

Chapter 194-37 WAC

ENERGY INDEPENDENCE

WAC

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WAC 194-37-010 Purpose and scope. The purpose of this chapter is to implement the requirements of the Energy Independence Act, chapter 19.285 RCW.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-010, filed 3/18/08, effective 4/18/08.]

WAC 194-37-020 Applicability. The provisions of this chapter apply to consumer-owned electric utilities that provide electrical service to more than twenty-five thousand retail customers in the state of Washington.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-020, filed 3/18/08, effective 4/18/08.]

WAC 194-37-030 Severability. If any provision of this chapter or its application to any person or circumstance is held invalid, the remainder of the chapter or the application of the provision to other persons or circumstances is not affected.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-030, filed 3/18/08, effective 4/18/08.]

WAC 194-37-040 Definitions. The definitions in chapter 19.285 RCW apply throughout this chapter.

(1) "Annual revenue requirement" and "total annual revenue requirement" means that portion of a utility's annual budget approved by its governing body for the target year that

is intended to be recovered through retail electricity sales in the state of Washington in the target year, or as otherwise documented by the utility pursuant to WAC 194-37-150.

(2) "Average water generation" means the average megawatt-hours of generation from a hydroelectric project over a period of ten consecutive years or more, taking into account differences in water flows from year to year.

(3) "Biennial target" means a utility's biennial conservation target.

(4) "BPA" means the Bonneville Power Administration.

(5) "Distributed generation" means an eligible renewable resource where the facility or any integrated cluster of generating units has a generating capacity of not more than five megawatts. If several five-megawatt or smaller projects are located in the same immediate area but are owned or controlled by different developers, each qualifies as a separate, independent distributed generation project. For the purposes of this rule, an eligible renewable resource or group of similar eligible renewable resources cannot be subdivided into amounts less than five megawatts solely to be considered distributed generation.

(6) "Incremental hydropower" means the incremental amount of kilowatt-hours of electricity generated from a base or constant amount of water.

(7) "Integrated cluster" of eligible renewable resources means colocated projects owned or controlled by the same entity that feed into the same substation.

(8) "Multifuel generating facility" means a generating facility that is capable of producing energy from more than one nonrenewable fuel, renewable fuel, or nonfuel energy source, either simultaneously or as alternatives, provided that at least one fuel source (energy source) is a renewable resource and the relative quantities of electricity production can be measured or calculated, and verified.

(9) "NWPPC" means Pacific Northwest Electric Power and Conservation Planning Council also known as the Northwest Power and Conservation Council. Its calculation of avoided costs and publications are available at www.nw council.org.

(10) "Qualified incremental hydropower efficiency improvements" means the installation or modification of equipment and structures, or operating protocols that increase the amount of electricity generated from the same amount of water. These may include rewinding of existing generators, replacing turbines with more efficient units and changing control systems to optimize electricity generation, and improvements to hydraulic conveyance systems that decrease head loss. They do not include additions to capacity by increasing pondage or elevation head, or diverting additional water into the project.

(11) "Regional technical forum" or "RTF" means a voluntary advisory committee that reports to the executive direc-

tor of the NWPCC and whose members are appointed by the NWPCC's chair.

(12) "Substitute resource" means reasonably available electricity or generating facilities, of the same contract length or facility life as the eligible renewable resource the utility invested in to comply with chapter 19.285 RCW requirements, that otherwise would have been used to serve a utility's retail load in the absence of chapter 19.285 RCW requirements to serve that retail load with eligible renewable resources.

(13) "Target year" means the specific year for which a renewable energy target must be met.

(14) "Ten-year potential" means the ten-year cost effective conservation resource potential.

(15) "Utility" means a consumer-owned electric utility, as the term consumer-owned utility is defined in RCW 19.29A.010, that serves more than twenty-five thousand retail customers in the state of Washington. The number of customers served shall be based on data reported by a utility in Form EIA - 861, "Annual Electric Power Industry Report," filed with the Energy Information Administration, United States Department of Energy.

A consumer-owned electric utility whose number of retail customers grows beyond twenty-five thousand over the course of a year shall be subject to the requirements of this chapter, or per chapter 19.285 RCW shall become a qualifying utility, starting January 1 of the following year. All applicable target dates, per chapter 19.285 RCW will be delayed by the same number of years as there are between January 1, 2007, and the year in which the utility becomes a qualifying utility.

(16) "Weather-adjusted load" means load calculated after variations in peak and average temperatures from year to year are taken into account.

(17) "WREGIS" means the Western Renewable Energy Generation Information System. WREGIS is an independent, renewable energy registry and tracking system for the region covered by the Western Interconnection. WREGIS creates renewable energy certificates, WREGIS certificates, for verifiable renewable generation from units that register in the registry and tracking system.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-040, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-040, filed 3/18/08, effective 4/18/08.]

WAC 194-37-050 Documentation and auditing timelines. (1) Each utility must maintain all records necessary to document its compliance with the Energy Independence Act, as described in this chapter. All current and historical reports required by this chapter shall be available to a utility's customers and may be provided in conjunction with the utility's requirements under RCW 19.29A.050.

(2) Each utility that is not under the jurisdiction of the Washington state auditor must be audited for compliance with the Energy Independence Act by an independent auditor at least every twenty-four months.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-050, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-050, filed 3/18/08, effective 4/18/08.]

WAC 194-37-060 Conservation reporting requirements. Each utility shall submit an annual conservation report to the department by June 1. The conservation report shall document the utility's progress in meeting the conservation targets established in RCW 19.285.040 and shall include the following:

(1) The total electricity savings by customer sector - Residential, commercial, industrial, and agricultural, by production efficiencies, and by distribution efficiencies. All savings must be documented pursuant to WAC 194-37-080.

(2) If the utility counts towards its biennial target any electricity savings from local, regional, state, or federal market transformation programs, or local, state or federal codes or standards, the utility shall include copies of reports of the annual electricity savings for the utility's service territory as estimated and recorded by entities such as the department, the NWPCC, regional market transformation organizations, or the utility.

(3) A brief description of the methodology used to establish the utility's ten-year potential and biennial target to capture cost-effective conservation, including the share of this target to be captured by efficiency improvements in customer measures, and, if any, in distribution measures and production measures.

(4) The utility's total expenditures for conservation broken down by residential sector, commercial sector, industrial sector, and agricultural sector, and, if any, production efficiency and distribution efficiency.

(5) The most recent final audit report(s), if any, that evaluate(s) the utility's compliance with chapter 19.285 RCW and the information the utility reported per this chapter.

(6) In even years this report must include the following information categorized by customer conservation savings, and if any, total distribution efficiency savings, and total production efficiency savings:

(a) The utility's achievement in meeting its preceding biennial target; and

(b) The utility's current ten-year potential and biennial target.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-060, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-060, filed 3/18/08, effective 4/18/08.]

WAC 194-37-070 Development of conservation potential and biennial conservation targets. (1) Ten-year potential. By January 1 of each even-numbered year, each utility shall identify its achievable cost-effective conservation potential for the upcoming ten years.

(2) Biennial target. By January 1 of each even-numbered year, each utility shall establish and make public a biennial conservation target. The utility's biennial target shall be no less than its pro rata share of the ten-year potential identified pursuant to subsection (1) of this section.

(3) Each utility must document the methodologies and inputs used in the development of its ten-year potential and biennial target and must document that its ten-year potential and biennial target are consistent with the requirements of RCW 19.285.040(1).

(4) Each utility must establish its ten-year potential and biennial target by action of the utility's governing board, after public notice and opportunity for public comment.

(5) The methodologies used by the NWPCC in its most recently published regional power plan consist of the following elements:

(a) Analyze a broad range of energy efficiency measures considered technically feasible;

(b) Perform a life-cycle cost analysis of measures or programs, including the incremental savings and incremental costs of measures and replacement measures where resources or measures have different measure lifetimes;

(c) Set avoided costs equal to a forecast of regional market prices, which represents the cost of the next increment of available and reliable power supply available to the utility for the life of the energy efficiency measures to which it is compared;

(d) Calculate the value of the energy saved based on when it is saved. In performing this calculation, use time differentiated avoided costs to conduct the analysis that determines the financial value of energy saved through conservation;

(e) Conduct a total resource cost analysis that assesses all costs and all benefits of conservation measures regardless of who pays the costs or receives the benefits. The NWPCC identifies conservation measures that pass the total resource cost test as economically achievable;

(f) Identify conservation measures that pass the total resource cost test, by having a benefit/cost ratio of one or greater as economically achievable;

(g) Include the increase or decrease in annual or periodic operations and maintenance costs due to conservation measures;

(h) Include deferred capacity expansion benefits for transmission and distribution systems in its cost-effectiveness analysis;

(i) Include all nonpower benefits that a resource or measure may provide that can be quantified and monetized;

(j) Include an estimate of program administrative costs;

(k) Discount future costs and benefits at a discount rate based on a weighted, after-tax, cost of capital for utilities and their customers for the measure lifetime;

(l) Include estimates of the achievable customer conservation penetration rates for retrofit measures and for lost-opportunity (long-lived) measures. The NWPCC's twenty-year achievable penetration rates, for use when a utility assesses its twenty-year potential, are eighty-five percent for retrofit measures and sixty-five percent for lost opportunity measures achieved through a mix of utility programs and local, state and federal codes and standards. The NWPCC's ten-year achievable penetration rates, for use when a utility assesses its ten-year potential, are sixty-four percent for non-lost opportunity measures and twenty-three percent for lost-opportunity measures; the weighted average of the two is a forty-six percent ten-year achievable penetration rate;

(m) Include a ten percent bonus for conservation measures as defined in 16 U.S.C. § 839a of the Pacific Northwest Electric Power Planning and Conservation Act;

(n) Analyze the results of multiple scenarios. This includes testing scenarios that accelerate the rate of conservation acquisition in the earlier years; and

(o) Analyze the costs of estimated future environmental externalities in the multiple scenarios that estimate costs and risks.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-070, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-070, filed 3/18/08, effective 4/18/08.]

WAC 194-37-080 Documentation of conservation savings. (1) The utility shall document:

(a) That it achieved its biennial conservation target;

(b) The total savings in customer efficiency measures; and

(c) If included in the target, the savings in the production and distribution sectors.

(2) A conservation measure or program counts towards a utility biennial target if it meets the following criteria:

(a) The conservation has a measure life of at least two years, or, if the measure life is less than two years the utility can verify that it has acquired the conservation for the entire biennium;

(b) It meets the definitions of conservation and cost effective as contained in WAC 194-37-040; and

(c) The NWPCC includes the measure or program in its power plan, or the measure or program is not identified by the NWPCC but it meets the definition of cost effective in RCW 19.285.030.

(3) The utility shall count the total first year savings of a conservation measure in the year during which either the measure was installed or the utility paid for it.

(4) Each utility may count towards its biennial conservation targets the proportionate share of savings resulting in its service territory from the following conservation efforts during the one biennium in which either the measure or program was placed in service or the utility paid for the measure:

(a) End-use savings from region-wide conservation projects that are centrally funded by BPA and for which the utility shared in the funding through its BPA rates.

(b) Savings from regional market transformation efforts if the NWPCC includes the program measures in its most recently published *Power Plan's* conservation resource potential or, as a newly emerging technology, the measure has yet to be included in the NWPCC's resource potential. Each utility will report a proportion of savings from these programs using established distribution methods, based on each utility's relative share of funding the regional market transformation effort through both direct funding and indirect funding through their BPA rates.

(c) Savings from improved federal minimum energy efficiency standards or Washington state building energy code improvements or improved state appliance codes and standards in the biennium in which they become effective, as proportionate to the utility's service territory. After that biennium, a utility may no longer include savings from those specific codes and/or standards in its next ten-year potential.

(5) Utilities may count savings from more stringent local building and/or local equipment codes and standards, including utility new service or connection standards, towards meeting their biennial conservation target in the biennium in which they become effective and in each biennium the local standards continue to be enforced and achieve incremental savings above minimum state energy codes or minimum federal energy standards.

(6) A utility cannot count the loss of load due to curtailments or matters outside of the utility's control (such as a

facility shut-down) as achievement towards its conservation targets. However, such losses of load may change the level of current and future targets to the extent that they reduce the conservation potential available to the utility.

(7) The energy savings from an increase in distribution efficiencies are described, documented and counted under WAC 194-37-090. The energy savings from an increase in production efficiencies are described, documented and counted under WAC 194-37-100.

(8) Conservation savings from utility programs for measures for which the NWPCC and the regional technical forum have established per unit energy savings values will be based on the per unit savings set by the NWPCC's regional technical forum unless the utility documents its variations in electricity saving estimates from the regional technical forum.

(9) Conservation savings from utility programs for custom measures shall be developed pursuant to the NWPCC's custom requirements or through a similar analytical framework.

(10) A utility may document shortfalls in meeting its biennial conservation target due to lack of customer participation. Documentation of such shortfalls shall include a demonstration that:

(a) A broad array of marketing and program options were provided to customers throughout the biennium; and

(b) The utility offered throughout the biennium to pay customers an incentive in an amount equal to the utility's full avoided cost over the lifetime of measures, up to one hundred percent of the incremental cost of measures. Any such shortfall cannot be automatically deducted from the utility's conservation potential assessment for the subsequent biennium.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-080, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-080, filed 3/18/08, effective 4/18/08.]

WAC 194-37-085 Documentation of conservation savings from high-efficiency cogeneration. (1) A utility may count as conservation savings a portion of the electricity output of a high-efficiency cogeneration facility that commences operation in its service territory.

(2) The high-efficiency cogeneration facility must be owned by a retail electric customer and used by that customer to meet its heat and electricity needs. Heat and electricity output provided to anyone other than the facility owner may not be considered in determining conservation savings.

(3) The useful thermal energy output of the cogeneration facility must be no less than thirty-three percent of the total energy output of the cogeneration facility under normal operating conditions.

(4) The reduction in customer load due to high-efficiency cogeneration must be determined by multiplying the annual electricity output of the cogeneration facility by a fraction equal to one minus the ratio of:

(a) The heat rate (in British thermal units per megawatt hour) of the cogeneration facility; and

(b) The heat rate (in British thermal units per megawatt hour) of a combined cycle natural gas-fired combustion turbine. The heat rate of the cogeneration facility must be based on the additional fuel requirements attributable to electricity production and excluding the fuel that would be required to produce all other useful energy outputs of the project without

cogeneration. The heat rate of the combustion turbine must be based on a facility using best commercial available technology on a new and clean basis.

(5) The utility's documentation of a cogeneration facility's compliance with subsections (3) and (4) of this section must be certified by a registered professional engineer licensed by the Washington department of licensing.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-085, filed 1/24/14, effective 2/24/14.]

WAC 194-37-090 Additional documentation of efficiency from distribution system loss reduction improvements, including peak demand management and voltage regulation. (1) To the extent a utility can document a distribution system upgrade or management practice results in lower line losses and/or transformation losses, the avoided energy supply requirement to serve customers may be included in the utility's assessment of its ten-year resource potential and may count as conservation achievement towards the utility's biennial target.

(2) A utility that counts distribution system improvements in meeting its obligations under RCW 19.285.040 shall document these savings on either a component-performance basis or a system-analysis basis and shall indicate these savings distinctly from end-use and production efficiency savings.

(a) Component-performance basis. A utility that implements the component-performance basis for documenting distribution system improvements shall identify the components of the distribution system that were replaced, and the savings from replacement. For components that are not included in the list of measures approved by the regional technical forum, the calculation shall be prepared under the direction of, and carry the stamp of a registered professional electrical engineer licensed by the Washington department of licensing.

(b) System-analysis basis. A utility that implements the system analysis basis for documenting conservation savings from distribution system improvements shall provide the following:

(i) For distribution system upgrades, the utility will prepare a distribution flow analysis to compare the annual energy losses of the system being replaced or upgraded to the final system as installed.

(ii) For conservation voltage regulation, the utility will prepare a distribution flow analysis to compare the annual energy losses of the system before and after the implementation of a voltage regulation program. The difference in annual kilowatt-hour requirement at the utility point(s) of receipt (for distribution utilities) or net energy for load for generating utilities may be counted as conservation savings.

(iii) For peak demand management, the utility will prepare a distribution flow analysis to compare the annual energy losses of the system before and after implementation of the peak demand management program. The change in net energy losses may be counted as conservation savings. Any net reduction in energy sales (economic curtailment) shall not be included in conservation savings.

(iv) The distribution flow analysis conducted for (b)(i), (ii), or (iii) of this subsection shall be prepared under the direction of, and carry the stamp of a registered professional

electrical engineer licensed by the Washington department of licensing.

[Statutory Authority: RCW 19.285.080, WSR 14-04-015, § 194-37-090, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2), WSR 08-07-079, § 194-37-090, filed 3/18/08, effective 4/18/08.]

WAC 194-37-100 Additional documentation of improved efficiency from production facilities. (1) A utility will measure production efficiency improvements as the fraction of fuel savings achieved by the utility. The percentage reduction in fuel use per kilowatt-hour will be applied to the annual generation to determine the amount that is to be reported as conservation.

(2) A utility that includes production efficiency improvements in its annual report pursuant to RCW 19.285.070 shall document the electricity savings for each generating unit with the following information certified by a registered professional engineer licensed by the Washington state department of licensing:

(a) The first twelve-month electricity savings that the utility is counting towards its biennial target;

(b) A description of the efficiency improvements made to the generating unit;

(c) Annual fuel use for three preceding years, in quantity units and million British thermal units;

(d) Annual electrical output for three preceding years, in kilowatt-hours;

(e) The amount of capital investment and/or annual operating expenditure associated with the efficiency improvements;

(f) The cost-effectiveness analysis prepared by the utility in planning the efficiency improvement(s);

(g) Any post-retrofit analysis prepared by the utility in evaluating the performance and/or cost-effectiveness of the efficiency improvement(s);

(h) A simple calculation showing the fuel use per kilowatt-hour before the efficiency improvement, the fuel use per kilowatt-hour after the efficiency improvement, and the amount of energy conservation being reported as the product of the percentage improvement in fuel use per kilowatt-hour and the number of kilowatt-hours generated; and

(i) If efficiency improvements are installed at the same time as pollution control equipment that may itself affect efficiency, the utility may provide documentation of the effect of the efficiency improvements alone on the fuel consumption per kilowatt-hour of the production facility. In this situation, the utility shall provide a description of the changes made, the capital cost expended for both efficiency changes and pollution control equipment, and an analysis of the impact of each on the fuel use per kilowatt-hour of the production facility.

(3) Improvements that are included in the list of measures approved by the regional technical forum need not carry the certification of a professional engineer and may instead use the savings deemed by the regional technical forum.

(4) A utility shall not count towards its biennial conservation target the results from efficiency improvements made to hydropower facilities that are qualified incremental hydro-power efficiency improvements and are counted towards any utility's renewable energy targets under RCW 19.285.040 or 19.285.050.

(1/24/14)

[Statutory Authority: RCW 19.285.080, WSR 14-04-015, § 194-37-100, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2), WSR 08-07-079, § 194-37-100, filed 3/18/08, effective 4/18/08.]

WAC 194-37-110 Renewable resource energy reporting. Each utility shall submit a renewable resource energy report to the department by June 1 of each year. Reporting requirements vary, as follows, depending upon how the utility elects to comply with chapter 19.285 RCW.

(1) Universal renewable energy reporting requirements. The renewable resource energy report shall include the following information:

(a) The utility's annual load for the two years preceding each renewable energy target year and the average load for those two years.

(b) The amount of megawatt-hours needed to meet the utility's annual renewable energy targets identified in RCW 19.285.040. These annual targets are established as a percentage of the utility's average retail load for the two years prior to the renewable energy target year: Three percent of each year 2012 through 2015; nine percent of each year 2016 through 2019; and fifteen percent for year 2020 and each year thereafter.

(c) The names of the eligible renewable resource facilities and/or the vintage (year in which associated power was generated) of renewable energy credits by generator that the utility owns or with which the utility has a contract dated no later than January 1 of the target year; and the estimated annual quantity (megawatt-hours) of eligible renewable resources or RECs that will be produced, or has been produced, through these resources or contracts to meet its annual targets.

(i) The list of resources will identify any resource that both commenced operations after December 31, 2005, and meets the apprenticeship construction practice standards as adopted by the council per WAC 194-37-120(1), thereby earning a 1.2 multiplier credit on its electricity output.

(ii) The list of resources will identify any resource that meets the definition of distributed generation and that the utility owns or contracts for the associated REC, thereby earning a 2.0 multiplier credit on the electricity output.

(d) The percent of its total annual retail revenue requirement invested in the incremental cost of eligible renewable resources and the cost of renewable energy credits. Each utility must include in its report documentation of the calculations and inputs to this amount.

(e) The most recent final audit report(s), if any, that evaluate(s) the utility's compliance with chapter 19.285 RCW and the information reported per this chapter.

(2) A utility that does not meet the renewable energy requirements in RCW 19.285.040(2), the financial requirements in RCW 19.285.050, or the financial requirements in RCW 19.285.040 (2)(d) shall include the following information in its June 1 report of each year beginning in 2014:

(a) The quantity of eligible renewable resources acquired by December 31 of the target year;

(b) The quantity of RECs acquired from the target year, the year prior or the year subsequent to the target year; or

(c) The combination of (a) and (b) of this subsection.

(3) Renewable energy target reporting.

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(a) A utility that meets the renewable energy requirements in RCW 19.285.040 (2)(a) shall include the following in its June 1 report of each year beginning in 2014.

(i) Demonstration that it acquired:

(A) By January 1 of the target year, megawatt-hours of eligible renewable resources and that those megawatt-hours were actually generated by December 31 of the target year.

(B) By January 1 of the target year, RECs produced during the target year, the year prior or the year subsequent to the target year; or

(C) Any combination of (a)(i)(A) and (B) of this subsection, in amounts sufficient to meet the percent of load target for the calendar year two years prior. Utilities may report shortfalls in expected generation from resources documented in (a)(i)(A) of this subsection and production of RECs documented in (a)(i)(B) of this subsection and may document that the shortfalls were offset by additional purchases of RECs or eligible renewable resources.

(ii) Documentation of the amount of megawatt-hours purchased or generated, the amount of RECs purchased and the names of the respective eligible renewable facilities that produced the associated power, specified by the year it was generated.

(b) The utility may, in addition, submit a copy of its fuel mix report, per chapter 19.29A RCW, for each target year.

(4) Resource cost reporting.

Each year that a utility does not meet the renewable energy target requirements in RCW 19.285.040, but meets the financial requirements in RCW 19.285.050, the utility shall include the following information in its June 1 report of that year:

(a) Its annual revenue requirement for the target year;

(b) The annual levelized delivered cost of its eligible renewable resource(s) reported separately for each resource;

(c) The annual levelized delivered cost of its substitute resources and the eligible renewable resource with which it is being compared;

(d) The total cost of renewable energy credits to be applied in the reporting year;

(e) The percentage of its annual revenue requirement invested in the incremental cost of eligible renewable resources and the cost of RECs; and

(f) The most current information required by WAC 194-37-160 used for this financial demonstration.

(5) Nonload growing utility reporting.

Each year that a utility does not meet the renewable energy target requirements in RCW 19.285.040 (2)(a), but meets the financial requirements in RCW 19.285.040 (2)(d), the utility shall report to the department each June 1 its:

(a) Annual revenue requirement for the target year;

(b) Weather-adjusted load for each of the three years immediately prior to the target year;

(c) Delivered cost of its eligible renewable resource(s), RECs or a combination of both for the target year to be applied to the one percent of annual revenue requirement, reported separately for each resource;

(d) Quantity of megawatt-hours for each target year for which the utility:

(i) Commenced or renewed ownership of nonrenewable resources after December 7, 2006; or

(ii) Made electricity purchases from nonrenewable energy resources, incremental to its annual electricity purchases made or contracted for prior to December 7, 2006. Sources of power for daily spot market purchases are not counted; and

(e) List of RECs that the utility acquired, in addition to any RECs purchased in (c) of this subsection, to offset nonrenewable purchases listed in (d) of this subsection.

(6) Reporting of uncontrollable events.

For any target year that a utility demonstrates to the auditor that it did not meet the annual renewable resource requirements in chapter 19.285 RCW due to events beyond the reasonable control of the utility per RCW 19.285.040 (2)(i), the utility shall summarize these events in its June 1 report to the department immediately following the target year.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-110, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-110, filed 3/18/08, effective 4/18/08.]

WAC 194-37-120 Documentation of renewable energy achievement. Each utility shall provide the auditor access to contracts indicating purchases of or documentation indicating ownership of RECs and/or megawatt-hours from eligible renewable/resources equal to or exceeding the annual percentage standard for the target year. The megawatt-hours from owned eligible renewable resources count towards the percentage annual renewable energy target as long as the associated nonpower attributes, or RECs, if any have been created, are not owned by a separate entity or have not been used in an optional pricing program. A utility's power purchase contract, for eligible renewable resources, provides documentation for this section if the contract specifies that the nonpower attributes, or RECs if any have been created, associated with the power from the eligible renewable resources have been acquired by the utility. A utility using RECs to meet any of the requirements of chapter 19.285 RCW must document that the RECs have been retired pursuant to WREGIS procedures indicating the target year as the compliance period and Washington as the state program.

(1) Each utility that claims a 1.2 multiplier credit for the electricity output from an eligible renewable resource per RCW 19.285.040 (2)(h)(i) shall provide a copy of written documentation from the council that the facility met the apprenticeship labor standard of fifteen percent of the total labor hours used in its construction.

(2) A utility may provide a copy of documentation from the BPA indicating a quantity of power that BPA sold to the utility for the target year that was supplied by an eligible renewable resource.

(3) Each utility that claims a 2.0 multiplier credit for the electricity output from an eligible renewable resource per RCW 19.285.040 (2)(b) shall provide documentation that the REC applied in that year, associated with the distributed generation resource, is owned by the utility.

(4) To document the annual amount of power supplied by BPA from eligible renewable resources, the utility may rely on BPA's determination of the portion of its power supply provided by eligible renewable resources during a calendar year for which no RECs have been created, or if RECs have been created, that the RECs have been or will be retired. A utility may count any purchase of:

(a) Electricity from BPA that is generated by eligible renewable resources for which no RECs have been created, or if RECs have been created, for which the RECs have been or will be retired; or

(b) RECs from BPA generated by eligible renewable resources to meet all or any portion of its annual eligible renewable resource targets.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-120, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-120, filed 3/18/08, effective 4/18/08.]

WAC 194-37-130 Documentation of incremental hydropower. (1) Utilities may count toward their annual renewable resource targets incremental power acquired from qualified incremental hydropower efficiency improvements made at the following facilities since 1999:

(a) Hydropower facilities in the Pacific Northwest owned by a qualifying utility where the new generation does not result in new water diversions or impoundments.

(b) Hydroelectric generation facilities in irrigation pipes and canals located in the Pacific Northwest, where the additional generation does not result in new water diversions or impoundments.

(2) The utility shall calculate renewable resource power from incremental hydropower as the increase in annual megawatt-hours of generation attributable to the qualified incremental hydropower efficiency improvements under average water generation.

(3) The increase in annual megawatt-hours of generation attributable to the qualified incremental hydropower efficiency improvements shall be documented by engineering studies or with before and after generation data. The documentation shall clearly explain:

(a) Where the facility is located;

(b) When the improvements were made;

(c) How the amount of generation in "average water generation" was calculated;

(d) What other factors may have caused an increase in electricity production and how the amount "attributable to the qualified improvements" was extracted from the total increase;

(e) How and why the "qualified improvements" increased hydropower production; and

(f) How the utility came to acquire the incremental output associated with the qualified improvements.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-130, filed 3/18/08, effective 4/18/08.]

WAC 194-37-135 Documentation of multifuel biomass energy and qualified biomass energy. (1) A utility using biomass energy produced by a multifuel generating facility, where the biomass energy fuel provides less than ninety-eight percent of the total heat input, must document the eligible renewable energy using RECs created by WREGIS pursuant to the multifuel generating unit procedures of WREGIS.

(2) A utility using qualified biomass energy must document the eligible renewable energy using RECs created by WREGIS and must document:

(a) Information about the facility generating electricity from biomass energy:

(i) Ownership of the biomass energy facility;

(ii) Date of commercial operation of the biomass energy facility; and

(iii) Specific type of biomass used for generation by the biomass energy facility.

(b) Information about the industrial facility that hosts the biomass energy facility:

(i) The utility's load in megawatt hours that results from serving the industrial facility;

(ii) Evidence that the industrial facility had not ceased operation, other than for purposes of maintenance or upgrade, during the target year;

(iii) Evidence that the industrial facility engages in industrial pulping or wood manufacturing; and

(iv) If the facility generating electricity from biomass energy is not owned by the utility, evidence that the industrial facility owns the biomass energy facility and is directly interconnected with the electricity facilities that are owned by the utility and capable of carrying electricity at transmission voltage.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-135, filed 1/24/14, effective 2/24/14.]

WAC 194-37-140 Documentation of renewable resource financial path for no-load growth utilities. For each year that a utility meets the renewable energy financial cost cap, associated with no load growth, identified in RCW 19.285.040 (2)(d), the utility must document the following by January 1:

(1) That it used a consistent methodology from year to year to weather-adjust its retail load;

(2) That its weather-adjusted load for the most recent prior year is lower than the third year prior;

(3) That it invested at least one-percent of its total annual revenue requirement in each target year on eligible renewable resources, RECs, or a combination of both;

(4) That it executed contracts, dated no later than January 1 of the target year, for power purchases of sufficient eligible renewable resources and/or RECs;

(5) The quantity of megawatt-hours for each target year for which the utility:

(a) Commenced or renewed ownership of nonrenewable resources, other than coal transition power, after December 7, 2006; or

(b) Made electricity purchases from nonrenewable energy resources, other than coal transition power, incremental to its annual electricity purchases made or contracted for before December 7, 2006.

Sources of power for daily spot market purchases are not included in this calculation;

(6) The RECs the utility acquired, in addition to any RECs acquired for subsection (3) of this section, to offset power purchases listed in subsection (5) of this section; and

(7) Annual revenue requirement for the target year.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-140, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-140, filed 3/18/08, effective 4/18/08.]

WAC 194-37-150 Financial documentation of annual revenue requirement. (1) For purposes of the report filed pursuant to RCW 19.285.070, a utility shall document its annual revenue requirement.

(2) A utility that uses a different basis for the determination of its annual revenue requirement for purposes of calculating what it expects to recover or actually recovers through retail electricity sales in the state of Washington in that year may use that number in the calculation of the cost cap and must provide documentation to support this alternative approach.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-150, filed 3/18/08, effective 4/18/08.]

WAC 194-37-160 Documentation of financial cost cap—Current information and timeline. By January 1 of the first target year that a utility fulfills its renewable energy requirements under RCW 19.285.050, the utility shall select one of the following methodologies for documenting the incremental cost of all eligible renewable resources acquired thereafter by that utility:

(1) Annual update methodology. In each year that a utility fulfills its renewable energy requirements by complying with the cost cap identified in RCW 19.285.050 it must document its calculations no later than January 1 of the target year. The utility will use the most current information available to the utility within twelve months prior to the initial documentation of the cost cap pursuant to WAC 194-37-170 through 194-37-190. The utility will update this documentation in its June 1 report submitted pursuant to RCW 19.285.070. These annual updates of costs, based on the most current information available, apply to both the eligible renewable resource and the substitute resource.

(2) Permanent one-time methodology. For each new investment in an eligible renewable resource, a utility shall perform a one-time calculation of the levelized incremental cost pursuant to WAC 194-37-170 through 194-37-190. The levelized incremental cost shall be a single annual value expressed in real, constant-year dollars. The levelized incremental cost for each eligible renewable resource project or purchase, calculated through this one-time analysis in the year of acquisition, shall be allowed to inflate utilizing the Producer Price Index over the life of the eligible renewable resource after the initial calculation. The utility will include a determination of incremental cost for each new investment in an eligible renewable resource and inflation-adjusted incremental costs for previous eligible renewable resource investments in its June 1 report submitted pursuant to RCW 19.285.070, beginning in the year the utility complies with the cost cap identified in RCW 19.285.050.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-160, filed 3/18/08, effective 4/18/08.]

WAC 194-37-170 Documentation for financial path—Levelization of costs. (1) Each utility must document its calculation of the levelized annual incremental cost of eligible renewable resources. Utilities are encouraged, but not obligated, to use the following methodology:

Step 1: Calculate the net present value of the cost of the utility's eligible renewable resource and substitute resource over an equivalent contract length or facility life.

Step 2: Calculate equal nominal values over the appropriate contract length or facility life that have a net present value equal to those calculated in Step 1, using the same discount rate.

Step 3: Calculate the annual difference between the levelized delivered cost for the eligible renewable resource and the substitute resource to determine the levelized incremental cost of the eligible renewable resource.

A utility that uses the annual update methodology must document the basis for any change to the levelization methodology used in a prior June 1 report to levelize the costs of an eligible renewable resource and its associated substitute resource.

(2) Regardless of the methodology chosen to levelize costs, utilities must document the basis for their chosen method for levelizing costs.

(3) Utilities must document the basis for the discount rate used in its levelized cost calculations.

(4) Utilities must document how the discount rate used to perform the levelized cost calculations is consistent with the inflationary assumptions incorporated into the delivered cost projections for the eligible renewable resource and substitute resource.

(5) Utilities must document how the method and assumptions used to levelize delivered costs for the eligible renewable resource are consistent with those used to levelize the delivered cost of the associated substitute resource.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-170, filed 3/18/08, effective 4/18/08.]

WAC 194-37-180 Documentation of financial path—Delivered cost. (1) The delivered cost of a resource includes all direct and indirect costs associated with that resource being delivered to the distribution system of a utility over the contract length or facility life of the delivered resource. Direct and indirect costs may include operating and capital expenses related to the delivered resource.

(2) Using the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) as an illustration, the reported resource costs are expected to generally fall within, but not necessarily be limited to, the following cost accounts:

Operating Expenses

Accounts 500-557:	Production Expense
Account 565:	Wholesale Wheeling Expense
Accounts 920-935:	Administrative and General Expense
Account 408.1:	Taxes Other than Federal Income Taxes

Capital Expenses

Accounts 403-407:	Depreciation and Amortization Expense
Accounts 427-431:	Interest-Related Expenses

(3) A utility may include actual costs in order to equitably compare the costs of eligible renewable resources and substitute resources. This may include the actual costs of

transmission, firming, shaping, integration, and project specific development costs.

(4) Utilities are encouraged to use the FERC system of accounts to document the delivered cost of resources. Regardless of the accounting convention used, utilities must document the delivered cost estimates for eligible renewable resources and their associated substitute resources in a manner consistent with generally accepted accounting standards.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-180, filed 3/18/08, effective 4/18/08.]

WAC 194-37-190 Documentation of financial path—Substitute resource and resource equivalence. (1) In support of its annual filings to the department under RCW 19.285.070, utilities must document the type, availability, and cost of the reasonably available substitute resource used to calculate the incremental cost of an eligible renewable resource.

(a) In documenting the incremental cost under RCW 19.285.050 (1)(b), a utility is encouraged to identify substitute resources using its integrated resource planning process, if one is available. If a utility elects to choose a substitute resource from a different source other than its most recently published integrated resource plan, it must document the basis for this decision. Documentation of the cost of a substitute resource may include, but is not limited to, formal offers for the sale of electricity, or published cost projections from reputable third-party sources.

(b) In its selection of a substitute resource, the utility shall develop documentation demonstrating that the substitute resource satisfies the requirements set forth in RCW 19.285.050. The requirements are:

(i) Equivalence between the eligible renewable resource and the substitute resource by demonstrating the equivalence in the amount of energy produced by each resource;

(ii) Equivalence between the eligible renewable resource and the substitute resource by demonstrating the same contract length or facility life of each resource;

(iii) The substitute resource is reasonably available to the utility; and

(iv) The substitute resource does not qualify as an eligible renewable resource.

(c) Only supply-side substitute resources shall be used by utilities in the calculation of the incremental cost of eligible renewable resources.

(d) When the renewable requirements under RCW 19.285.040(2) result in a utility having resources in excess of its load, the utility may use that excess resource as the substitute resource if the substitute resource requirements of (b) of this subsection are otherwise satisfied. The utility will document the resale revenues, net of transaction costs, received through the sale of excess resources or the purchase price for the sale of the excess facility sold as a result of the requirement to acquire eligible renewable resources. A utility that uses a value other than the documented resale revenue in the determination of the levelized delivered cost of the substitute resource, such as a forecast of projected market prices, must provide documentation to support this alternative approach.

(e) A utility may use foregone power purchases from BPA, plus any billing credit obtained for reducing its pur-

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chases from BPA, as the basis for the cost of the substitute resource if:

(i) The substitute resource requirements of (b) of this subsection are otherwise satisfied;

(ii) It is entitled under its BPA power sales contract to have the BPA meet its net power requirements for the expected life of an eligible renewable resource or eligible renewable resource purchase; and

(iii) As a result of meeting the renewable requirements under RCW 19.285.040(2), it foregoes part of its BPA entitlement in order to obtain that eligible renewable resource.

(2) For an eligible renewable resource acquired prior to the passage of chapter 19.285 RCW, November 7, 2006, a utility must support the selection of the related substitute resource used in the determination of the incremental cost under RCW 19.285.050 with documentation that was available at the time of the utility's decision to acquire the eligible renewable resource. If no such documentation is available, the incremental cost of an eligible renewable resource acquired prior to the passage of chapter 19.285 RCW will be assumed equal to zero.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-190, filed 3/18/08, effective 4/18/08.]

WAC 194-37-200 Financial documentation path using renewable energy credits. A utility may elect to invest in RECs to meet any portion of, or the entirety of, each annual renewable resource target in RCW 19.285.040(2) or 19.285.050(1). If the cost of the RECs and the incremental cost of acquired renewable resources, as documented according to WAC 194-37-150 through 194-37-190, for any one year meets or exceeds four percent of the utility's annual revenue requirement, the utility shall document that the utility achieved the four percent cost cap alternative compliance path in RCW 19.285.050(1). The documentation must include copies of its WREGIS RECs, copies of purchase contracts, and its annual revenue requirement.

[Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-200, filed 3/18/08, effective 4/18/08.]

WAC 194-37-210 Renewable energy credit tracking system. WREGIS is the renewable energy credit tracking system for purposes of verification of RECs under chapter 19.285 RCW.

[Statutory Authority: RCW 19.285.080. WSR 14-04-015, § 194-37-210, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-210, filed 3/18/08, effective 4/18/08.]

