

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Avista Corporation 2020
Renewable Portfolio Standard Report**

DOCKET UE-200505

**In the Matter of Pacific Power and Light
Company 2020 Renewable Portfolio
Standard Report**

DOCKET UE-200506

**In the Matter of Puget Sound Energy
2020 Renewable Portfolio Standard
Report**

DOCKET UE-200504

**COMMISSION STAFF COMMENTS REGARDING
ELECTRIC UTILITY RENEWABLE PORTFOLIO STANDARD REPORTS UNDER
THE ENERGY INDEPENDENCE ACT,
RCW 19.285 and WAC 480-109
(2020 RENEWABLE PORTFOLIO STANDARD REPORTS)**

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Background

In 2006 Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). Now 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 2020 retail load with eligible renewable resources and to file annual RPS compliance reports by June 1 of each year. The EIA RPS requirement increased incrementally from 2012 to 2020, reaches its ultimate threshold of 15 percent this year.¹

The commission's rules require each report to document the companies' renewable resources, which allows staff to review the eligibility of the resources for meeting the rule requirement.² Each eligible renewable resource must be registered in the Western Renewable Energy Generation Information System (WREGIS).³

These commission staff (staff) comments also address the Microsoft Corporation's (Microsoft) 2020 RPS report in the PSE section. Per commission Order, PSE must file with the commission an annual RPS report developed by Microsoft by March 31.⁴ Microsoft's settlement stipulation and special contract with PSE allowed Microsoft to leave PSE's customer base. No significant issues were noted with Microsoft's 2020 RPS report. Staff will continue to track and report this compliance item as part of the broader electric IOU RPS.

Focus Issues

Staff worked with utilities to resolve issues specific to each company. To resolve the outstanding issues remaining following the conclusion of the 2019 RPS reporting season,⁵ staff convened a RPS stakeholder working group (WG) between January and April 2020. The WG was comprised of representatives from Avista Corporation (Avista), Pacific Power & Light Company (PacifiCorp), Puget Sound Energy (PSE), the Northwest Energy Coalition (NWEC), the Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel), and staff. Over a series of six meetings the WG considered adjustments to the incremental cost calculation to better reflect existing eligible facilities that are updated or renovated. The WG also considered companies' approaches to RPS report confidentiality and helped stakeholders better understand report redactions. The results of the WG expedited the review of the 2020 RPS reports. Staff largely credits the RPS WG for building stakeholder consensus and minimizing any controversy around the 2020 reports, compared to the 2019 filings.

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 2020 target is 15 percent of the utility's average load in 2018 and 2019).

² WAC 480-109-210(2)(d).

³ WAC 480-109-200(3); WAC 480-109-210(2)(d). For the commission's discussion on the matter of WREGIS registration and the addition of the "regardless of ownership" language, please refer to Docket UE-131723, General Order R-578, ¶¶ 84 – 94 (Mar. 13, 2015).

⁴ See Docket UE-161123, Order 06, ¶ 64-71 (Jul. 13, 2017). Order 06 approved and adopted a settlement stipulation among all parties that approves a special contract between PSE and Microsoft.

⁵ See Docket UE-190448. Issues stemming from PacifiCorp's 2019 RPS plan report requiring resolution via a staff-level WG included incremental costs of re-powered wind facilities and the company's approach to report redactions.

Avista, PacifiCorp, and PSE filed their RPS reports by June 1, 2020. In addition to the RPS WG focus on incremental cost calculations and report confidentiality, staff’s review of the 2020 RPS reports considers the new facilities the companies are requesting for use towards compliance with the 2020 standard.

Incremental Cost Calculations

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. Annually, utilities report incremental cost in two terms:

- cost of all eligible resources acquired; and
- prorated cost of only the resources needed to meet that year’s target (annual calculation of revenue requirement ratio).

Table 1 shows a side-by-side comparison of the utilities’ reported incremental cost percentages in 2019 and 2020, expressed in two terms: the cost of only the resources required for target year compliance, and the cost of all resources acquired.

Table 1: Investor-Owned Utilities’ Reported Incremental Cost Percentages, 2019 and 2020

	2019		2020	
	<i>Required Resources</i>	<i>All Resources</i>	<i>Required Resources</i>	<i>All Resources</i>
Avista	(0.5%)	(0.4%)	0.1 %	0.2 %
PacifiCorp	0.6 %	0.6 %	1.7 %	1.7 %
PSE	1.5 %	1.5 %	1.4 %	1.5 %

Avista’s previous negative incremental costs have risen and are now slightly positive but still well under the four percent cost cap which could trigger alternative compliance.⁶ Avista’s hydropower resources, which generally have negative incremental costs, make up a smaller proportion of Avista’s 2020 RPS plan portfolio. Avista’s incremental hydropower contribution varies with actual stream flow year-to-year.^{7, 8} Because 2019 proved to be a poor hydro year, Avista needed to use more of its eligible RPS generation from facilities with positive incremental costs (e.g., Palouse Wind) to meet the higher 15 percent 2020 RPS target.⁹

PacifiCorp’s incremental cost increase was the largest incremental cost change across the three companies in 2020. The increase is driven by the company’s capital intensive re-powering of select wind facilities, discussed later in these comments.

⁶ WAC 480-109-220(1).

⁷ UE-190445, Order 01, paragraph 26. Avista may use Method One for the calculation of incremental hydropower generation.

⁸ WAC 480-109-200(7)(b).

⁹ See Docket UE-200505, Avista 2020 WA RPS Plan Report, p. 5, July 20, 2020.

PSE's incremental costs, which have remained stable during the last several RPS plan cycles, actually *decreased* slightly for the 2020 target year resources. PSE executed a renewable energy credit (REC) "optimization" strategy where it sold RECs from two of its existing facilities (i.e., Klondike III and Wild Horse) at a price premium on the voluntary REC market. PSE subsequently purchased lower cost unbundled RECs to satisfy its 2020 RPS compliance.¹⁰ Staff applauds the resulting reduced costs to customers.

RPS Report Confidentiality

The previously mentioned 2020 RPS WG undertook roundtable discussions where the participating utilities explained why they have historically redacted select data in their RPS filings and other stakeholders offered what impediments, if any, such redactions pose to adequately tracking Washington RPS progress. The RPS WG did not seek to determine what type of information was confidential as such determinations are already governed by separate statute and commission rule.¹¹ The discussions revealed how the traditional way certain data is redacted (i.e., within select workpapers but not tracked across the entire RPS filing) prevents non-IOU stakeholders from determining whether they think the redactions are too extensive. To ameliorate this issue, all three companies agreed to file a confidentiality "crosswalk" with their 2020 RPS plan reports that would comprehensively list all redactions.

Another valuable byproduct of the RPS WG confidentiality discussions were companies' acknowledgements that not all information initially viewed as confidential required redaction. To clarify expectations ahead of the 2020 RPS plan report filings, staff laid out their perspective regarding RPS report confidentiality considerations to which all participating WG stakeholders concurred.¹² A common data element that all three companies would continue to redact within their respective annual RPS reports, if relevant, were contract prices or cost information associated with the relatively recent sale of unbundled RECs (i.e., within the past five years).

Facility Eligibility

Both PSE and PacifiCorp intend to purchase unbundled RECs for 2020 RPS plan compliance that have not previously been formally approved for use by the commission. Commission rules specify that RPS reports must indicate if they intend to use any eligible resources for the first time. Additionally, unbundled RECs may only be purchased from facilities that meet the statutory eligibility requirements as an "eligible renewable resource."¹³ Staff recommends that the commission make an eligibility determination for each new eligible renewable resource the companies intend to use for RPS compliance.¹⁴ The specific facilities are detailed below in the report subsections for each company.

¹⁰ See Docket UE-200504, PSE 2020 WA RPS Plan Report, p. 3, July 22, 2020.

¹¹ RCW 80.04.095 and RCW 81.77.210; WAC 480-07-160(2)(b), (5)(a) and (e).

¹² See Dockets UE-190411, UE-190445, UE-190448, Staff Expectations Regarding 2020 RPS Plan Reports, May 5, 2020.

¹³ RCW 19.285.030(12) and (20).

¹⁴ WAC 480-109-210(2)(d)(ii).

Company Reports

In this section, staff summarizes each company's RPS report, including targets and the resources the companies plan to use to meet those targets. Staff's comments document the total number of resources that each utility has acquired, and any factors that uniquely define a company's reporting position in 2020. The goal of this discussion is to provide a complete picture of each utility's RPS compliance position for 2020.

Avista (Docket UE-200505)

Avista owns eleven eligible hydropower facilities and the Kettle Falls biomass facility, and has a long-term power purchase agreement for all output of the Palouse Wind Farm in Whitman County, Washington. The company correctly reported an average load in 2018 and 2019 of 5,640,469 MWh in its RPS report, yielding a 2020 RPS target of 846,070 MWh. Table 2 shows the company's RPS compliance position:

Table 2: Avista's 2020 Renewable Resource Target and Compliance Plan

2020 Target (MWh)	Incremental Hydro (MWh)	Wind (MWh)	Biomass (MWh)	Purchased RECs (unbundled)	Total Compliance Resources (MWh)
846,070	126,060	434,180	285,830	0	846,070

Avista has enough eligible renewable resources to generate 15 percent of its two-year average load after allocating its RECs according to its multistate allocation methodology.¹⁵ Avista's 2020 plan for compliance could have reflected renewable resources in excess of the 15 percent target. However, as of its July 20, 2020, revised filing, the company has elected to wait until the 2021 plan year to request the commission approve two new facilities as eligible: Boulder Solar and Rattlesnake Flat Wind. Boulder Solar transitioned from the company's voluntary Community Solar program in mid-2020, and Rattlesnake Flat Wind is expected to come on-line before the end of 2020.¹⁶

Staff position regarding Avista 2020 RPS filing

Staff is satisfied the company can meet its 15 percent RPS target for 2020 and will not need to acquire additional resources for 2020 RPS compliance. Avista is not claiming any new resources in its 2020 report but will likely include the Boulder Solar and Rattlesnake Flat Wind projects in the company's 2021 RPS filing. Staff believes Avista complied with the June 1, 2020, reporting requirements pursuant to WAC 480-109-210.

¹⁵ See Consolidated Dockets UE-170485, UG-170486, UE-171221, and UG-171222.

¹⁶ See Docket UE-200505, Avista 2020 WA RPS Plan Report, pp. 6-7, July 20, 2020.

Pacific Power & Light Company (Docket UE-200506)

PacifiCorp expects to meet its Washington 2020 renewable compliance target with a combination of wind resources, incremental hydro, and unbundled REC purchases. The company correctly reported an average load in 2018 and 2019 of 4,046,853 MWh in its RPS report, yielding a 2020 RPS target of 607,028 MWh. Table 3 summarizes PacifiCorp's RPS compliance position:

Table 3: PacifiCorp's 2020 Renewable Resource Target and Compliance Plan

2020 Target (MWh)	Incremental Hydro (MWh)	Wind (MWh)	Purchased RECs (unbundled)	Total Compliance Resources (MWh)
607,028	1,582	424,936	180,510	607,028

The eligible renewable resource portfolio the company plans to use for 2020 RPS compliance includes four company-owned hydropower facilities with eligible incremental generation improvements located in the Pacific Northwest, as well as nine wind projects (three in Washington, one in Oregon, and five east-side wind facilities in Wyoming).¹⁷ Seven of the wind facilities are owned by PacifiCorp, while the other two are owned by Duke Energy and sell power to PacifiCorp. The company also intends to use unbundled RECs from eight solar facilities. Two of these facilities have not been used previously for RPS compliance and are located in Utah:

1. Granite Mountain East.
2. Granite Mountain West.

The Energy Independence Act allows PacifiCorp to use resources located in Utah and Wyoming, where it has retail customers, if the company owns or contracts with those resources for electricity. PacifiCorp is the only company eligible to use resources in these two states for compliance.¹⁸

PacifiCorp indicated select existing, eligible facilities within the company's RPS compliance portfolio were to be re-powered ahead of the 2020 RPS plan report year.¹⁹ These planned upgrades are designed to expand the capacity and energy generation components of the company's legacy wind resources while also extending the useful life of said facilities.²⁰ The 2020 RPS WG examined how the one-time incremental cost calculations should best reflect re-powering upgrades of the respective facilities. The WG agreed on a methodology that would revise the one-time calculation required in the rule, and instead use the levelized cost of the original, "pre" re-powered resource at the time of acquisition until the date of re-powering

¹⁷ See Docket UE-151162, Order 01, ¶17 (Aug. 27, 2015). The Wyoming facilities were approved in 2015 as eligible resources restricted to PacifiCorp's Washington compliance needs under RCW 19.285.030(12)(e).

¹⁸ RCW 19.285.030(12)(e) and (20).

¹⁹ "Re-powering" captures anticipated capital upgrades to certain PacifiCorp-owned wind facilities within the West Control Area (WCA).

²⁰ See Docket UE-200506, WA RPS Resource Cost Analysis. PacifiCorp workpaper, June 1, 2020.

blended with the levelized cost of the re-powered resource from the date of re-powering to the end of its extended useful life. The WG consensus methodology appropriately compares eligible renewable resources to noneligible resources of similar vintages and sources, which resolves staff's criticism from when PacifiCorp originally proposed re-powering during the 2019 RPS season.²¹ As part of its 2020 RPS plan report, PacifiCorp filed a petition seeking a waiver of the one-time incremental cost calculation at the time of resource acquisition requirement set forth in WAC 480-109-210(2)(a)(i). The waiver asks permission to use an updated incremental cost calculation for certain wind facilities re-powered by January 1, 2020, as well as using PacifiCorp's 2019 integrated resource plan *progress report* for the re-powered Goodnoe Hills facility capacity value.²² RPS WG stakeholders, including staff, support this petition.

Staff position regarding PacifiCorp 2020 RPS filing

Staff is satisfied PacifiCorp can meet its 15 percent RPS target for 2020. Based on the information provided to date, staff recommends the commission approve the use of Granite Mountain East and Granite Mountain West only for PacifiCorp's RPS compliance, as these sites are located in Utah.

As noted above, staff supports PacifiCorp's petition seeking a waiver of the one-time incremental cost calculation and eligible resource capacity value source set forth in WAC 480-109-210(2)(a)(i). Staff believes PacifiCorp complied with the June 1, 2020, reporting requirements pursuant to WAC 480-109-210.

Puget Sound Energy (Docket UE-200504)

PSE plans to meet its 2020 target with a combination of incremental hydro, wind resources, and unbundled REC purchases. The company correctly reported an average load in 2018 and 2019 of 20,765,213 MWh, yielding a 2020 target of 3,114,782 MWh. Table 4 shows the company's overall compliance position:

Table 4: PSE's 2020 Renewable Resource Target and Compliance Plan

2020 Target (MWh)	Incremental Hydro (MWh)	Wind (MWh)	Purchased RECs (unbundled)	Total Resources in 2020 (MWh)
3,114,782	88,091	3,694,729	229,704	4,012,524

As Table 4 indicates, PSE will exceed the 2020 RPS 15 percent requirement. Because the company has renewable resources in excess of the 15 percent target, the company may elect to sell 2020 RECs or apply RECs not generated by freshwater towards next year's 2021 RPS compliance target of 15 percent.²³

²¹ See Docket UE-190448, Staff Comments Regarding the 2019 RPS Reports, July 15, 2019.

²² WAC 480-109-210(2)(a)(i)(B) determines the eligible resource capacity value from the "utility's most recent integrated resource plan acknowledged by the commission."

²³ RCW 19.285.040(2)(e).

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 facility. Three of the wind facilities PSE owns are eligible for the 1.2 multiplier available to facilities that use a qualified apprenticeship program. The company's eligible incremental hydro generation comes from its Lower Baker and Snoqualmie Falls facilities.

As previously indicated, PSE purchased unbundled RECs for 2020 plan year compliance. The majority of these unbundled RECs came from 13 facilities that have not been used previously for RPS compliance. All of these facilities are located in the Pacific Northwest and are eligible for use against RPS compliance by any utility in Washington.²⁴

1. Camp Reed Wind Park
2. Golden Valley Wind Park
3. Meadow Creek Wind Farm – Five Pine Project
4. Meadow Creek Wind Farm – North Point Wind Farm
5. Nine Canyon Wind Project – Nine Canyon Phase 3
6. Oregon Trail Wind Park, LLC – Oregon Trail Wind Park
7. PaTu Wind Farm
8. Roseburg LFG
9. Salmon Falls Wind Park, LLC
10. Sawtooth Wind Project
11. Thousand Springs Wind Park, LLC – Thousand Springs Wind Park
12. Tuana Gulch Wind Park, LLC – Tuana Gulch Wind Park
13. White Creek Wind 1 – White Creek

Staff position regarding PSE 2020 RPS filing

Staff is satisfied that PSE can meet its 15 percent RPS target for 2020. Based on the information provided to date, staff recommends the commission approve the 13 facilities PSE is requesting for RPS compliance by any utility in Washington because these facilities meet the eligibility requirements pursuant to statute and rule.²⁵ Staff believes PSE has complied with the June 1, 2020, reporting requirements pursuant to WAC 480-109-210.

Microsoft 2020 Renewable Portfolio Standard Report (Docket UE-161123)

The special contract between PSE and Microsoft went into effect as of April 1, 2019, and PSE filed Microsoft's second annual RPS report with the commission on June 1, 2020. The settlement stipulation indicates Microsoft will meet its electricity needs under the special contract with 25 percent eligible renewable resources from commencement of service under the special contract through 2020. Furthermore, the settlement stipulation provides that Microsoft "will require all its suppliers to provide carbon-free power from identified generating resources".²⁶ Microsoft's RPS report is addressed here because the Microsoft report is a PSE compliance filing.

²⁴ RCW 19.285.030(12)(a) and (20).

²⁵ RCW 19.285.030(12); WAC 480-109-060(12).

²⁶ See Docket UE-161123, Settlement Stipulation and Agreement, ¶ 13 (Apr. 11, 2017).

The requirements for Microsoft's annual RPS reporting are similar to the electric IOU requirements as set forth in the EIA, with one important distinction: Microsoft does not need to furnish incremental cost calculations of the eligible resources comprising the company's portfolio. Microsoft's special contract with PSE does include a carbon-free power supplier disclosure provision not applicable to the electric IOUs.²⁷ Staff, PSE, and the Microsoft RPS team discussed how best to address the carbon-free power supplier disclosure provision ahead of the filing. The Microsoft RPS team agreed to document its carbon-free power supplier requirement as an additional section within the company's annual RPS report.

Microsoft continues to redact significant portions of its 2020 report to keep confidential its aggregate annual load taken during the first year of the special contract.²⁸ Staff held subsequent discussions with relevant stakeholders (e.g., Renewable Northwest) to confirm whether the confidential nature of Microsoft's RPS report met the intentions of the original Order and Settlement Agreement. Renewable Northwest stated Microsoft's redactions are legally well-founded, inasmuch as the statute Microsoft cites explicitly authorizes the protection of customer-specific usage information. Further, the stakeholder believes Microsoft would cooperatively make available the redacted usage-related information to parties willing and able to sign a nondisclosure agreement.²⁹

Based on the information that Microsoft provided in its report and stakeholder feedback regarding the degree of confidentiality within this PSE compliance filing, staff finds the Microsoft report consistent with the carbon-free power supplier compliance requirements laid out in Order 06, the corresponding Settlement Agreement, and special contract. Staff believes PSE has complied with its 2020 RPS requirements.

Conclusion

After reviewing the comments of other parties, commission staff will present a recommendation at the September 10 open meeting as to whether the commission should issue an order in each company's docket finding that each utility has met its reporting requirements, accepting the utility's calculation of its 2020 RPS target, and determining RPS eligibility for specific resources.

²⁷ *Id.*

²⁸ See Docket UE-161123, MSFT 2020 RPS Report – June 1, 2020. Section 1.

²⁹ Email to staff from Katie Ware, Renewable Northwest, July 27, 2020.