

Agenda Date: July 24, 2014
Item Number: A1

Docket: UE-120802
Company: Puget Sound Energy

Staff: Jeremy Twitchell, Regulatory Analyst

Recommendation

Issue an Order in Docket UE-120802 finding:

- (1) Puget Sound Energy has complied with the two-step reporting process identified by the commission in Order 01 of this docket.
- (2) Puget Sound Energy has generated or acquired 635,958 megawatt-hours of RECs and eligible generation for the purpose of 2012 RPS compliance, and retired corresponding certificates for all resources that are registered in WREGIS.
- (3) Puget Sound Energy has complied with its 2012 RPS target as required by RCW 19.285.040(2)(a)(i).

Background

The Commission issued Order 01 in this docket on Sept. 13, 2012, which approved Puget Sound Energy's (PSE or company) calculation of its 2012 renewable energy target as 635,958 megawatt-hours. In that order, the commission also adopted a "two-step" process for determining compliance with the renewable portfolio standard (RPS) requirements within the Energy Independence Act (EIA).

Under the two-step process, each utility is expected to file an initial report each year to calculate its renewable energy target for that year and demonstrate that it has acquired or contracted to acquire enough renewable energy credits (RECs) and/or eligible hydro generation to meet that target. Then, no later than June 1 two years after the target year, the utility must file a report with the commission that shows the specific resources that it used for compliance and the quantity of RECs or eligible generation from each resource.

Pursuant to RCW 19.285.030(20), the Washington State Department of Commerce has selected the Western Renewable Energy Generation Information System (WREGIS) as the tracking body that verifies the eligible generation that qualifying utilities under the EIA use for compliance. Each megawatt-hour of eligible generation is issued a certificate number. To comply with the RPS requirements of the EIA, a utility must retire WREGIS certificates for the eligible resources that it claimed in its final compliance report.

Discussion

On May 30, 2014, PSE filed its final renewable compliance report for 2012 as part of its 2014 RPS report in Docket UE-140800. Commission staff (staff) informed the company that under the

two-step process adopted by the commission, the 2012 final compliance report needed to be filed in this docket. On July 9, PSE filed the report in this docket with no changes. PSE's report identified 630,992 RECs from the company's Lower Snake River wind facility in 2012 that the company would retire to meet the 2012 RPS target. PSE also acquired 4,966 megawatt-hours of eligible hydro generation from the Wanapum Dam, for a total of 635,958 megawatt-hours of RECs and renewable generation for 2012.

Grant County PUD, which operates Wanapum, has not registered that facility in WREGIS, so PSE is unable to retire certificates corresponding to its share of Wanapum's eligible generation. Staff recommends that in approving PSE's use of Wanapum generation, the commission states that the approval applies for the 2012 target year only, to allow for further investigation of whether utilities should be allowed to claim eligible resources that are not tracked in WREGIS. Staff also believes it should be made clear that methodologies employed by PUDs in determining their incremental hydro production will be evaluated on a case-by-case basis.

After reviewing PSE's final compliance report, staff asked the company to review its WREGIS account and make sure that it had no 2011 RECs remaining. Staff requested this action because the EIA only allows RECs to be banked for one year after they are produced, so any 2011 RECs that PSE still owned would need to be applied to the company's 2012 compliance or they would expire. PSE sold almost all of its 2011 RECs, but identified 4,410 that were still in its possession. PSE changed its compliance strategy to include the 2011 RECs, thereby freeing up 2012 RECs that can be sold or applied to PSE's 2013 RPS target. Staff encourages the company to proactively identify any expiring RECs and use them first when making final RPS compliance filings in the future.

PSE filed a revised cover sheet on July 17, 2014 that identified the final list of resources the company used for 2012 compliance and provided proof of retirement of 526,562 RECs. The retirement included 522,152 RECs from the Lower Snake River wind facility in 2012, which qualifies for the 1.2 multiplier credit under RCW 19.285.040(2)(h), and increased the value of that facility's retired RECs to 626,582. PSE also retired 4,410 RECs from its Hopkins Ridge wind facility from 2011 and claimed 4,966 MWh of eligible 2012 generation from Grant County PUD. In total, PSE retired RECs and claimed eligible generation amounting to 635,988 MWh. This was 30 MWh more than the company's target, a difference that is the result of rounding.

PSE's filing raised the question of when a utility should retire certificates in WREGIS to demonstrate RPS compliance. PSE's initial report identified the certificates that it would retire for 2012 compliance, but asked for a commission order to retire the certificates. Staff does not believe that this is the procedure that the commission adopted, and that it would create additional, unnecessary compliance filings.

In the 2012 orders in which the commission adopted the two-step process, it determined that the final compliance report should describe "the eligible renewable resources and RECs the utility

actually used for compliance during the target year.”¹ Staff interprets the phrase “used for compliance” to mean that the certificate associated with a REC should be retired before the final compliance report is filed, because until the certificate is retired, a REC may be sold, used for another year’s compliance, or expire. Only at retirement is a REC “used” for compliance. Staff explained this interpretation to PSE and at staff’s request, the company retired its certificates from WREGIS-registered facilities on July 17, 2014, and provided documentation of the action.

Staff recognizes that a utility may want a review of its proposed compliance plan before it retires the certificates, since that action cannot be reversed. As the review of this filing and subsequent identification of expiring RECs demonstrate, there may be value in a preliminary review by staff. Staff is willing to informally review a utility’s planned retirements prior to the final compliance filing if the utility desires, but believes that all certificates should be retired before the final report is filed, and that the final report should contain documentation of their retirement. Staff anticipates that the commission’s rulemaking in Docket UE-131723 will clarify this process.

Conclusion

Staff recommends that the commission issue an order in Docket UE-120802 as described in the recommendation section above.

¹ *In the Matter of Puget Sound Energy’s Renewable Energy Target Progress Report Under RCW 19.285.070 and WAC480-109-040*, Docket UE-120802, Order 01 ¶ 31.