

Agenda Date: July 30, 2015
Item Number: A6

Docket: UE-151164
Company: Puget Sound Energy

Staff: Jeremy Twitchell, Regulatory Analyst

Recommendation

Issue an Order in Docket UE-151164 finding:

1. Under RCW 19.285.040(2)(a)(i) and WAC 480-109-200(1)(a), the 2015 renewable energy target for Puget Sound Energy is 626,663 megawatt-hours.
2. Puget Sound Energy has complied with the June 1, 2015, reporting requirements pursuant to WAC 480-109-210. These reporting requirements include Puget Sound Energy's plan for meeting its RPS obligation in 2015.
3. Puget Sound Energy has demonstrated that, by January 1, 2015, Puget Sound Energy acquired at least 626,663 megawatt-hours of eligible renewable resources, equivalent renewable energy credits, or a combination of them, for its use in 2015, as required by RCW 19.285.040(2)(a)(i) and WAC 480-109-200(1)(a).
4. Puget Sound Energy must file a second report no later than June 1, 2017, that lists the certificate numbers in the Western Renewable Energy Generation Information System for every megawatt-hour and renewable energy credit that Puget Sound Energy retired to meet the January 1, 2015, target.

Background

In 2006, Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). Now codified in RCW 19.285, the EIA created a renewable portfolio standard (RPS) that requires electric utilities with more than 25,000 customers to serve an increasing percentage of their retail load with eligible renewable resources and to file an annual compliance report (RPS report) by June 1 of each year.¹

The Washington Utilities and Transportation Commission (commission) is responsible for administering the EIA for the state's three investor-owned utilities (IOUs).² The commission has adopted a two-step process for determining RPS compliance. The first step is the annual compliance report required by statute, in which a utility must calculate its RPS target for that year as prescribed by the EIA³ and document that by January 1 of that year, the utility had acquired enough renewable resources and renewable energy credits to meet the target.

¹ RCW 19.285.070.

² RCW 19.285.060(6).

³ RCW 19.285.040(2).

The second step is a final report to be filed in the same docket, no later than two years after the initial report, in which the utility identifies the specific resources that it used to meet the target. As directed by the EIA, the Washington Department of Commerce has designated the Western Renewable Energy Generation Information System (WREGIS) as the system to be used for tracking and verifying the resources used for RPS compliance in Washington.

On March 13, 2015, the commission adopted a new rule for implementation and enforcement of the EIA, which is codified at WAC 480-109. The new rule adopted RPS enforcement practices that the commission has developed since the requirement took effect in 2012, such as the two-step compliance process explained above, and added new reporting requirements. The rule made the following key changes to the RPS reporting process:

- All resources used for RPS compliance must be registered in WREGIS (WAC 480-109-200(3)).
- The three methodologies that the commission has accepted for a utility to use in calculating the portion of the output of upgraded hydropower facilities that is eligible, incremental hydropower for RPS compliance have been formally incorporated (WAC 480-109-200(7)).
- The incremental cost of RPS compliance that utilities are required to report must be calculated according to the commission's approved methodology (WAC 480-109-210(2)(a)).
- Utilities that operate in more than one state are required to explain and document how they determined Washington's allocation of renewable energy credits (RECs) (WAC 480-109-210(2)(e)).
- Utilities that sell RECs are required to report the amount and proceeds of those sales (WAC 480-109-210(2)(f)).

Commission staff (staff) filed written comments on June 30, 2015, that analyzed and summarized each utility's RPS report. Staff's comments also discussed the changes to WAC 480-109 and how those changes affected the utilities' 2015 reports.

Discussion

Based on the information that Puget Sound Energy (PSE or company) provided in its report and subsequent follow-up with staff, staff believes that the company correctly calculated its 2015 RPS target and that it has acquired sufficient resources to meet that target.

PSE indicated in its report that it plans to use Method 2 to calculate the incremental output of its upgraded dams at Snoqualmie Falls and Lower Baker. In previous reports, the company indicated that it planned to use Method 3 to make the calculation. Both methods use a historical period of water flow data, and then use that data to model the dam's output under the pre-upgrade condition and the post-upgrade condition. Method 3 then subtracts the average of the pre-upgrade generation from the average of the post-upgrade. The resulting quantity is then

reported in perpetuity as the facility's annual incremental hydropower generation, regardless of actual water conditions or generation. Method 2 divides the average of the post-upgrade generation by the average of the pre-upgrade generation, and the resulting ratio is applied to the facility's actual generation each year to determine what portion of it was incremental.

Given the concerns that staff and the commission have expressed regarding Method 3,⁴ staff supports PSE's change to Method 2. Method 2, which is tied to actual water conditions each year, will likely prove more a more accurate measurement of incremental hydropower as water flows vary over time. Staff has reviewed the company's documentation for the ratios it is using for Snoqualmie Falls and Lower Baker and believes that the ratios have been correctly calculated.

Table 1 summarizes PSE's 2015 target and the total amount of resources that the company had acquired by January 1, 2015. It includes the company's excess RECs from 2014 that could be used toward its 2015 target and the company's projected 2015 generation from its hydro and wind facilities. While PSE has sold many of its excess 2014 RECs, the point of Table 1 is to illustrate the company's overall compliance position before any sales were made:

Table 1: PSE's 2015 Renewable Resource Target and Compliance Plan

Company	2015 Target (MWh)	Incremental Hydro (MWh)	2014 RECs	2015 RECs	Purchased RECs	Total Resources (MWh)
PSE	626,663	122,269	878,888	2,090,291 ⁵	N/A	3,091,448

Per WAC 480-109-210(2)(a), PSE reported the incremental cost of all eligible resources it has acquired as 1.4 percent and the prorated incremental cost of just the resources needed to meet its 2015 target as 0.4 percent.

The commission received one set of public comments regarding PSE's report, which were filed jointly by Renewable Northwest (RNW) and the Northwest Energy Coalition (NWECC). RNW and NWECC praised PSE for the clarity of its report and for meeting the target rather than relying on an alternative compliance method. The parties expressed doubt regarding PSE's use of market price forecasts in its incremental cost calculation, but were pleased that the company met its target at a low incremental cost and recommended that the commission approve the report.

Conclusion

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

⁴ See Docket UE-131723, General Order R-578 (March 13, 2015) ¶ 100.

⁵ Average of all eligible generation from company resources in 2014 and 2015.