

Agenda Date: August 8, 2019  
Item Number: A4

**Docket:** UE-190411  
Company: Puget Sound Energy

Staff: Jim Woodward, Regulatory Analyst

### **Recommendation**

Issue an Order in Docket UE-190411 finding:

1. The 2019 renewable energy target for Puget Sound Energy is 1,890,612 megawatt-hours.
2. Puget Sound Energy has demonstrated that, by January 1, 2019, it acquired at least 1,890,612 megawatt-hours of eligible renewable resources sufficient to supply at least 9 percent of its load for 2019.
3. Puget Sound Energy has complied with the June 1, 2019, reporting requirements pursuant to WAC 480-109-210.
4. In the final compliance report for 2019 required by WAC 480-109-210(6), Puget Sound Energy must provide details about which certificates were used for its various renewable energy programs.<sup>1</sup>

### **Background**

In 2006, Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). 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 2019 retail load with eligible renewable resources and to file an annual compliance report (RPS report) by June 1 of each year.<sup>2</sup> The Washington Utilities and Transportation Commission's (commission) rules further require a final compliance report, filed no later than two years after the initial report.

Puget Sound Energy (PSE or company) filed its annual RPS report on May 24, 2019. On June 27, PSE filed a revised RPS report and supporting workpapers to correct the dates associated with certain renewable energy credit (REC) vintages. Commission staff (staff) filed written

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<sup>1</sup> WAC 480-109-210(2)(d)(i). Each certificate in WREGIS may be retired by PSE for only one purpose. Retirement may be under the Green Power voluntary renewable energy program authorized by RCW 19.29A.090, or it may be retired for RPS compliance, but not both. If PSE reports on certificates that have not yet been retired, they could also be characterized as owned by the customer.

<sup>2</sup> RCW 19.285.040; RCW 19.285.070; WAC 480-109-200(1).

comments on July 15, 2019, which highlighted issues identified during staff's review of compliance with the rule. These comments are included as an attachment to this memo.<sup>3</sup>

### **Discussion**

Based on the information that PSE provided in its report, staff believes that the company correctly calculated its 2019 RPS target and has acquired sufficient resources to meet that target.

Table 1 summarizes Puget Sound Energy's 2019 target and the total amount of resources that the company had acquired by January 1, 2019, and illustrates the company's overall compliance position:

**Table 1: PSE's 2019 Renewable Resource Target and Compliance Plan**

<b>2019 Target (MWh)</b>	<b>Incremental Hydro (MWh)</b>	<b>2018 RECs</b>	<b>2019 RECs</b>	<b>Purchased RECs (unbundled)</b>	<b>Total Resources in 2019 (MWh)</b>
1,890,612	115,922	1,939,039	478,781	0	2,533,742

Incremental cost: PSE reported its actual incremental cost for the 2019 compliance plan as \$27.8 million or 1.5 percent of revenue requirement.<sup>4</sup> Between 2018 and 2019 PSE's incremental costs remained constant and above 1 percent, as the company continues to rely on wind resources that earn the company apprenticeship credits, but are more expensive.<sup>5</sup> The RPS report contained sufficient information to review incremental cost calculations, including a completed version of the template developed by staff during the 2016 RPS process.

Documentation of certificate use: PSE will need to document its use of the company's renewable resources under various renewable energy programs, which will allow staff to review the eligibility of the resources for meeting the EIA requirement. Because the statute explicitly disallows any resources used for voluntary renewable energy programs in RCW 19.29A.090, the commission requires the companies to include some information about the usage of the certificates. While the rule requires this information in the annual report, staff believes it will be more helpful in the final compliance report, and asks the commission to require the company to include the information there. Thus, in the final compliance report for 2019, PSE must list details about program usage, as required by WAC 480-109-210(2)(d)(i).

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<sup>3</sup> Commission Staff Comments Regarding Electric Utility Renewable Portfolio Standard Report under the Energy Independence Act, RCW 19.285 and WAC 480-109 (2019 Renewable Portfolio Standard Reports) (July 15, 2019).

<sup>4</sup> See Docket UE-190411, Annual 2019 Target Year Estimate. PSE workpaper Attachment 5.

<sup>5</sup> See WAC 480-109-200(4)(a)(ii).

### **Public Comments**

The commission received one set of public comments regarding Puget Sound Energy's report, which were filed by the Northwest Energy Coalition (NWECC) on July 15, 2019. NWECC commended the company for meeting its target without relying on alternative compliance mechanisms.

NWECC expressed continuing concern with the use of the Mid-Columbia spot market as the non-renewable substitute resource that forms the baseline of the incremental cost calculation.<sup>6</sup> Given the recent passage of Washington's Clean Energy Transformation Act (CETA), NWECC maintains such noneligible resources should at least include the social cost of carbon. While NWECC noted this criticism in this report, the organization indicated in its comments that carbon costs should be considered as part of future discussions around aligning CETA with the EIA and supported the commission approving the report.

### **Conclusion**

Issue an order as described in the recommendations section of this memo.

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<sup>6</sup> Dockets UE-160757, UE-170515, and UE-180479.