



PUGET SOUND ENERGY

The Energy To Do Great Things

Puget Sound Energy, Inc.

P.O. Box 97034

Bellevue, WA 98009-9734

Filed via WUTC Electronic Web Portal

August 2, 2012

Mr. David W. Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Subject: Docket No. UE-120802
Puget Sound Energy Inc.'s RCW-Required Report, Annual Reporting
Requirements for the Renewable Energy Target, as per RCW 19.285.070.
Comments of Puget Sound Energy, Inc.

Dear Mr. Danner:

In response to the Commission's statements regarding provision of another opportunity to file additional written comments in Docket UE-120802, Puget Sound Energy, Inc. ("PSE" or the "Company") offers the following comments regarding its Annual Reporting Requirements for the Renewable Energy Target, as per RCW 19.285.070.

PSE asks that the Commission find that PSE's submitted report is in compliance with the reporting requirements in WAC 480-109-040 and RCW 19.285.070. This outcome is consistent with WUTC Staff's formal recommendation made on July 27, 2012. We believe that the Commission can make this determination on August 9, 2012 in PSE's docket (UE-120802). In addition to the request above, PSE offers the following comments on matters raised that do not need to be explicitly decided to render that determination on August 9, 2012.

1. Two-step compliance

PSE does not believe that this is an issue because this first report does not result in any renewable energy credits ("RECs") being retired concurrent with the reporting process. The

parties agree that the Commission cannot fully evaluate compliance with annual targets in the first year because annual targets can be met with RECs produced during that year, the preceding year, or the subsequent year. *See* Staff comments at p. 19; comments of RNP/NWEC at p. 3.

Reports in future years will have two distinct reporting obligations: (1) providing evidence of compliance for the preceding year; and (2) reporting on the steps taken to meet the current year requirements. Providing evidence of compliance and reporting on “steps taken” are very different tasks, requiring differing scopes of information. Demonstrating compliance requires provision of sufficient data to demonstrate that the qualifying utility met the applicable criteria for the target year. The detailed information to assess such compliance is set forth in RCW 19.285.070(1) and WAC 480-109-040(1). Reporting on steps that are underway to enable the utility to meet the next target does not require the same types or amount of information. Per WAC 480-109-040(1)(d), the report for the current year need only “describe the steps” the utility is then taking and “indicate whether the utility plans to use or acquire its own renewable resources, plans to or has acquired contracted renewable resources, or plans to use an alternative compliance mechanism.” PSE believes that the law and rules already provide for what some are referring to as a “two-step compliance” process, so no further decisions are necessary from the Commission.

PSE acknowledges that there may be a “30-day deadline for companies to retire RECs following final determination of compliance”, and that can be part of the Commission’s Order after reviewing the Company’s subsequent reports on RECs claimed for target year compliance.

- 2. Reporting year information: current or preceding year; and,**
- 3. January 1 required actions for compliance**

PSE believes that the law is clear: 2012 is the first target year. Because there is no target set for the preceding year (2011), reporting standards are ambiguous in this first year of reporting.

RCW 19.285.040(1)(a) is the only place where the first target year is specified; thereafter the statute simply refers to “the target year.”

The regulations make a distinction between reporting on compliance “in meeting its conservation and renewable resource targets during the preceding year” and “describ[ing] the steps the utility is taking to meet the renewable resource requirements for the current year.” WAC 480-109-040(1), -040(d).

No further clarification is needed. This becomes simpler for all future reports. The June 1, 2013 report will demonstrate compliance in the preceding target year (2012). That June 1, 2013 report will also describe the steps the utility is taking in 2013 to meet its current year requirements (i.e., progress toward January 1, 2014 for compliance review in June 2014).

Providing evidence of compliance and reporting on progress are very different tasks, requiring differing scopes of information. Demonstrating compliance requires provision of sufficient data to demonstrate that the qualifying utility met the applicable criteria for the target year. The detailed information to assess such compliance is set forth in RCW 19.285.070(1) and WAC 480-109-040(1). Reporting on steps that are underway to enable the utility to meet the next target does not require the same types or amount of information. Per WAC 480-109-040(1)(d), the progress report within the current calendar year is to “describe the steps” the utility is then taking and “indicate whether the utility plans to use or acquire its own renewable resources, plans to or has acquired contracted renewable resources, or plans to use an alternative compliance mechanism.”

We seem to have a difference in semantics regarding the current year and target year. PSE's “current year progress” section of the June 1, 2012 report indicated the resources it had in place on January 1, 2012 to assure compliance to be reported in June 2013 (or 2014) to supply at least three percent of its load with eligible renewable resources for 2012. Attachments 1 and 3 to PSE's June 1, 2012 report also make this clear. This approach is consistent with the requirement in WAC 480-109-020(3) that the calculation of annual load is “based on the average of the utility's load for the previous two years.” Based on 2010 and 2011 load data, PSE estimated its load and target for the current year, 2012.

This understanding is also consistent with the broad consensus for use of a three-year true-up process. It matches the agreement of the participants in the Renewables Workgroup (including RNP and NVEC) as set forth in the Docket No. UE-110523, June 21, 2011 Workshop #3 Consensus – “Timeline for Renewable Portfolio Standard (RPS) Compliance.”

4. Resource eligibility determination

In its report, PSE has already provided enough evidence that it has used and plans to use specific eligible renewable resources that the Commissioners have approved as prudent:

On August 11, 2011, PSE presented its 2011 Integrated Resource Plan to the Commissioners and the public. Within that presentation, on slides number 5 and 103, PSE indicated to the Commissioners and the public that PSE has acquired specific eligible renewable resources to meet the Renewable Energy Target for the year 2012. The entire presentation is available at the WUTC Website under Docket No. U-100961.

On December 29, 2011, PSE determined it would have sufficient eligible renewable resources in its portfolio by January 1, 2012 to supply at least three percent of its load for the year 2012. Please see Attachment 3, which documents this determination and also lists the resources that meet the definition of “eligible renewable resource” in RCW 19.285.

The Commission has determined that PSE's acquisition of the following eligible renewable resources was prudent. The docket numbers and the order number in which the Commission made the prudence determination is provided. The cost of each eligible renewable resource and its expected production output is contained within the documentation in those dockets.

- Hopkins Ridge wind generation facility, Docket No. UE-050870 (Order No. 04)
- Wild Horse wind farm, Docket No. UE-060266 (Order No. 08)
- 7.2 MW additional wind capacity at PSE-owned Hopkins Ridge Wind Farm ("the Hopkins Ridge Infill"), Docket No. UE-072300 (Order No. 12)
- 44 MW additional wind capacity at PSE-owned Wild Horse Wind Facility ("the Wild Horse Expansion"), Docket No. UE-090704 (Order No. 11)
- Lower Snake River 1 ("LSR-1") wind farm, Docket No. UE-111048 (Order No. 08)

The expected output of all these eligible renewable resources was provided in the power cost analysis in Docket No. UE-111048.

Ample evidence regarding the renewable resources and generation facilities used and RECs acquired to meet the applicable target has been provided in this report and the previous documents noted above. Therefore PSE believes that the Commissioners do not need decide this issue on August 9 in order for the Commissioners to approve PSE's June 2012 report. Should the Commission decide that such a determination is needed going forward, PSE believes the determination can be rendered through annual reporting or other existing processes (e.g., the IRP process or prudence determinations) rather than utilizing a more burdensome, stand-alone declaratory order process.

5. Incremental Hydro

PSE is surprised this is an issue. Each company developed incremental hydro models that conform to the general guidelines described by one of the three methods agreed to by the Renewables Workgroup. Therefore, PSE believes that the Commissioners do not need decide these issues on August 9, in order for the Commissioners to approve PSE's report.

5.1. Method Review

At this time, PSE does not believe that further detail is needed. The current level of flexibility is appropriate.

5.2. Method approval/selection

At this time, PSE does not believe that the Commissioners have to "approve" only one method; the Commission does not need to formally adopt just one specific

methodology. The current level of flexibility is appropriate. The commission can approve the overall number(s) without having to approve only one methodology.

5.3. Potential double-counting of RECs in other States

At this time, PSE believes that current Commission oversight and WREGIS certificate and REC retirement tracking will be sufficiently able to review for any possible alleged double-counting.

5.4. Using incremental hydro in the year it was generated

PSE believes that the incremental hydro does need to be used and applied for the target year in which it was generated.

6. Confidentiality

In general, WUTC Staff and NWECA/RNP are requesting more information than what is required under the law and rules and this is creating confidentiality issues that are not fully addressed under the existing rules. If the Commission limits the information in the reports to what is actually required under the law, there will be much less concern about confidential information.

Much of the sensitive information is data Commission Staff is requesting regarding the current year's progress under WAC 480-109-040(d) (describe the steps the utility is taking to meet the renewable resource requirements for the current year). It is important to note that the statute does not require this report on progress for the current year but is limited to "progress in the preceding year in meeting the targets." *See RCW 19.285.070(1)*. Further, the WAC requirement for reporting on the *current year* is very high level: (i.e., "describe the steps," whether utility plans to use or acquire its own renewable resources, plans to or has acquired contracted renewable resources, plans to use alternative compliance). The rule's high-level requirement to "describe the steps the utility is taking meet the renewable resource requirements for the current year" stands in stark contrast to Staff's requirement "to include *data on all qualifying renewable generation* to date in future RPS reports, to provide the Commission with complete information on target year progress." Staff Comments at pp. 13-14.

Also, if WAC 480-109-040(b), which addresses target year reporting, is read to only require reporting on the amount and cost of eligible renewable resources used and RECs acquired *to meet target, as opposed to all the company's renewable resources & RECs*, there may be less confidentiality concerns.

Bilateral confidentiality agreements with Staff and intervenors is not an effective solution because of other provisions of Chapter 19.285 RCW and Chapter 480-109 WAC. RCW 19.285.070 (3) requires the utility to "make reports required in this section available to its customers" and WAC 480-109-040(4) requires that "[a]ll current and historical reports . . .

must be posted on the utility's web site and a copy of the report must be provided to any person upon request". It is unclear how the Company could accommodate confidential information given the foregoing requirements.

Since WUTC Staff and NWECA are expecting information in these reports that goes beyond the law and the rules, and this is what is elevating confidentiality concerns, this issue would not be present without their expansive view of the reporting requirement. Therefore PSE believes that the Commissioners do not need decide this issue on August 9 in order for the Commissioners to approve PSE's report.

7. Incremental Cost

PSE believes that it can use market prices of wholesale power for this calculation. The market is one of many resources the Company relies upon to supply its customers with electricity. Using market prices of wholesale power has a very strong precedent. The Commission's own rules show that a utility may use current projected market prices for power as a method to determine avoided cost.

WAC 480-107-055

Schedules of estimated avoided cost.

(1) A utility must file annually a schedule of estimated avoided cost for the energy and capacity associated with the resource block the utility solicited in its most recent RFP filed pursuant to WAC [480-07-025](#) Contents of the solicitation.

(2) Schedules of estimated avoided cost are to be based upon:

- (a) The most recent project proposals received pursuant to an RFP issued under these rules;
- (b) Estimates included in the utility's current integrated resource plan filed pursuant to WAC [480-100-238](#);
- (c) The results of the utility's most recent bidding process; and
- (d) Current projected market prices for power.

The utility must file documentation supporting its schedule of estimated avoided cost.

(3) Utilities may revise a schedule of estimated avoided cost at any time. Such revisions must be filed with the commission along with documentation supporting the revision.

(4) The schedule of estimated avoided cost provides only general information to potential bidders about the costs of new power supplies; it does not provide a guaranteed contract price for electricity. For discussion of such guarantee, see WAC [480-107-095](#).

The fact that this rule allows for market prices to be used is completely consistent with the Commission's rules on the incremental cost calculation:

"The system analysis used will be reasonably consistent with principles used in the utility's resource planning and acquisition analyses." WAC 480-109-030(1).

The methods of determining avoided cost in WAC 480-107-055 are the "principles used in the utility's resource planning and acquisition analyses."

PSE believes that there is enough existing flexibility in the law and rules for the Commission to determine that PSE's calculations are sufficiently reasonably consistent with "principles used in the utility's resource planning and acquisition analyses."

Because the Commission's own rules set a precedent for use of current projected market prices for power as a basis for avoided costs; and the flexibility in the existing rules (WAC 480-109-030), this issue does not need to be decided on August 9 in order for the

Commissioners to approve PSE's report. A rulemaking is not needed because the Commission already has several rules governing this topic, and it has sufficient existing flexibility to evaluate incremental costs.

8. 2016 Biomass & Rulemaking

PSE believes it is premature to open a rulemaking process. While there are issues that may benefit by more clarity; a future rulemaking will be more useful after one or more of the Companies and other interested parties go through the process next year of retiring their RECs in WREGIS. We believe that going through this process may reveal more issues that need to be clarified. Therefore PSE recommends that if the Commission thinks a rulemaking is useful, then that process should be initiated in late summer or early fall of the year 2013.

9. WREGIS

PSE is currently able to retire RECs in WREGIS for any future compliance action. This is not an issue of how utilities comply with annual reporting requirements. Rather, having a Washington WREGIS administrator would serve to simplify the Commission's review process for future years, particularly as to any determination of eligibility regarding RECs claimed by the final compliance year. We do not believe this issue affects any determination of compliance regarding PSE's current 2012 report. Therefore PSE believes that the Commissioners do not need decide this issue on August 9 in order for the Commissioners to approve PSE's report.

PSE appreciates the opportunity to present these additional comments. Please direct any questions regarding these comments to Eric Englert at (425) 456-2312 or the undersigned at (425) 462-3495.

Sincerely,

/s/ Tom DeBoer

Tom DeBoer
Director – Federal & State Regulatory Affairs