

MEMORANDUM

TO: Jon Piliaris, Paul Wetherbee and Chris Smith

FROM: Tricia Fischer and Chris Schaefer

DATE: December 11, 2020

SUBJECT: Renewable portfolio standard

Background

Chapter 480-109 of Washington Administrative Code (WAC) establishes rules that electric utilities must follow to comply with the requirements of the Energy Independence Act (Chapter 19.285 RCW). Specifically, WAC 480-109-200 Renewable portfolio standard states:

(1) **Renewable resource target.** Each utility must meet the following annual targets.

...

(c) By January 1st of each year beginning in 2020 and continuing each year thereafter, each utility must use sufficient eligible renewable resources, acquire equivalent renewable energy credits, or a combination of both, to supply at least fifteen percent of its two-year average load for the remainder of each target year.

...

(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 that they were acquired by January 1st of the target year.

(3) **WREGIS registration.** All eligible hydropower generation and all renewable energy credits used for utility compliance with the renewable resource target must be registered in WREGIS, regardless of facility ownership. Any megawatt-hour of eligible hydropower or renewable energy credit that a utility uses for compliance must have a corresponding certificate retired in the utility's WREGIS account.

...

(5) **Target calculation.** In meeting the annual targets of this section, a utility must calculate its annual target based on the average of the utility's load for the previous two years.

(6) **Integration services.** 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.

Summary

Pursuant to the requirements of WAC 480-109-200 Renewable portfolio standard, we have prepared this Memorandum to document that Puget Sound Energy (“PSE”) has acquired sufficient eligible renewable resources in its portfolio, by January 1, 2021, to supply at least fifteen percent of its 2019-2020 average load for the 2021 target year. This is consistent with the information provided to the WUTC on December 10, 2019 in PSE’s Integrated Resource Plan Progress Report in Dockets UE-180607 and UG-180608. The section titled Renewable Energy Need (page 15) states that, “... PSE has sufficient qualifying renewable resources to meet the RPS requirements until 2023, including the ability to bank RECs.”

The following provides detail of PSE’s eligible renewable resources, load and renewable energy target.

Eligible Renewable Resources

Eligible renewable resources that PSE may elect to use in whole or in part to meet its 2021 target include (but are 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;
- Biomass
- Customer-Generator owned facilities taking service from PSE under PSE electric rate Schedule 91;
- WA RPS compliant REC purchases; and
- Any other eligible renewable resources that may become available.

Total 2019 generation from Hopkins Ridge, Wild Horse, Wild Horse Expansion, Lower Snake River and Klondike III Wind Projects was approximately 1,784,502 megawatt-hours (not inclusive of the extra apprenticeship credits); similar generation may be achieved for 2020 and 2021.

These eligible renewable resources may be impacted by events beyond PSE’s reasonable control, which could not be reasonably anticipated, that could prevent 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 PSE.

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 480-109-220 for meeting its 2021 renewable resource target. However, there may be events beyond PSE’s control during

calendar year 2021 which could prompt PSE to utilize one of the above mentioned alternative compliance mechanisms. Such determination will be made when PSE reports on its final 2021 compliance in the 2022 or 2023 report.

PSE may choose to purchase eligible RECs to meet annual compliance targets and use PSE-owned resources for other purposes.

Load

As defined in the rule, "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 2019 delivered load was 20,833,230,000 kilowatt-hours (20,833,230 megawatt-hours) and the 2020 forecast load is 20,415,606,000 kilowatt-hours (20,415,606 megawatt-hours). This forecast does not include Microsoft load served under the Special Contract in Docket UE-161123.

Consistent with WAC 480-109-210(2), based on the average of PSE's load in 2019 and 2020 and as reflected above, PSE's estimated load for purposes of meeting its 2021 target is 20,624,418 megawatt-hours.

2021 Renewable Resource Target

Pursuant to Chapter 480-109-200(1)(b) WAC, PSE's renewable resource target shall be fifteen percent of its 2019-2020 average load. Therefore, PSE's estimated renewable energy target for 2021 is approximately 3,093,663 megawatt-hours (fifteen percent of 20,624,418 megawatt-hours.) PSE expects that eligible renewable energy generation in 2021 combined with an estimate of 1,500,000 (based on actual January through October 2020 generation) surplus RECs generated in 2020 will be in excess of its 2021 requirement.

PSE will report on the specific renewable energy credits produced and to be retired for final compliance with the 2021 target in either its 2022 or 2023 annual report, and reserves the right to submit renewable energy credits from the resources reported here or to substitute with renewable energy credits produced from 2020 to 2022 by other eligible renewable resources or with 2021 generation from eligible renewable resources that have not been converted to renewable energy credits.

Conclusion

PSE has acquired sufficient eligible renewable resources or renewable energy credits to meet the estimated renewable energy target for 2021.

PSE's expected 2021 eligible renewable resource generation of 2,091,607 megawatt-hours, not including extra apprenticeship credits, plus 2020 eligible renewable resource generation banked forward, exceeds its 2021 renewable resource target of 3,093,663 megawatt-hours.