



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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June 26, 2018

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Pacific Power & Light Company's 2007-2016 Energy and Emissions Intensity Report
Docket UE-170687

Dear Mr. King:

This is Commission staff's response to Pacific Power's July 19, 2017, Energy and Emissions Intensity (EEI) Metrics Report, which is required by WAC 480-109-300. This rule governing EEI metrics is relatively new. The commission adopted WAC 480-109-300 in 2015, in response to amendments to the Energy Independence Act. Under the rule, Washington investor-owned utilities must annually report their respective EEI metrics to the commission. The reports "must include annual values for each metric for the preceding ten calendar years." *Id.* at (1). Here, commission staff recommends the commission acknowledge Pacific Power's 2007-2016 EEI Report and direct the company to follow the guidance set forth in the commission's order adopting the reporting requirement, as described below.

In its order adopting WAC 480-109-300, the commission stated that "each utility must document in detail the sources of data and methods used to make each calculation required under WAC 480-109-300."¹ The commission outlined a methodology to be used to calculate energy and emissions from known generation sources, but did not clearly identify any methodology to be used to calculate energy and emissions from unknown generation sources,² recognizing that methodologies "[m]ay become available in the future that would more effectively ascertain ... the short tons of CO₂ emissions allocated to a utility's electric generation."³

On March 23, 2017, the commission issued an acknowledgement letter to Pacific Power regarding its 2006-2015 EEI report. In that letter, the commission noted that the reporting of

¹ Docket UE-131723, General Order R-581, at ¶ 20.

² *Id.* at ¶ 19. The order specified the method for calculations required by WAC 480-109-300(2)(d)-(e). Unknown generation sources are addressed in WAC 480-109-300(3).

³ *Id.* at ¶ 21.

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energy sales and purchases was both a topic for discussion and an area for improvement. The reporting issue was one of the key topics discussed at a recessed open meeting on April 18, 2017.

Staff commends Pacific Power for incorporating much of the feedback and guidance provided during last year's review into its 2016 report. Staff worked with the company to identify a handful of additional improvements which would enable Pacific Power to better achieve the clarity and consistency required in the commission's order adopting WAC 480-109-300.

Staff provided informal feedback to Pacific Power based on its 2016 report in April of this year. Staff includes the informal feedback as an attachment to this letter to document staff's expectations for the company's future reports.

Staff appreciates the company's willingness to consider this feedback as it developed its 2017 report, which was filed on June 1, 2018, under docket UE-180502. A preliminary review of Pacific Power's 2017 report leads staff to believe that many of the items in the attachment have been sufficiently addressed. Staff will perform a more thorough review of the 2017 report and submit a letter to the Executive Director and Secretary, filed to docket UE-180502, by October 31, 2018. Thank you for your consideration.

Sincerely,

Kyle Frankiewich
Regulatory Analyst
Conservation and Energy Planning

ATTACHMENT

Staff feedback re: Pacific Power's 2007-2016 EEI Report

1. *Differentiating between known and unknown sources*: Staff requests additional narrative explaining how Pacific Power determines whether a source is known or unknown. If the company makes any assumptions or adjustments regarding any unknown sources, it should clearly describe these assumptions or adjustments and explain why the company made them. Staff assumes that all purchases which are not unit-specific are classified as unknown, regardless of the identity of the counterparty.
2. *Unknown Sources – Aggregated market purchases*: Pacific Power reports energy purchases and sales aggregated presumably by closest regional wholesale market. Staff requests that the company explain how it performs this aggregation. Staff also encourages the company to include a summary of how market purchases and front office transactions are allocated to Washington ratepayers pursuant to the state's Western Control Area (WCA) cost allocation methodology.
3. *Unknown Sources – Purchase and sales reporting methodology*: After several rounds of discussion last year and after reviewing analysis performed by other utilities, Staff believes the appropriate methodology for reporting purchases and sales is the net-by-counterparty approach:
 - (a) for each transaction partner whose generation is from an unknown resource, subtract the total annual sales to this party from the total annual purchases from this party;
 - (b) if the result is positive, apply the Department of Commerce fuel mix emissions intensity factor to calculate emissions associated with the net purchase;
 - (c) if the result is negative, apply an aggregate, fleet-wide emissions intensity factor for the utility's known sources to calculate emissions associated with the net sale.Staff contends that the net-by-counterparty approach represents an optimal balance among the three competing priorities of accuracy, consistency, and burden on company and commission resources.

Staff has discussed this methodology with Pacific Power, and appreciates that the WCA methodology for net power costs is not allocated such that any one market transaction is directly included in rates. Staff therefore requests that Pacific Power provide an appendix for all sales and purchases netted by counterparty, and include in the workpapers supporting the report's findings a presentation of net purchases which aligns with the WCA methodology.
4. *Energy Imbalance Market (EIM)*: Pacific Power notes in its report that participation in the EIM resulted in net sales of energy from known, non-emitting sources. Missing from the report, however, are the *scope* of these sales and a *narrative analysis* regarding the emissions intensity impacts of these sales. Staff encourages the company to provide a deeper analysis of EIM's impacts on Washington's emissions intensity in the narrative section of the company's next report.
5. *Total Load Served and Busbar MWh*: Staff requests that the company include in its narrative

text an explanation of the differences between the “Total Load Served” figure found in the “Energy Intensity Metrics” section of the yearly report worksheet, and the sum of “Busbar MWh” figures for known and unknown sources serving Washington, also found in the “Emissions Intensity Metrics” section of the yearly report worksheet.