at the August 10 open meeting as to whether the commission should issue an order in each company’s docket finding that the utility met its reporting requirements and accepting the utility’s calculation of its 2017 RPS target.

²⁶ This number is not confidential in the initial redacted submittal by the company. However, the company made an error in the I-937 Report, which caused the incremental hydro number reported on page 7 to be incorrect. Pacific Power agreed to submit a revised report correcting this error.

²⁷ The company reports the use of Seven Mile Hill I in 2016 on Page 11, Attachment A, in Docket UE-170694.

²⁸ See RCW 19.285.070, entitled “Reporting and public disclosure.”

²⁹ See Docket UE-151162, Order 01, ¶17. The Wyoming facilities were approved in 2015 as eligible resources for Pacific Power’s Washington compliance needs under RCW 19.285.030(12)(e). Table 3, in the initial filing includes Rolling Hills, which would be a fifth east-side resource. However, this facility is not listed as a renewable resource in the I-937 Report table on page 8 of the RPS Report.