BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Avista Corporation 2018 Renewable Portfolio Standard Report	**DOCKET UE-180478**
In the Matter of Puget Sound Energy 2018 Renewable Portfolio Standard Report	**DOCKET UE-180479**
In the Matter of Pacific Power and Light Company 2018 Renewable Portfolio Standard Report	**DOCKET UE-180500**

COMMISSION STAFF COMMENTS REGARDING ELECTRIC UTILITY RENEWABLE PORTFOLIO STANDARD REPORTS UNDER THE ENERGY INDEPENDENCE ACT, RCW 19.285 and WAC 480-109 (2018 RENEWABLE PORTFOLIO STANDARD REPORTS)

JULY 19, 2018

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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 9 percent of their 2018 retail load with eligible renewable resources and to file annual RPS compliance reports by June 1 of each year.[1]

In 2015, the Washington Utilities and Transportation Commission adopted rules for EIA enforcement requirements, found in WAC 480-109-200 and WAC 480-109-210. These rules outline a two-step reporting process, which the commission has used for reporting since the RPS went into effect in 2012.[2] Each year, a utility will file a report to calculate its target for that year and demonstrate that it has acquired or contracted to acquire sufficient resources to meet the target. No later than two years after the initial report, the utility will file a second report that lists the specific generation and renewable energy credits the utility used to meet its target and requests a determination from the commission that the utility complied with its target.

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.[3] Each eligible renewable resource must be registered in the Western Renewable Energy Generation Information System (WREGIS).[4] Because the statute explicitly disallows any resources used for Green Power programs in RCW 19.29A.090, the commission requires companies to include information about the usage of the certificates in their final reports.[5]

Washington's three investor-owned utilities—Avista Corporation, Pacific Power & Light Company, and Puget Sound Energy—filed their RPS reports by June 1, 2018. Table 1 summarizes the companies' positions and how they intend to comply with the 9 percent RPS annual targets.

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[1] RCW 19.285.040; RCW 19.285.070. In calculating the target, a utility must use its average retail load for the two years prior to the target year (e.g., the 2018 target is 9 percent of the utility's average load in 2016 and 2017).
[2] *See* Docket UE-120802, Order 01, ¶ 24 (Sept. 13, 2012); Docket UE-120813, Order 01, ¶ 38 (Sept. 13, 2012).
[3] WAC 480-109-210(2)(d).
[4] 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).
[5] The companies will comply with the requirement to report on the "use of certificates, whether it be for annual target compliance, a voluntary renewable energy program as provided for in RCW 19.29A.090, or owned by the customer" when they file the final compliance report in 2020, as per WAC 480-109-210(2)(d)(i). This is because they don't yet know if resources will be used for the EIA or RCW 19.29A.090 (Green Power).

Table 1: Summary of 2018 Renewable Resource Target and Compliance Plan

	2018 Target (MWh)	Incremental Hydro (MWh)	2017 RECs	2018 RECs	Purchased RECs (unbundled)	Total Resources in 2018 (MWh)
Avista	512,805	192,039	0	458,596	0	650,635
PSE	1,879,417	120,648	1,947,234	231,231[6]	44,300	2,343,413
Pacific Power[7]	369,133[8]	*	145,218	*	*	369,133

After reviewing the comments of other parties, commission staff will present a recommendation as to whether the commission should issue an order in each company's docket approving the companies' plans at the open meeting on August 9, 2018. The commission may issue an order in each company's docket finding that the utility met its reporting requirements and correctly calculated its 2018 RPS target.

Focus Issues

In reviewing the companies' compliance reports, staff worked with the utilities to resolve several minor issues in incremental cost calculations and average load data. The companies were responsive to staff's requests and filed revised reports as needed. Staff also identified facility eligibility as an issue that required further clarification.

Facility Eligibility

Both Puget Sound Energy (PSE) and Pacific Power intend to purchase unbundled renewable energy credits (RECs) for 2018 RPS compliance that are either newly-constructed renewable resources or have never 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."[9] Staff recommends that the commission make an eligibility determination for each new eligible renewable resource the companies intend to use for RPS compliance. [10] The specific facilities are detailed below in the report subsections for each company.

Incremental Cost Calculations

Incremental cost is the additional cost to ratepayers that companies incur to meet the requirements of the RPS. WAC 480-109-210(2)(a) divides the calculation into capacity and energy components and directs utilities to report incremental cost in two terms:

[6] PSE has not included full-year estimates of renewable generation for 2018.
[7] Pacific Power has marked any information related to current-year generation and REC purchases as confidential.
[8] The company submitted a revised report on July 5, 2018, to correct its historical load information and 2018 target. As a result of the correction, the 2018 target has increased to 369,133 MWh from the target of 356,074 MWh identified in the company's initial report submitted June 1, 2018.
[9] RCW 19.285.030(12); RCW 19.285.030(20).
[10] WAC 480-109-210(2)(d)(ii).

- 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).

Staff aims to ensure the utilities are making their cost comparisons in similar terms, allowing for accurate comparison of incremental costs across utilities with different renewable penetration rates. The rule requires the companies to provide incremental costs of all their renewable resources, regardless of whether a specific unit was used for compliance or not, and explicitly states that incremental costs may be negative. Staff provides a template to the companies to assist in reporting their incremental costs.

Table 2 shows a side-by-side comparison of the utilities' reported incremental cost percentages in 2017 and 2018, expressed in two terms: the cost of only the resources required for compliance and the cost of all resources acquired.

Table 2: Investor-Owned Utilities' Reported Incremental Cost Percentages, 2017 and 2018

	2017		**2018**	
	Required Resources	*All Resources*	*Required Resources*	*All Resources*
Avista[11]	(0.2 %)	(0.1 %)	(0.7 %)	(0.6 %)
PSE	1.1 %	1.4 %	1.5 %	1.5 %
Pacific Power[12]	0.6 %	0.5 %	0.7 %	0.6 %

Avista continues to realize negative incremental costs because hydropower resources make up a large proportion of its portfolio, as well as the zero incremental cost assigned to its legacy biomass resource.[13] Pacific Power's costs remain below 1 percent. Meanwhile, PSE's costs remain above 1 percent. PSE relies on wind resources that earn the company apprenticeship credits but are more expensive.[14]

Company Reports

In this section, staff summarizes each company's RPS report, including targets and the resources the companies plan to use in meeting those targets. Staff's comments also summarize the total number of resources that each utility has acquired. This analysis is meant to give a complete picture of each utility's RPS compliance position by identifying all resources available to the utility for 2018 RPS compliance.

[11] While Avista only provided their incremental cost template for 2018 as a confidential document, company representative John Lyons gave written permission to staff to include the "Required Resources" and "All Resources" numbers in this table via e-mail.
[12] While Pacific Power did not fill in the "All Resources" cost estimates for 2017 and 2018 in the provided template, company representative Ariel Son provided this information via e-mail, satisfactorily explained the calculation to staff by phone, and gave permission to staff to include these numbers in this table via e-mail.
[13] WAC 480-109-210(2)(a)(i)(G) states, "any eligible resources that the utility acquired prior to March 31, 1999, is deemed to have an incremental cost of zero."
[14] WAC 480-109-200(4).

Avista (Docket UE-180478)

Avista owns 11 eligible hydropower facilities and a biomass facility and has a long-term power purchase agreement for all output of the Palouse Wind Farm in Whitman County. The company correctly reported an average load in 2016 and 2017 of 5,697,837.5 MWh in its RPS report, yielding a 2018 RPS target of 512,805 MWh.

Table 3 shows the company's RPS compliance position, as submitted in its RPS report on May 31, 2018:

Table 3: Avista's 2018 Renewable Resource Target and Compliance Plan

2018 Target (MWh)	Incremental Hydro (MWh)	2017 RECs	2018 RECs	Purchased RECs	Total Compliance Resources (MWh)
512,805	192,039	0	458,596	0	650,635

Avista has enough eligible renewable resources to generate 9 percent of its two-year average load after allocating its RECs according to its multistate allocation methodology.[15] Because the company has renewable resources in excess of the 9 percent target, it intends to apply some 2018 RECs towards its compliance with the 2017 RPS.[16]

Companies can choose one of three methods to calculate their incremental hydropower generation.[17] Avista uses method three. Therefore, the expected generation from its hydropower facilities remains constant from year to year. Staff notes that as part of its 2019 RPS annual report, the company must compare the reported generation from method three with the generation it would have reported under one of the other two methods.[18]

Avista designated the incremental cost data provided in this filing as confidential.[19] This is a change from previous years, when this data was made public. Staff is concerned about this practice and encourages the company to disclose more information to its customers and interested parties, in line with the spirit of the public disclosure requirements in the EIA.[20] To date, no interested party has challenged the confidentiality designations in Avista's reports. Avista has agreed to provide the incremental cost template in its 2019 RPS filing without

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[15] *See* Consolidated Dockets UE-170485, UG-170486, UE-171221, and UG-171222.
[16] WAC 480-109-200(2) reads: "Credit Eligibility. Renewable energy credits produced during the target year, the preceding year or the subsequent year may be used to comply with this annual renewable resource requirement, provided they were acquired by January 1st of the target year."
[17] *See* WAC 480-109-200(7).
[18] WAC 480-109-200(7)(e).
[19] While Avista only provided their incremental cost template for 2018 as a confidential document, company representative John Lyons gave written permission to staff to include the "Required Resources" and "All Resources" numbers in this table via e-mail.
[20] *See* RCW 19.285.070.

confidential designation. Avista's incremental cost of complying with the RPS is negative (approximately -0.7 percent), as it was last year.

Staff is satisfied that the company can meet its 9 percent RPS target for 2018 and will not need to acquire additional resources for RPS compliance. Avista is not claiming any new resources in its report.

Puget Sound Energy (Docket UE-180479)

PSE correctly reported an average load in 2016 and 2017 of 20,882,410 MWh, yielding a 2018 target of 1,879,417 MWh.[21] Table 4 shows the company's overall compliance position:

Table 4: PSE's 2018 Renewable Resource Target and Compliance Plan

2018 Target (MWh)	Incremental Hydro (MWh)	2017 RECs	2018 RECs	Purchased RECs	Total Compliance Resources (MWh)
1,879,417	120,648	1,947,234	231,231	44,300	2,343,413

As Table 4 indicates, PSE will exceed the rule's 9 percent requirement. PSE plans to meet its 2018 target with a combination of incremental hydro, RECs banked in 2017 from company-owned resources, and purchases of 2017 vintage RECs. 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 utilize a qualified apprenticeship program. The company's eligible incremental hydro generation comes from its facilities at Lower Baker and Snoqualmie Falls.[22] PSE uses method two for calculating its incremental hydro, which means that the final reported total will be based on actual generation. The incremental hydro in the 2018 RPS report is a projection.

Additionally, PSE intends to use 44,300 unbundled RECs as part of its compliance plan, which are vintage 2017. The company purchased these RECs in order to make up for wind generation that was curtailed due to negative power prices. This strategy resulted in approximately $144,000 in net power cost savings. The vintage 2017 unbundled RECs are from the following facilities, all located in Washington, Oregon, and Idaho:

- Klondike I (wind)
- Stateline WA Wind
- Horse Butte Wind
- Grandview 5 East (solar)
- Grandview 2 West (solar)

[21] As reported in PSE's 2016 FERC Form 1, p. 301, line 10.
[22] In previous years, the commission requested that PSE file a waiver of the WREGIS registration requirement for the Lower Baker and Snoqualmie Falls facilities. Both facilities were registered in WREGIS in June 2016, so a waiver is no longer necessary.

- ID Solar 1
- Condon Wind Power
- Condon Wind Power Phase II

Avista and Pacific Power have, in previous years, proposed the use of RECs purchased from Klondike, Stateline, and Condon I and II.[23] The commission has not yet explicitly approved use of these eight facilities. Staff recommends that the commission approve the eligibility of these facilities as well as the remaining facilities listed above because the facilities meet the statutory eligibility requirements.[24] All eight facilities have obtained the Washington-specific eligibility indicator in WREGIS.

PSE reported its actual incremental cost for the 2018 compliance plan as $27.8 million or 1.5 percent of the revenue requirement. Staff is satisfied that the company can meet its 9 percent RPS target for 2018.

Pacific Power & Light Company (Docket UE-180500)

Staff initially found that Pacific Power's filing included an incorrect 2017 retail sales figure. The company reported its 2017 retail sales as 3,931,105 MWh. However, data from both the Energy Information Administration and FERC Form 1 cited a figure of 4,221,298 MWh.

After consultation with staff, the company agreed that the latter figure is correct, and refiled its compliance documents on July 5, 2018. Using the correct 2017 retail sales data, Pacific Power's 2018 RPS target is 369,133 MWh.

Pacific Power expects to meet its Washington 2018 renewable compliance target with a combination of wind resources, incremental hydro, and unbundled REC purchases. Table 5 summarizes Pacific Power's 2018 target and the total amount of resources the company had acquired by January 1, 2018, as reported to the public (redacted). It includes the company's excess RECs from 2017 that could be used toward its 2018 target and the company's projected 2018 generation.

Table 5: Pacific Power's 2018 Renewable Resource Target and Compliance Plan

2018 Target (MWh)	Incremental Hydro (MWh)	2017 RECs	2018 RECs	Purchased RECs (unbundled)	Total Compliance Resources (MWh)
369,133	*	145,218	*	*	369,133

[23] This issue came to staff's attention during its review of 2016 final compliance reports from Avista and Pacific Power in dockets UE-160779 and UE-160777. The commission will need to opine on the eligibility of the source of the unbundled RECs in either these dockets UE-180478, UE-180479, UE-180500, or the 2016 final compliance dockets. Staff suggests these dockets are the most direct solution.

[24] RCW 19.285.030(12); WAC 480-109-060(12).

Pacific Power has designated much of the data provided in this filing as confidential. The company has included the same level of redaction as the final version of its 2017 annual RPS report. Staff raised concerns in 2017. Staff's concerns remain. Staff continues to encourage the company to disclose more information to its customers and interested parties, in line with other utilities and the spirit of the public disclosure requirements in the Energy Independence Act.[25] To date, no interested party has challenged the confidentiality designations in Pacific Power's reports.

Pacific Power's RPS portfolio includes four company-owned incremental hydro facilities 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).[26] Seven of the wind facilities are owned by Pacific Power, while the other two are owned by Duke Energy and sell power to Pacific Power. The company also intends to utilize unbundled RECs from six solar facilities that have never been utilized for RPS compliance before. Four of these are located in Oregon:

- Adams Solar
- Bear Creek Solar
- Bly Solar
- Elbe Solar

Adams Solar and Elbe Solar are eligible for use against RPS compliance by any utility in Washington. Bear Creek Solar and Bly Solar are still under construction, but are expected to be completed before the end of 2018. Once they are in operation, they will be eligible for use against RPS compliance by any utility in Washington.

The other two facilities are located in Utah:

- Pavant Solar
- Enterprise Solar

The RPS allows Pacific Power to use resources located in Utah and Wyoming, where it has retail customers, if the company owns or contracts with those resources for electricity; Pacific Power is the only company eligible to use resources in these two states for compliance.[27]

Based on the information provided to date, staff recommends that the commission:

1. Approve the use of Adams Solar and Elbe Solar for RPS compliance by any utility in Washington because the facilities meet the statutory eligibility requirements.[28]
2. Approve the use of Bear Creek Solar and Bly Solar for RPS compliance on the condition that the company provides proof of operation.

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[25] *See* RCW 19.285.070.
[26] *See* Docket UE-151162, Order 01, ¶17 (Aug. 27, 2015). The Wyoming facilities were approved in 2015 as eligible resources restricted to Pacific Power's Washington compliance needs under RCW 19.285.030(12)(e).
[27] RCW 19.285.030(12)(e).
[28] RCW 19.285.030(12); WAC 480-109-060(12).

3. Approve the use of Pavant Solar and Enterprise Solar only for Pacific Power's RPS compliance, because they are located in Utah.
4. Staff further recommends the commission urge the company to work with the Oregon facilities to obtain the Washington-specific eligibility indicator in WREGIS.

Pacific Power uses method two for calculating its incremental hydro, which means that the final reported total will be based on actual generation. The incremental hydro in the 2018 RPS report is a projection.

Pacific Power reported its actual incremental cost for the 2018 compliance plan as $2,341,618 or 0.7 percent. Staff continues to work with Pacific Power to report incremental costs through the staff-supplied incremental cost template, consistent with the other companies. The company uses portions of the template but claims that the other portions do not work as well for them as for the other utilities. Staff continues to look for ways to collaborate with all three utilities to ensure that the incremental cost reporting is consistent.

Staff is satisfied that the company can meet its 9 percent RPS target for 2018.

Conclusion
After reviewing the comments of other parties, commission staff will present a recommendation at the August 9 open meeting as to whether the commission should issue an order in each company's docket finding that the utility met its reporting requirements, accepting the utility's calculation of its 2018 RPS target, and determining RPS eligibility for specific resources.