

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Avista Corporation d/b/a  
Avista Utilities 2022 Renewable Portfolio  
Standard Report**

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**DOCKET UE-220400**

**In the Matter of PacifiCorp d/b/a Pacific  
Power & Light Company 2022 Renewable  
Portfolio Standard Report**

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**DOCKET UE-220410**

**In the Matter of Puget Sound Energy  
2022 Renewable Portfolio Standard  
Report**

**DOCKET UE-220405**

**COMMISSION STAFF COMMENTS REGARDING  
ELECTRIC UTILITY RENEWABLE PORTFOLIO STANDARD REPORTS UNDER  
THE ENERGY INDEPENDENCE ACT, RCW 19.285 and WAC 480-109 (2022  
RENEWABLE PORTFOLIO STANDARD REPORTS)**

**July 11, 2022**

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## Background

In 2006 Washington voters approved Initiative 937, the Energy Independence Act (EIA). Now codified in RCW Chapter 19.285 RCW and Chapter 480-109 WAC, the EIA created a renewable portfolio standard (RPS) that requires electric utilities serving more than 25,000 customers to supply 15 percent of their 2022 retail load with eligible renewable resources and to file annual RPS compliance reports by June 1 of each year. The EIA RPS requirement increased incrementally after 2012, reaching its ultimate threshold of 15 percent in 2020.<sup>1</sup>

The Washington Utilities and Transportation Commission's (Commission) rules require each report to document the companies' renewable resources, allowing Commission staff (Staff) to review the eligibility of the resources used to meet the EIA's requirements.<sup>2</sup> Each eligible renewable resource must be registered in the Western Renewable Energy Generation Information System (WREGIS).<sup>3</sup>

Staff address the RPS compliance of the three investor-owned (IOU) electric companies subject to the Commission's jurisdiction: Avista Corporation d/b/a Avista Utilities (Avista), PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp), and Puget Sound Energy (PSE). These comments also address Microsoft Corporation's (Microsoft) 2022 RPS report in the PSE section. Microsoft's settlement stipulation and special contract with PSE allowed Microsoft to purchase electricity from other sources rather than PSE. Per Commission Order, PSE must file with the Commission an annual RPS report developed by Microsoft by March 31.<sup>4</sup>

## Focus Issues

Avista, PacifiCorp, and PSE filed their RPS reports by June 1, 2022. Staff found no major issues upon review of the 2022 RPS Reports; Staff's analysis thus focused on incremental cost calculations, new facility eligibility, and minor utility-specific issues. Staff notes that each company is well above the 15 percent threshold and presents data related to considerable renewable resource excess, detailed in the company sections below.

### *Incremental Cost Calculations*

Incremental cost is the additional cost to ratepayers that companies incur to meet the RPS requirements. WAC 480-109-210(2)(a)(i) divides the calculation into capacity and energy components. Companies make a one-time calculation of incremental cost for each eligible

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<sup>1</sup> RCW 19.285.040(2)(a)(iii). In calculating the target, a utility must use its average retail load for the two years prior to the target year (e.g., the 2022 target is 15 percent of the utility's average load in 2020 and 2021).

<sup>2</sup> WAC 480-109-210(2)(d).

<sup>3</sup> WAC 480-109-200(3); WAC 480-109-210(2)(d). For the Commission's discussion on the matter of WREGIS registration and the addition of the "regardless of ownership" language, please refer to Docket UE-131723, General Order R-578, ¶¶ 84 – 94 (Mar. 13, 2015).

<sup>4</sup> See Docket UE-161123, Order 06, ¶¶ 64-71 (Jul. 13, 2017). Order 06 approved and adopted a settlement stipulation among all parties that approves a special contract between PSE and Microsoft.

resource at the time of acquisition or, for historic acquisitions, the best information available at the time of the acquisition. Annually, utilities report incremental cost in two terms:

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

Table 1 shows a side-by-side comparison of the utilities’ reported incremental cost percentages in 2021 and 2022, expressed in two terms: the cost of only the resources required for target year compliance, and the cost of all resources acquired.

**Table 1: Investor-Owned Utilities’ Reported Incremental Cost Percentages, 2021 and 2022**

	2021		2022	
	<i>Required Resources</i>	<i>All Resources</i>	<i>Required Resources</i>	<i>All Resources</i>
<b>Avista</b>	(0.7) %	(0.6) %	TBD	TBD
<b>PacifiCorp</b>	(2.2) %	(3.5) %	(1.9) %	(3.6) %
<b>PSE</b>	1.5 %	1.5 %	2 %	1.7 %

Staff found minor calculation errors in each of the companies’ annual revenue requirement ratios found in Table 1. Avista’s incremental cost and annual revenue requirement calculations are currently under review, and Staff is continuing discussions with the company. Staff worked with PSE and PacifiCorp to rectify incremental cost calculation errors. Both companies agreed to re-file revised workpapers and reports.

For PacifiCorp, the incremental costs to meet its 2022 target are negative. Further, the company’s incremental costs of acquiring *all* its eligible renewable resources for 2022 are even lower. This indicates that renewables are becoming increasingly cost-effective options for the company compared to similar non-eligible resource alternatives.

PSE’s incremental costs remain stable and slightly positive, continuing along the same trend as recent years. PSE continues to utilize a renewable energy credit (REC) optimization strategy, in which the company sells RECs from PSE’s Lower Snake River Dodge Junction wind facility. This strategy enables PSE to sell these highly valued RECs and replace them with lower cost RPS compliant RECs, passing the benefits of those transactions to consumers through the company’s Schedule 137 tracker.<sup>5</sup>

<sup>5</sup> See Docket UE-220405, PSE-RPS-Report-(06-01-2022), pg. 3, ¶ 4 for more detail on PSE’s optimization strategy.

### ***Facility Eligibility***

For this RPS annual cycle, Avista and PacifiCorp are not seeking facility eligibility determinations from the Commission. PSE seeks approval for two eligible resources in its 2022 RPS Report. Commission rules specify that RPS reports must indicate if a utility intends to use any eligible resources for the first time.<sup>6</sup> Additionally, unbundled RECs may only be purchased from facilities that meet the statutory eligibility requirements as an “eligible renewable resource.”<sup>7</sup> Staff recommends that the Commission make an eligibility determination for each new eligible renewable resource PSE intends to use for 2022 RPS compliance. This report details those facilities below, in the report subsection for PSE.

### **Company Reports**

In this section, Staff summarizes each company’s RPS report, including targets and the resources the companies plan to use to meet those targets. Staff’s comments document the total number of resources that each utility has acquired, and any factors that uniquely define a company’s reporting position in 2022. The purpose of this discussion is to provide a complete picture of each utility’s RPS compliance position for 2022.

#### ***Avista (Docket UE-220400)***

To meet its RPS targets, Avista plans to use company-owned eligible hydropower facilities, the Kettle Falls biomass facility, and a long-term power purchase agreement for generation from the Palouse Wind Farm located in Whitman County, Washington. The company reported an average annual load in 2020 and 2021 of 5,596,140 MWh, yielding a 2022 RPS target of 839,421 MWh. Table 2 shows the company’s RPS compliance position:

**Table 2: Avista’s 2022 Renewable Resource Target and Compliance Plan**

<b>2022 Target (MWh)</b>	<b>Incremental Hydro</b>	<b>Wind</b>	<b>Biomass</b>	<b>Total Eligible Resources (MWh)</b>
	<b>RPS Compliance Resources (MWh)</b>			
839,421	172,096	354,390	312,935	1,402,427

Avista has enough eligible renewable resources to generate 15 percent of its two-year average load. The company reports a renewable resource excess of 563,006 MWh for 2022.

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<sup>6</sup> WAC 480-109-210(2)(d)(ii).

<sup>7</sup> RCW 19.285.030(12) and (20).

### **Proposed Change in Incremental Hydropower Calculation Methodology**

In May of 2022, Avista notified Staff of an issue with the portion of its modeling system needed to perform its incremental hydropower calculation.<sup>8</sup> Per Order 01 in Docket UE-190445, Avista has since 2019 used the incremental hydropower calculation Method One (Hydro Method One) to calculate its incremental hydroelectric efficiency improvements. This method required the use of Avista's Decision Support System (ADSS) software to model the output for each qualifying hydro unit, which proved to be a time intensive process. The company asserts that the portion of the ADSS needed for Hydro Method One is not performing optimally. As a result, the model has not been able to accurately calculate Avista's eligible incremental hydroelectric generation from total hydroelectric output before sending the generation data to WREGIS. The model is not expected to be back to full capabilities before the end of 2022.

Due to these challenges, Avista submitted a petition in Docket UE-220400, requesting the Commission issue an Order authorizing Avista to utilize Hydro Method Two in place of Hydro Method One for its annual RPS report, beginning in 2022, in compliance with WAC 480-109-210. Staff discussed the modeling issue with Avista on May 18, 2022, and believes the Company offers meritorious reasons for changing its hydro methodologies. Additionally, Staff notes Avista switching to Hydro Method Two would promote consistency across the Washington electric IOUs, as both PacifiCorp and PSE currently use Hydro Method Two. Staff will address the petition and change in incremental hydropower calculation methodology at the August 11 Open Meeting and provide a recommendation.

#### **Staff position regarding Avista 2022 RPS filing**

Staff is satisfied the company can meet its 15 percent RPS target for 2022 and will not need to acquire additional resources for 2022 RPS compliance. Avista does not claim any new resources in its 2022 report. Staff reviewed the reporting requirements in WAC 480-109-210 and found no significant issues.

#### ***PacifiCorp (Docket UE-220410)***

PacifiCorp expects to meet its Washington 2022 renewable compliance target with a combination of wind, solar, incremental hydro. The company reported an average load in 2020 and 2021 of 4,132,056 MWh, yielding a 2022 RPS target of 619,808 MWh. Table 3 summarizes PacifiCorp's RPS compliance position:

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<sup>8</sup> Per WAC 480-109-200(7)(b).

**Table 3: PacifiCorp’s 2022 Renewable Resource Target and Compliance Plan**

2022 Target (MWh)	Incremental Hydro	Solar	Wind	Geothermal	Total Eligible Resources (MWh)
	RPS Compliance Resources (MWh)				
619,808	1,425	177,682	420,371	20,330	952,569

PacifiCorp reports that it has acquired enough eligible renewable resources to generate 15 percent of its two-year average load. The company reports an excess of 332,761 MWh for the target year.

The eligible renewable resource portfolio the company plans to use for 2022 RPS compliance includes five company-owned hydropower facilities (four in Oregon and one in Montana) with eligible incremental generation improvements, as well as 26 wind facilities (three in Washington, one in Oregon, one in Idaho, one Utah, and 20 wind facilities in Wyoming), two Geothermal facilities (located in Utah), and five solar facilities (four in Utah and one in Wyoming). In January 2017, PacifiCorp contracted to purchase the RECs from six Washington-RPS-eligible solar projects over a consecutive ten-year term (four in Oregon and two in Utah).

The Energy Independence Act allows PacifiCorp to use resources located in Utah and Wyoming, where it has retail customers, if the company owns or contracts with those resources for electricity. PacifiCorp is the only company eligible to use resources in these two states for compliance.<sup>9</sup>

**Staff position regarding PacifiCorp 2022 RPS filing**

Staff is satisfied PacifiCorp can meet its 15 percent RPS target for 2022. The company does not claim any new resources in its 2022 report. Staff reviewed the reporting requirements in WAC 480-109-210 and found no significant issues.

***Puget Sound Energy (Docket UE-220405)***

PSE plans to meet its 2022 target with a combination of incremental hydro, wind resources, and biomass. The company reported an average load in 2020 and 2021 of 20,562,418 MWh, yielding a 2022 target of 3,084,363 MWh. Table 4 shows the company’s overall compliance position:

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<sup>9</sup> RCW 19.285.030(12)(e) and (20).

**Table 4: PSE’s 2022 Renewable Resource Target and Compliance Plan**

<b>2022 Target (MWh)</b>	<b>Incremental Hydro (MWh)</b>	<b>Wind (MWh)</b>	<b>Biomass (MWh)</b>	<b>Total Eligible Resources (MWh)</b>
3,084,363	118,195	2,845,747	120,421	3,794,770

As Table 4 indicates, PSE will exceed the 2022 RPS 15 percent requirement with an excess of 710,407 MWh.

The majority of PSE’s renewable generation comes from six company-owned wind facilities. Three of PSE’s wind facilities qualify for, and utilize, the 1.2 percent qualified apprenticeship multiplier described in rule.<sup>10</sup> The company’s eligible incremental hydro generation comes from its Lower Baker and Snoqualmie Falls facilities.

PSE requests the Commission consider and approve the Kettle Falls biomass facility and the Golden Hills Wind Farm as eligible renewable resources, which PSE has not previously used for annual RPS compliance. The Commission determined the Kettle Falls biomass facility as eligible for Washington RPS compliance in Order 01 of Avista’s 2016 RPS report in Docket UE-160779.<sup>11</sup> On May 28, 2020, PSE entered into a Power Purchase Agreement Golden Hills Wind Farm.<sup>12</sup> While PSE requests the Commission approve Golden Hills Wind Farm as an eligible renewable resource, the company does not plan to use generation from this facility for 2022 RPS compliance. PSE has provided sufficient evidence that Golden Hills qualifies as an eligible wind facility under WAC 480-109-060(12)(a)(ii) and WAC 480-109-060(32)(b). The facility commenced operation on April 29, 2022, and is located in the Pacific Northwest in Sherman County, Oregon.<sup>13</sup>

**Staff position regarding PSE 2022 RPS filing**

Staff reviewed the reporting requirements in WAC 480-109-210 and found no significant issues and is satisfied that PSE can meet its 15 percent RPS target for 2022. PSE uses RECs from Kettle Falls for RPS compliance for the first time in 2022. The Commission determined the facility was an eligible renewable resource for Washington RPS compliance in 2016.<sup>14</sup>

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<sup>10</sup> 480-109-200(4)(a)(ii).

<sup>11</sup> See Docket UE-160779, Order 01, pg. 4, ¶ 22, August 4, 2016.

<sup>12</sup> See Docket UE-220405, PSE-RPS-Attach-8B-Contracts, pg. 7, ¶ 1, June 1, 2022.

<sup>13</sup> See Docket UE-220405, PSE-RPS Report, pg. 6, ¶ 3, June 1, 2022.

<sup>14</sup> As the Kettle Falls facility has previously been determined eligible for RPS compliance by the Commission, Staff does not believe this determination needs to be made again for PSE. The Commission did not limit the eligibility of the facility to Avista in Order 01, Docket UE-160779. The company met the requirements of WAC 480-109-210(2)(d)(ii) by including the facility in its report and documenting its



Commission rule specifies that RPS reports must indicate if a utility intends to use any eligible resources for the first time, and Staff believes PSE has met this requirement.<sup>15</sup> Based on the information provided, Staff believes the Golden Hills Wind Farm facility meets the eligibility requirements pursuant to statute and rule.<sup>16</sup>

### **Microsoft 2022 Renewable Portfolio Standard Report (Docket UE-161123)**

The special contract between PSE and Microsoft went into effect on April 1, 2019, and PSE filed Microsoft's fourth annual RPS report (Microsoft Report) with the Commission on June 29, 2022. The settlement stipulation from Docket UE-161123 requires that, beginning in 2021, Microsoft must meet the higher of either 40 percent of its total load, or the percentage specified in RCW 19.285.040(2) (as amended or supplemented) and applicable to PSE.<sup>17</sup> Furthermore, the settlement stipulation provides that Microsoft "will require all its suppliers to provide carbon-free power from identified generating resources."<sup>18</sup> Microsoft's RPS report is included within Staff's comments addressing PSE's 2022 RPS report because the Microsoft report is a PSE compliance filing.

The requirements for Microsoft's annual RPS reporting are similar to the electric IOU requirements as set forth in the EIA, with one important distinction: Microsoft does not need to furnish incremental cost calculations of the eligible resources comprising the company's portfolio. However, Microsoft's special contract with PSE does include a carbon-free power supplier disclosure provision not applicable to the electric IOUs. In 2020, Staff, PSE, and the Microsoft RPS team discussed how best to address the carbon-free power supplier disclosure provision. The Microsoft RPS team agreed to document its carbon-free power supplier requirement as an additional section within the company's annual RPS report.

For the 2022 Microsoft Report, Staff finds the Microsoft report consistent with the carbon-free power supplier compliance requirements laid out in Order 06, the corresponding Settlement Agreement, and special contract. Staff believes PSE has complied with its 2022 RPS requirements.

### **Conclusion**

After reviewing the comments of other parties, Commission staff will present a recommendation at the August 11 Open Meeting as to whether the Commission should issue an order in each company's docket finding that each utility has met its reporting requirements, accepting the

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previous eligibility determination. PSE refers to Kettle Falls as two facilities in its report – Kettle Falls 1 & 2, however Kettle Falls was recognized as a single facility when its eligibility determination was made.

<sup>15</sup> WAC 480-109-210(2)(d)

<sup>16</sup> RCW 19.285.030(12); WAC 480-109-060(12).

<sup>17</sup> The annual targets specified in RCW 19.285.040(2) increased to 15 percent starting in 2020. A 40 percent share of Microsoft's total load is the higher of the two percentages and therefore the required target.

<sup>18</sup> See Docket UE-161123, Settlement Stipulation and Agreement, ¶ 13 (Apr. 11, 2017).

utility's calculation of its 2022 RPS target, and determining RPS eligibility for specific resources. Staff will also make a recommendation and request for Commission decision on Avista's petition to switch hydro methodologies at the August 11 Open Meeting.