

Agenda Date: August 12, 2021
Item Number: A05

Docket: UE-210411
Company: Puget Sound Energy

Staff: Jade Jarvis, Regulatory Analyst

Recommendation

Issue an Order in Docket UE-210411 finding:

1. The 2021 renewable energy target for Puget Sound Energy is 3,069,109 megawatt-hours.
2. Puget Sound Energy has demonstrated that, by January 1, 2021, it acquired 3,069,109 megawatt-hours of eligible renewable resources sufficient to supply 15 percent of its load for 2021.
3. Puget Sound Energy has complied with the June 1, 2021, reporting requirements pursuant to WAC 480-109-210.
4. Cosmo Specialty Fibers 1, Cosmo Specialty Fibers 2, Goodnoe Hills, Hidden Hollow Energy LLC, Klondike Wind Power III, Marengo, Nine Canyon Wind, Rolling Hills, Sierra Pacific Burlington, Stimson Lumber-plummer, Stoltze Cogeneration Plant, and Top of the World are eligible renewable facilities for RPS compliance.

Discussion

Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) its annual RPS report on June 1, 2021. Commission Staff (Staff) filed comments on July 19, 2021. Based on the information that Puget Sound Energy provided in its report, Staff believes that the company correctly calculated its 2021 RPS target and has acquired sufficient resources to meet that target.

Table 1 summarizes Puget Sound Energy's 2021 target and the total amount of resources that the company had acquired by January 1, 2021, and illustrates the company's overall compliance position:

Table 1: PSE's 2021 Renewable Resource Target and Compliance Plan

2021 Target (MWh)	Incremental Hydro (MWh)	Wind (MWh)	Biomass (MWh)	2021 Eligible Renewable Resources (MWh)
3,069,109	118,380	3,855,696	120,421	4,094,497

Incremental Costs: For 2021 compliance, Puget Sound Energy reported an incremental cost of \$31,331,660 or 1.5 percent of revenue requirement.¹ This is a slight increase of about 0.1 percent from 2020. 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.

Table 2 summarizes each company's incremental cost of only the eligible renewable resources required to meet their RPS target, and the incremental cost of all renewable resources acquired by the company.

Table 2: Incremental Cost of Renewable Resources

	2020		2021	
	<i>Required Renewable Resources</i>	<i>All Renewable Resources</i>	<i>Required Renewable Resources</i>	<i>All Renewable Resources</i>
Avista	0.1 %	0.2 %	(0.7) %	(0.6) %
PacifiCorp	1.7 %	1.7 %	(2.2) %	(3.5) %
PSE	1.4 %	1.5 %	1.5 %	1.5 %

Facility Eligibility: Puget Sound Energy is requesting the Commission approve the eligibility of the following renewable energy facilities: Cosmo Specialty Fibers 1, Cosmo Specialty Fibers 2, Goodnoe Hills, Hidden Hollow Energy LLC, Klondike Wind Power III, Marengo, Nine Canyon Wind, Rolling Hills, Sierra Pacific Burlington, Stimson Lumber-plummer, Stoltze Cogeneration Plant, and Top of the World. Staff's July 19 comments only addressed the Sierra Pacific Burlington biomass facility because it will contribute to PSE's 2021 RPS target. Regardless, the remaining 11 facilities are eligible renewable facilities. PSE secured RECs from these 11 facilities after the 2020 Annual RPS Report filing date and is seeking Commission approval so they may be included in the Company's 2020 Final Compliance report due June 1, 2022.

Staff also acknowledges that the Hidden Hollow facility and Stoltze Cogeneration Plant meet the requirements of distributed generation per RCW 19.285.030(12) and are therefore eligible to receive two-times the base value for RECs retired from these facilities. Based on the information provided to date, staff is satisfied that these 12 facilities qualify as renewable resources under WAC 480-109-060(11) and WAC 480-109-060(12).

Comments

For the first time since 2012, no public comments were submitted on any of the electric investor-owned utilities' Annual RPS Reports.

¹ See Docket UE-210411, Attachment 5, Annual 2021 estimate.

Conclusion

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

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Puget Sound Energy
2021 Renewable Portfolio Standard
Report**

DOCKET UE-210411

**COMMISSION STAFF COMMENTS REGARDING
ELECTRIC UTILITY RENEWABLE PORTFOLIO STANDARD REPORT UNDER
THE ENERGY INDEPENDENCE ACT,
RCW 19.285 and WAC 480-109
(2021 RENEWABLE PORTFOLIO STANDARD REPORT)**

AUGUST 12, 2021

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Background

In 2006 Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). As codified in RCW 19.285 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 2021 retail load with eligible renewable resources and to file annual RPS compliance reports by June 1 of each year.¹

The company's report must document all the renewable resources it intends to use for compliance.² Each eligible renewable resource must be registered in the Western Renewable Energy Generation Information System (WREGIS).

PSE's Compliance Plan for 2021

Puget Sound Energy (PSE or Company) plans to meet its 2021 target with a combination of company-owned incremental hydro and wind resources, surplus RECs banked from 2020, and generation from power purchase agreements with the Klondike III wind facility and the Sierra Pacific Burlington biomass facility. The Company correctly reported an average load in 2019 and 2020 of 20,460,726 MWh, yielding a 2021 target of 3,069,109 MWh. Table 1 shows the Company's overall compliance position:

Table 1: PSE's 2021 Renewable Resource Target and Compliance Plan

2021 Target (MWh)	Incremental Hydro (MWh)	Wind (MWh)	Biomass (MWh)	Total Resources in 2021 (MWh)
3,069,109	118,380	3,855,696	120,421	4,094,497

PSE intends to use 1,624,877 surplus RECs generated and banked in 2020.³ In addition to these surplus RECs, PSE is utilizing the 1.2 qualified apprenticeship multiplier at three company-owned wind facilities: Phalen Gulch, Dodge Junction and Wild Horse Phase II. Combining banked RECs from the previous year with 2021 resources, PSE will exceed its 2021 RPS target of 15 percent.

Facility Eligibility

The majority of PSE's renewable generation comes from the six company-owned wind facilities and a contract for a portion of the output at a seventh wind facility. The Company's eligible incremental hydro generation comes from its Lower Baker and Snoqualmie Falls facilities. PSE entered into a power purchase agreement with the Sierra Pacific Burlington biomass facility in

¹ 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 2021 target is 15 percent of the utility's average load in 2019 and 2020).

² WAC 480-109-210(2)(d).

³ Included in the number for *Total Resources in 2021* section of Table 4.

January of 2020 and is requesting eligibility approval from the Commission. This facility is located in Mt. Vernon, Washington and meets the requirements of a qualified biomass facility.⁴ Commission rules specify that RPS reports must indicate if a utility intends to use any eligible resources for the first time.⁵ Additionally, RECs may only be purchased from facilities that meet the statutory eligibility requirements as an “eligible renewable resource.”⁶ Commission Staff (Staff) recommends that the Commission make an eligibility determination for the Sierra Pacific Burlington biomass facility.

Incremental Cost

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 resource at the time of acquisition or, for historic acquisitions, the best information available at the time of the acquisition.

The incremental cost of compliance represents the cost (or savings) of using eligible renewable resources to serve 15 percent of a utility’s annual average load, compared to using the lowest-reasonable-cost, noneligible resource available to the utility at the time of the eligible resource's acquisition. If using eligible renewable resources to meet the RPS target is more expensive than using the lowest-reasonable-cost non-eligible alternative, then the incremental cost will be positive. If using eligible renewable resources to meet the RPS target is cheaper than the lowest-reasonable-cost non-eligible alternative, then the incremental cost will be negative.

Table 2 shows a side-by-side comparison of the utilities’ reported incremental cost percentages in 2020 and 2021. The *Required Renewable Resources* column represents the incremental cost of only the eligible resources necessary to meet the 15 percent target. The *All Renewable Resources* column represents the incremental cost of all of the renewable generation available to the utility. Staff observes that two of the three utilities expect to achieve financial savings from using eligible renewable resources to serve 15 percent of their average annual load. It is also worth noting that PacifiCorp is saving even more money by acquiring additional eligible renewable resources beyond those needed for RPS compliance.

Table 2: Investor-Owned Utilities’ Reported Incremental Cost Percentages, 2020 and 2021

	2020		2021	
	<i>Required Renewable Resources</i>	<i>All Renewable Resources</i>	<i>Required Renewable Resources</i>	<i>All Renewable Resources</i>
Avista	0.1 %	0.2 %	(0.7) %	(0.6) %
PacifiCorp	1.7 %	1.7 %	(2.2) %	(3.5) %
PSE	1.4 %	1.5 %	1.5 %	1.5 %

⁴ See RCW 19.285.030(18) and WAC 480-109-200(8).

⁵ WAC 480-109-210(2)(d)(ii).

⁶ RCW 19.285.030(12) and (20).

PSE's incremental costs have remained relatively stable during the last several RPS plan cycles because they have not needed a large renewable resource block. PSE continues to practice a renewable energy credit (REC) "optimization" strategy where it sells RECs from its existing facilities (i.e., Klondike III and Wild Horse) at a price premium on the voluntary REC market. PSE subsequently purchases lower cost RECs to satisfy its RPS compliance.⁷

Conflicting Load Definitions

Staff investigated conflicting definitions of load under CETA and the EIA, specifically regarding the accounting of energy delivered through voluntary renewable energy purchases in annual load calculations. CETA's definition of retail electric load excludes energy delivered through voluntary renewable energy purchases, such as those delivered under an optional pricing program, while the EIA requires all delivered energy to be included in the utility's load and subsequent calculation of RPS targets.⁸

The EIA excludes eligible renewable resources or RECs used for optional pricing programs from counting towards RPS target compliance.⁹ PSE has expressed that they find this method unfair. While all three companies are using the correct definitions when calculating their 2021 average load and RPS targets, this difference will cause confusion once companies begin filing CETA-related reports. Staff recommends the addition of this issue in any future discussions with the legislature regarding amendments to CETA or the EIA.

Staff position regarding PSE 2021 RPS filing

Staff is satisfied that PSE can meet its 15 percent RPS target for 2021. Based on the information provided to date, Staff recommends the Commission approve the Sierra Pacific Burlington biomass facility PSE is requesting for 2021 RPS compliance. Staff believes PSE has complied with the June 1, 2021, reporting requirements pursuant to WAC 480-109-210.

Conclusion

After reviewing the comments of other parties, Staff will present a recommendation at the August 12, 2021, open meeting as to whether the Commission should issue an order in Docket

⁷ See Docket UE-210411, PSE 2021 WA RPS Plan Report, p. 3 (June 1, 2021).

⁸ RCW 19.285.030(14): "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. RCW 19.405.020(36)"Retail electric load" means the amount of megawatt-hours of electricity delivered in a given calendar year by an electric utility to its Washington retail electric customers. "Retail electric load" does not include: (b) Megawatt-hours delivered to an electric utility's system from a renewable resource through a voluntary renewable energy purchase by a retail electric customer of the utility in which the renewable energy credits associated with the megawatt-hours delivered are retired on behalf of the retail electric customer.

⁹ RCW 19.285.040(2)(f)(ii): In complying with the targets established in (a) of this subsection, a qualifying utility may not count: (ii) Eligible renewable resources or renewable energy credits obtained for and used in an optional pricing program such as the program established in RCW 19.29A.090.

UE-210411 finding that PSE has met its reporting requirements, accepting the utility's calculation of its 2021 RPS target, and determining RPS eligibility for specific resources.¹⁰

¹⁰ In prior years, Staff commented on Microsoft's RPS report compliance within the PSE section of Staff RPS comments. Beginning in 2021, Staff will evaluate and comment on Microsoft's RPS report separately.