**Attachment A – Additional Items for Future Consideration**

**Incremental Cost Methodology**

RCW 19.285.070 and WAC 480-109-040(b) require utilities to calculate the incremental cost of renewable portfolio standard (RPS) compliance as an element of their annual RPS compliance report. Staff believes that this figure is an important metric for evaluating the Energy Independence Act broadly as well as the specific strategy employed by each utility.

Events in the 2013 legislative session support this view. In the budget passed by the State Legislature, lawmakers included a request for an interim study to evaluate the cost impacts of the RPS requirement. Governor Jay Inslee vetoed this request on the grounds that “there are cost controls built into the standards.”[[1]](#footnote-1) Staff believes that both the Legislature’s request and the Governor’s response indicate the importance of monitoring the added costs faced by utilities and ratepayers in complying with the RPS.

Under the status quo, however, monitoring the costs of RPS compliance cannot be done with any degree of uniformity or consistency. As outlined in staff’s recent comments,[[2]](#footnote-2) each utility has developed its own method of calculating the incremental cost, which results in disparate figures that have no reasonable grounds for comparison or fair evaluation. Staff’s comments identified the preferred practices included in each approach, and staff intends to work with the utilities and other stakeholders in the coming months to develop a uniform methodology for calculating the incremental cost prior to the Jun. 1, 2014, compliance report due date.

Staff recommends that orders accepting the 2013 RPS compliance reports should not include acceptance of the incremental cost methodology used in the reports.

**Chelan County PUD Incremental Hydro Generation**

Staff is monitoring the situation with the Rocky Reach Dam owned by Chelan County PUD. All three utilities purchase power from this upgraded facility, but the terms of the purchasing agreements do not allow the utilities to negotiate for a share of the nonpower attributes (incremental generation) until Rocky Reach is certified as an RPS-eligible resource. While the Department of Commerce has issued an affirming advisory opinion on this facility, the State Auditor’s Office has not yet formally approved Chelan County’s proposed methodology for calculating the incremental generation. Once this situation is resolved and the incremental generation of Rocky Reach has been established, the investor-owned utilities will be expected to actively negotiate for a share of that generation.

1. Governor’s statement on budgetary vetoes. See <http://www.governor.wa.gov/news/billaction/2013/veto/5034.pdf>. [↑](#footnote-ref-1)
2. Dockets UE-131056, UE-131063, UE-131072, Staff Comments at 12-15 (Jul. 1, 2013). [↑](#footnote-ref-2)