

Agenda Date: August 27, 2015
Item Number: A1

Docket: UE-151162
Company: Pacific Power & Light Company

Staff: Jeremy Twitchell, Regulatory Analyst

Recommendation

Issue an Order in Docket UE-151162 finding:

1. Under RCW 19.285.040(2)(a)(i) and WAC 480-109-200(1)(a), the 2015 renewable energy target for Pacific Power & Light Company is 123,155 megawatt-hours.
2. Pacific Power & Light Company has complied with the June 1, 2015, reporting requirements pursuant to WAC 480-109-210. These reporting requirements include Pacific Power & Light Company's plan for meeting its RPS obligation in 2015.
3. Pacific Power & Light Company has demonstrated that, by January 1, 2015, Pacific Power & Light Company acquired at least 123,155 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. Pacific Power & Light Company 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 Pacific Power & Light Company 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

Staff's initial memo for the July 30, 2015, open meeting identified a deficiency in Pacific Power's report, which did not include a clear explanation of how the company allocates renewable energy to Washington, as is required of multi-state utilities under WAC 480-109-210(2)(e). Staff was also concerned that the report did not appear to represent the full renewable energy allocation to which the company's Washington ratepayers are entitled. The commission accepted staff's recommendation to take no action on the report at that meeting, thereby allowing staff and the company more time to address those issues.

Pacific Power filed an amended report in this docket on August 14, 2015. Staff has reviewed the filing and believes that it clearly explains the renewable energy allocation process and provides a full accounting of all renewable generation to which Washington ratepayers are entitled under the company's current cost allocation structure.

Staff notes that the final report made a number of important details confidential, including the total amount of renewable generation that was allocated to Washington. Staff is unclear why the company is making that number confidential, and believes that doing so limits the general public's ability to review the report. Staff appreciates the company's willingness to collaboratively address the allocation matter in its report, but encourages the company to reconsider its decision to make the final allocation a confidential figure.

As explained in the company's report, Pacific Power's allocation of renewable energy is complicated by the fact that Washington uses a different cost allocation system than the one used in the company's other five states. The company allocates its renewable energy generation to each state based on that state's share of the company's system each year; for Washington, that figure is about 8 percent. This is generally how the company allocates its costs in its five other states, as well.

However, Washington uses the Western Control Area (WCA) allocation, which allocates only the costs (and therefore renewable generation) associated with its western balancing area to Washington, based on the state's share of the western balancing area.⁴ Currently, Washington's rates are based on a roughly 23 percent share of the WCA. Therefore, if Pacific Power were to give every other state its share of west-side renewable generation and Washington its WCA share, the company's western resources would be 115 percent allocated. Since that is not possible, the company gives Washington an initial allocation of west-side renewable generation based on the system approach (about 8 percent), and then makes up the difference using generation from other eligible resources.

In previous years, Pacific Power's shareholders have purchased unbundled RECs to make up the difference. However, a recent amendment to the EIA allows Pacific Power to use unbundled RECs from any state in which it has retail operations to meet its Washington target.⁵ For 2015, the company has elected to true up Washington's allocation using various wind resources in Idaho and Wyoming that, due to Washington's use of the WCA, were unallocated:

- Wolverine Creek (wind – Idaho)
- Top of the World (wind – Wyoming)
- Dunlap I (wind – Wyoming) Wolverine
- Campbell Hill/Three Buttes (wind – Wyoming)
- Glenrock I (wind – Wyoming)
- Rolling Hills (wind – Wyoming)
- Seven Mile Hill (wind – Wyoming)

Since Pacific Power is claiming these facilities for the first time, the commission needs to determine whether they are eligible under the EIA. Staff has reviewed the facilities and determined that each one entered operation after March 1, 1999, is located in a state in which Pacific Power (or its sister company, Rocky Mountain Power) serves retail customers, and is

⁴ The Western Balancing Area includes the company's Washington, Oregon and California service territories.

⁵ RCW 19.285.030(12)(e).

either owned by the company or has a long-term purchase agreement with the company. Staff recommends that the commission make a finding that these are eligible renewable resources under WAC 19.285.030(12)(e).