

Agenda Date: August 8, 2019  
Item Number: A6

**Docket:** UE-190448  
Company: Pacific Power & Light Company

Staff: Jim Woodward, Regulatory Analyst

### **Recommendation**

Issue an Order in Docket UE-190448 finding:

1. Pacific Power & Light Company has not complied with the June 1, 2019, reporting requirements due to issues with the company's incremental cost calculations.
2. Pacific Power & Light Company must refile its renewable portfolio standard compliance report and supporting workpapers for 2019 within thirty (30) days issuance of this Order, to include:
  - a. Incremental cost calculations for *all* eligible renewable resources operating as of January 1, 2019.
  - b. Removal of all incremental cost calculation adjustments related to planned resource repowering that were not complete as of January 1, 2019.
3. As part of its refiling, Pacific Power & Light Company must remove the confidentiality designation for:
  - a. Incremental cost;
  - b. Incremental hydro contribution (MWh) for 2019;
  - c. The 2019 and 2020 estimates of RECs (MWh) from company-owned resources used for 2019 RPS compliance; and,
  - d. The 2019 and 2020 estimates of RECs (MWh) under existing contracts used for 2019 RPS compliance.

### **Background**

In 2006, Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). Codified in RCW 19.285 and Chapter 480-109 WAC, the EIA created a renewable portfolio standard (RPS) that requires electric utilities with more than 25,000 customers to serve 9 percent of their 2019 retail load with eligible renewable resources and to file an annual compliance report (RPS report) by June 1 of each year.<sup>1</sup> The Washington Utilities and Transportation Commission's (commission) rules further require a final compliance report, filed no later than two years after the initial report.

Pacific Power & Light Company (Pacific Power or company) filed its annual RPS report on May 31, 2019. On July 2, 2019, Pacific Power filed a revised report adding incremental cost information for the company's owned eligible resources located outside the West Control Area

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<sup>1</sup> RCW 19.285.040; RCW 19.285.070; WAC 480-109-200(1).

(WCA) and facilities from which renewable energy credits (RECs) are purchased. Commission staff (staff) note the company refiled their 2018 report to correct the omission of similar incremental cost information. These incremental cost updates did not address the contentious incremental cost repowering issues discussed below. Pacific Power's 2019 target is 367,669 MWh. Staff filed written comments on July 15, 2019, which highlighted issues identified during staff's review of compliance with the rule. These comments are included as an attachment to this memo.<sup>2</sup>

### **Discussion**

Based on the information that Pacific Power provided in its revised report, staff believes that the company correctly calculated its 2019 RPS target, and has acquired sufficient resources to meet that target.

Table 1 summarizes Pacific Power's 2019 target and the total amount of resources the company had acquired by January 1, 2019, as reported to the public (redacted). It includes the company's excess RECs from 2018 that could be used toward its 2019 target, the company's projected 2019 generation, and Pacific Power's plan to use 2020 RECs generated from its own resources for 2019 compliance.

**Table 1: Pacific Power's 2019 Renewable Resource Target and Compliance Plan<sup>3</sup>**

<b>2019 Target (MWh)</b>	<b>Incremental Hydro (MWh)</b>	<b>2018 RECs</b>	<b>2019 RECs</b>	<b>2020 RECs</b>	<b>Purchased RECs (unbundled)</b>	<b>Total Compliance Resources (MWh)</b>
367,669	*	69,298	*	*	*	367,669

Staff is concerned that Pacific Power has not met the reporting requirements in WAC 480-109-210, particularly concerning incremental costs. Staff is also concerned with the level of redactions in the report. As a result, staff is not recommending approval of the RPS report. Instead, staff recommends the commission issue an order requiring the company to refile the report. Once the report has been refiled, staff will place the report on the open meeting agenda for approval.

### **Incremental costs**

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<sup>2</sup> Commission Staff Comments Regarding Electric Utility Renewable Portfolio Standard Report under the Energy Independence Act, RCW 19.285 and WAC 480-109 (2019 Renewable Portfolio Standard Reports) (July 15, 2019).

<sup>3</sup> Pacific Power has marked any information related to current-year or future-year generation and REC purchases as confidential.

Staff opposes Pacific Power's incremental cost calculations for three reasons: the company included resources that are not yet complete in its incremental cost calculation, incorrectly used a noneligible resource of a different, older vintage in its cost comparison, and did not include calculations for all eligible resources.

Incremental costs prematurely applied: As discussed in staff's comments, staff believe Pacific Power incorrectly proposed incremental cost revisions to reflect the company's planned repowering of select wind facilities.<sup>4</sup> The one-time component of Washington's incremental cost calculation directs utilities to only account for resources operating or contracted for as of January 1 of the target year.<sup>5</sup> Therefore, one-time incremental cost calculations should not consider future, planned performance enhancements of existing resources.

Pacific Power maintains its incremental cost for the 2019 compliance plan as \$105,959, or 0.03 percent of revenue requirement.<sup>6</sup> Staff believes these numbers are artificially low as Pacific Power's required resources incremental cost percentage would instead be 0.7 percent without the planned repowering upgrades.

Pacific Power filed 2019 RPS rebuttal comments to staff comments on July 25, 2019. Pacific Power references the commission's approval of the company's 2018 RPS report as evidence that staff's interpretation of the one-time incremental cost calculation is inconsistent with interpretations of the same rule during past RPS cycles.<sup>7</sup> The company maintains "the commission accepted the company's 2018 [RPS] report, including its plan to use RECs associated with...certain solar facilities that were anticipated to be operational during the target year but were not in operation at the time the company filed its [2018] report." The commission did approve the eligibility of Bear Creek Solar and Bly Solar.<sup>8</sup> However, the revised one-time incremental cost calculations for eligible renewable resources Pacific Power filed on July 5, 2018, did not include either Bear Creek Solar or Bly Solar.<sup>9</sup> Pacific Power appears to be confusing the process of obtaining commission approval for new eligible resources, which it

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<sup>4</sup> "Repowering" captures anticipated capital upgrades to certain Pacific Power-owned wind facilities within the WCA. Pacific Power plans to complete repowering of the four wind facilities in the company's West Control Area (WCA) by the end of 2019. Pacific Power's eight remaining non-WCA wind facilities will complete repowering by September 2020.

<sup>5</sup> WAC 480-109-210(2).

<sup>6</sup> While Pacific Power labeled their incremental cost estimates for 2019 as confidential, company representative Ariel Son gave permission to staff to reference these numbers in their 2019 RPS deliverables.

<sup>7</sup> See Docket UE-190448, Pacific Power & Light Company's Reply Comments in Support of its 2019 Renewable Portfolio Standard Report, p. 4.

<sup>8</sup> See Docket UE-180500, Order 01, ¶ 27 (August 9, 2018). Bear Creek Solar and Bly Solar, which went into operation on September 28, 2018, and December 21, 2018, respectively, are "eligible for RPS compliance subject to the condition that Pacific Power & Light Company provide proof of operation and proof of registration in [the Western Renewable Energy Generation Information System] (WREGIS)."

<sup>9</sup> See Docket UE-180500, tab "(2)(a)(i) One Time (all)" within Pacific Power confidential work paper 180500-PPL-WP-2-Incremental-Resource-Cost-Anlysis-r-2018-WA-RPS-Rpt-7-5-18 (C).

correctly pursued for Bear Creek, Bly, and four other solar facilities in 2018, with the one-time incremental cost calculation as described in WAC 480-109-210(2)(a)(i).

WAC 480-109-210(2)(a)(i) clearly says “a one-time calculation of incremental cost for each eligible resource *at the time of acquisition*”. Staff asserts that Pacific Power has violated the rule’s time of acquisition incremental cost requirement and its application to an eligible resource, regardless of the specific type of upgrade planned.<sup>10</sup> The company must remove planned resources from its incremental cost calculations.<sup>11</sup>

Incremental costs incorrectly compare resources with different vintages: Pacific Power incorrectly uses a noneligible resource of a different, older vintage in its calculation. Estimating incremental costs requires comparison of the eligible renewable resource to the lowest reasonable cost, noneligible resource available to the utility at the time of the eligible resource's acquisition. The costs for both the eligible and noneligible resources should come from the same source, and have the same vintage.<sup>12</sup> The company incorrectly compared eligible renewable resources to a noneligible resource having a different, older vintage. For the planned wind facility repowering, Pacific Power used 2017 eligible resource capacity values compared against 2007 noneligible resources.<sup>13</sup> In its reply comments, the company agrees that there is a mismatch. Removing the planned resources from its incremental cost calculation will repair this error.

All eligible resources: WAC 480-109-210(2)(a)(i) requires the incremental cost calculation for “all eligible resources”. Pacific Power only included the incremental costs for resources it planned to use for 2019 compliance. This omission is also not new. Pacific Power has not included incremental cost calculations for its entire eligible resource portfolio in its initial filing since at least the 2017 RPS reporting cycle.<sup>14</sup> The company must include all eligible resources in its revised filing.<sup>15</sup>

### Transparency

Pacific Power RPS reports continue to lack transparency: Pacific Power has designated much of the data provided in this filing as confidential. The degree of redaction within Pacific Power’s annual RPS report is a chronic point of contention between the company, stakeholders, and staff.

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<sup>10</sup> See Docket UE-131723, General Order R-578, ¶111-121 (Mar. 13, 2015).

<sup>11</sup> Requires revisions to “(2)(a)(i) One Time (all),” and “(2)(a)(iii)(A) and (B)” tabs of Attachment C.

<sup>12</sup> WAC 480-109-210(2)(a)(i)(C).

<sup>13</sup> See Docket UE-190448, Non-eligible Resource Selection Costs in WA RPS Resource Cost Analysis. Pacific Power confidential work paper 2b. The 2017 eligible resource numbers come from the 2017 IRP, while the 2007 noneligible resource numbers come from the 2007 IRP.

<sup>14</sup> See staff comments within Dockets UE-170694, UE-180500.

<sup>15</sup> Requires revision of Attachment C with 2019 estimates for all available resources and expected compliance resources. These changes will require revisions to the “(2)(a)(ii)Annual-2019, estimate” tab.

Since the 2016 reporting cycle,<sup>16</sup> Pacific Power has consistently labeled a majority of the data within its annual RPS filings as confidential despite repeated concerns raised by both staff and interested stakeholders that this approach runs counter to the spirit of the public disclosure in the Energy Independence Act and the commission's confidentiality rules.<sup>17</sup> Both Avista Corporation (Avista) and Puget Sound Energy (PSE) annually provide similar data unredacted.

Staff requested the company refile its 2019 RPS report to comply with WAC 480-07-160 and better align the transparency of its RPS reporting with its Washington peer utilities, making the following four data items publicly available:

- Incremental cost.
- Incremental hydro contribution (MWh) for 2019.
- The 2019 and 2020 estimates of RECs (MWh) from company-owned resources used for 2019 RPS compliance.
- The 2019 and 2020 estimates of RECs (MWh) under existing contracts used for 2019 RPS compliance.

Pacific Power declined to follow staff's recommendation on the redactions. The company cited their perennial argument that doing so would compromise its business position. WAC 480-07-160(2)(b) disagrees with this assertion, since the request specifically does not ask Pacific Power for any revenue or price information and does not appear to meet the commission's definition of confidential information. The onus remains on Pacific Power to elaborate why it is claiming this information is confidential.<sup>18</sup>

In Pacific Power's 2019 RPS rebuttal comments, the company explains that the redacted information, "would allow calculation of REC prices." Staff disagrees with this assertion. In order to determine individual REC prices, a person would need both the quantity of RECs, and the total cost of the RECs for a particular resource. In addition, the incremental cost information provides only a static, one-time cost for a particular resource. It does not address what the company might be willing to pay for a new contract. Staff agrees REC prices and associated financial information should remain confidential. Publishing such financial information could unfairly expose Pacific Power to detrimental market forces. Both Avista and PSE redact similar financial information in their annual RPS reports.<sup>19</sup> This is precisely the reason staff only asked for unredacted REC quantities related to resources the company either owns or already has under contract, expressed in units of MWh, and not REC prices or the costs the company is willing to pay to procure such RECs.

Pacific Power also expresses concern that this information would allow determination of the company's REC position. Staff disagrees with this assertion. First, Pacific Power has already contracted for RECs in future years. Second, to determine the company's REC position for future

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<sup>16</sup> See staff comments within Dockets UE-160777, UE-170694, UE-180500.

<sup>17</sup> See RCW 19.285.070; WAC 480-07-160(2)(b), (5)(a) and (e).

<sup>18</sup> WAC 480-07-160(5)(a) and (e).

<sup>19</sup> See Dockets UE-190445 - Avista 2019 RPS report and UE-190411 - PSE 2019 RPS report.

years, one would need to know the actual generation from each resource in future years, and to know the target, which is based on an average of the two previous years of actual generation. There is enough variation in these actual numbers to alleviate this concern, and this information is not even available until after the company has acquired or contracted for resources for a particular year.

Staff's request for Pacific Power to unredact the aforementioned data components will bring Pacific Power in line with its peer electric IOUs in Washington and enable accurate comparison of EIA RPS progress.

### **Public Comments**

The commission received two sets of public comments regarding Pacific Power's report, which were filed by the Northwest Energy Coalition (NVEC) and the Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) on July 15, 2019. Both organizations commended the company for meeting its target without relying on alternative compliance mechanisms.

Both organizations echoed staff's concerns regarding the lack of transparency within Pacific Power's report. NVEC's criticism of the degree of redactions within Pacific Power's report represents an escalation of this concern NVEC has simply noted in past years.<sup>20</sup> NVEC now recommends the commission withhold approval of Pacific Power's 2019 RPS report and order the company to refile a more transparent report. Public Counsel was able to receive the company's confidential filing, but claims time delays associated with the request process limit stakeholder oversight of Pacific Power's RPS progress.<sup>21</sup> Upon review of Pacific Power's confidential incremental cost calculations, Public Counsel expressed reservations similar to staff's concerns about the company's calculation updates to reflect planned repowering upgrades.

### **Conclusion**

Issue an order as described in the recommendations section of this memo.

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<sup>20</sup> See NVEC comments in Dockets UE-160777, UE-170694, and UE-180500.

<sup>21</sup> Process for gaining access to confidential filing pursuant to RCW 80.04.095.