STATE OF WASHINGTON
DEPARTMENT OF COMMERCE
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November 27, 2017

TO: Energy Independence Act Stakeholders

FROM: Glenn Blackmon, Senior Energy Policy Specialist

RE: Rulemaking inquiry – possible clarification or amendment of the method for determining whether a utility's weather-adjusted load is growing

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Background

Commerce is considering potential alternatives to the calculation method in WAC 194-37-140(2) for determining whether a utility, for purposes of Energy Independence Act compliance, is eligible to use the no-growth cost cap method in RCW 19.285.040(2)(d). The statute allows a utility to use the no-growth cost cap method only if "the utility's weather-adjusted load for the previous three years on average did not increase over that time period." Commerce adopted the current rule in 2008 because the statutory provision is ambiguous.

Alternative Approaches

Commerce has identified seven alternatives to the method currently in rule. These alternatives are presented below in the form of rule language and as mathematical formulas.

The formulas are stated using 2018 as the compliance year. For example, in Option A the formula takes the average of weather-adjusted load values in 2017, 2016, and 2015 and compares that average to the weather-adjusted load value in 2014 .

Request for Comments

Commerce seeks input from stakeholders on these alternative methods. Comments are appreciated on whether each alternative would be a reasonable and permissible construction of the statutory provision and whether the adoption of this method would best advance the overall purpose of the Energy Independence Act.

Stakeholders who believe the method currently in rule should be retained are encouraged to address the same questions of statutory consistency and overall purpose.

Stakeholders who believe that the rule should not prescribe a specific calculation method or that the rule should provide multiple alternatives are encouraged to explain how their preferred approach would promote the overall purpose of the Energy Independence Act.

Please direct comments eia@commerce.wa.gov. Commerce will compile and post all comments and schedule an informal workshop to discuss the alternatives.

Please submit comments by Friday, December 29, 2017.

Alternative Calculation Methods – For Discussion and Comment

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;~~

Option	Rule Language	Mathematical Expression (using 2018 as the compliance year)
Existing	The weather-adjusted load for the most recent prior year is lower than the third year prior;	$2017 < 2015$
A	The average of weather-adjusted loads in the three previous years did not increase over the weather-adjusted load in the year immediately prior to the three-year period;	$\frac{(2017 + 2016 + 2015)}{3} \leq 2014$
B	The average of weather-adjusted loads in the three previous years did not increase over the average of weather-adjusted loads in the three-year period including the second prior year, the third prior year, and the fourth prior year;	$\frac{(2017 + 2016 + 2015)}{3} \leq \frac{(2016 + 2015 + 2014)}{3}$
C	The average of weather-adjusted loads in the three previous years did not increase over the weather-adjusted load in the third prior year;	$\frac{(2017 + 2016 + 2015)}{3} \leq 2015$
D	The weather-adjusted load in the prior year did not increase over the average of weather-adjusted loads in the three previous years;	$2017 \leq \frac{(2017 + 2016 + 2015)}{3}$

E	The average of weather-adjusted loads in the first prior year and the second prior year did not increase over the average of weather-adjusted loads in the second prior year and the third prior year;	$\frac{(2017+2016)}{2} \leq \frac{(2016+2015)}{2}$
F	The average of weather-adjusted loads in the first prior year and the second prior year did not increase over the weather-adjusted load in the third prior year;	$\frac{(2017+2016)}{2} \leq 2015$
G	The weather-adjusted load in the first prior year did not increase over the average of weather-adjusted loads in the second prior year and the third prior year;	$2017 \leq \frac{(2016+2015)}{2}$

(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.

NOTE: The entire rule section is provided for context. The rulemaking inquiry is limited to the calculation method in subsection (2).