

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFICORP d/b/a PACIFIC POWER
& LIGHT COMPANY

Petitioner,

DOCKET UE-_____

**PacifiCorp’s Petition for Waiver of
Certain Requirements Related to
Requests for Proposals Contained in
WAC 480-107**

1 In accordance with WAC 480-107-002(3) and WAC 480-07-370(3)(b), Pacific Power & Light Company, a division of PacifiCorp (Company), petitions the Washington Utilities and Transportation Commission (Commission) for a waiver of certain requirements related to requests for proposals (RFP) contained in WAC Chapter 480-107 (Petition).

2 The Company is an electric company and public service company in the State of Washington within the meaning of RCW 80.04.010, and is subject to the Commission’s jurisdiction with respect to its prices and terms of electric service to retail customers in Washington. The Company provides electric service to approximately 132,000 retail customers in Washington and approximately 1.8 million total retail customers in Washington, California, Idaho, Oregon, Utah, and Wyoming.

3 PacifiCorp’s name and address:

Washington Dockets
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
washingtondockets@pacificorp.com

Erin E. Apperson
Legal Counsel
PacifiCorp
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
erin.apperson@pacificorp.com

I. INTRODUCTION AND BACKGROUND

4 On three separate occasions, the Commission has waived certain requirements of WAC 480-107 with respect to the Company's acquisition of capacity resources identified in an Integrated Resource Plan (IRP).

5 On September 6, 2011, in Docket UE-111418, the Company filed an Amended Petition for Waiver of Certain Requirements Related to Requests for Proposals Contained in WAC 480-107 (2011 Petition). The 2011 Petition requested waiver of certain requirements of WAC 480-107 with respect to the acquisition of capacity resources identified in the Company's 2011 Integrated Resource Plan (2011 IRP). On October 14, 2011, in Order 01, the Commission granted the Company's waiver requests made in the 2011 Petition.

6 On September 5, 2013, in Docket UE-131670, the Company filed a Petition for Waiver of Certain Requirements Related to Requests for Proposals Contained in WAC 480-107 (2013 Petition). The 2013 Petition requested waiver of certain requirements of WAC 480-107 with respect to the acquisition of capacity resources identified in the Company's 2013 Integrated Resource Plan (2013 IRP). The 2013 Petition was very similar, and in most cases identical to the waiver requested in the 2011 Petition. On October 10, 2013, in Order 01, the Commission granted the Company's waiver requests made in the 2013 Petition.¹

7 On August 14, 2015, in Docket UE-151694, the Company filed a Petition for Waiver of Certain Requirements Related to Requests for Proposals Contained in

¹ Following approval of the Company's 2013 Petition, the Commission approved the Company's 2013 Market RFP. Order No. 01, Docket No. UE-132094 (Jan. 30, 2014).

WAC 480-107 (2015 Petition). The 2015 Petition requested waiver of certain requirements of WAC 480-107 with respect to the acquisition of capacity resources identified in the Company's 2015 Integrated Resource Plan (2015 IRP). The 2015 Petition was very similar, and in most cases identical to the waiver requested in the 2013 Petition. On October 29, 2015, in Order 01, the Commission granted the Company's waiver requests made in the 2015 Petition subject to the condition that the Company incorporate a market reliance risk assessment analysis in its 2017 IRP, which the Company included in its 2017 IRP.²

8 On September 6, 2016, the Commission opened a rulemaking to examine whether the Commission's rules related to the IRP and the utility bidding process responsibilities should be updated.³ In the request for comments, the Commission pointed to the frequent waiver requests and questioned what type of changes should be made to the rule to reduce the need for waiver requests. The Company has been actively participating in the rulemaking and understands that the Commission will address potential changes to the RFP rules in late 2017 and early 2018.

9 On April 4, 2017, in Docket UE-160353, the Company filed its 2017 IRP in accordance with WAC 480-100-238. The 2017 IRP preferred portfolio includes resources to serve customers over the next three years. Volume I, Chapter 8, Table 8.17 of the 2017 IRP, included here as Attachment 1, provides detail on the preferred portfolio resources by east and west region, resource type, and the year the resource is added. The 2017 IRP preferred portfolio shows the need for a mix of resources, which through 2020 includes front office transactions (FOTs) at liquid hubs from existing or new generation

² See 2017 IRP Volume II, Appendix J, Western Resource Adequacy Evaluation.

³ Docket No. UE-161024.

sources and demand-side management (DSM). The west-side capacity resources identified in the 2017 IRP preferred portfolio are similar to those that were identified in the 2015 IRP preferred portfolio, with exception that Oregon solar capacity is not included in the 2017 IRP preferred portfolio through the 2020 time frame. Accordingly, the Company is now requesting the waiver of the same requirements of WAC 480-107, based on the same rationale, for the 2017 IRP that the Commission granted for the 2011, 2013, and 2015 IRPs.

For each identified resource, the Company has procurement processes in place that are tailored to efficiently and effectively acquire each resource identified in the west region from 2018 through 2020. For reasons explained below, these processes are the most efficient mechanism, from the perspective of the Company and bidders, to procure the type of resources needed. However, in each instance, the process identified as the most efficient deviates from the RFP process as explicitly contemplated by the Commission's rules in WAC 480-107. In each case, the Company seeks waiver of the relevant rules in order to effectively procure each resource in the most efficient and cost-effective manner. This waiver request is in the public interest because it allows the Company to utilize procurement processes that are specifically designed, by type of resource, to achieve the maximum benefit for PacifiCorp's customers. Depending on the resource, the Company seeks either a waiver of the entire WAC Chapter 480-107 or a limited waiver of certain sections of WAC Chapter 480-107. Discussed below are a description of each resource, the procurement process for acquiring each resource, a description of how and whether each procurement process complies with the requirements of WAC 480-107, and an explanation of why a waiver of certain

requirements of WAC 480-107 is in the public interest.

II. FRONT OFFICE TRANSACTIONS

Overview

10 FOTs are proxy short-term firm market purchases that represent procurement activity made on a forward basis to help the Company cover short energy or capacity positions. As proxy resources, firm FOTs represent a range of purchase transaction types. They are usually standard products, such as forward heavy load hour (HLH), light load hour (LLH), and super peak forward purchases that typically rely on standard enabling agreements as a contracting vehicle. Firm FOT prices are determined at the time of transaction, usually via an exchange or third party broker. When procuring FOTs via an RFP, pricing provided by bidders are compared to the then-current forward market price for power, which is informed by pricing available via an exchange or third party broker. Solicitations for firm FOTs can be made years, quarters, or months in advance, however, most transactions made to balance PacifiCorp's system are made on a balance of month, day-ahead or hour-ahead basis. Annual firm FOT transactions are available up to three or more years in advance depending on the liquidity and market depth of the product being provided. Seasonal firm FOT transactions are typically delivered during quarters and are often available from one to three years or more in advance. The terms, points of delivery, and products all vary by individual market point.

11 Three FOT products were included in the 2017 IRP portfolio analysis: an annual firm FOT flat product, summer on-peak (July) and a winter on-peak (December).⁴ An annual firm FOT flat product reflects energy provided to PacifiCorp at a constant

⁴ On average, 2017 IRP preferred portfolio FOTs are down 21% from the 2015 IRP preferred portfolio over the 2018 – 2020 timeframe.

delivery rate over all the hours of a year. Summer on-peak and winter on-peak HLH firm FOT transactions represent purchases received 16 hours per day, six days per week from July and December, respectively. Accordingly, for the three year energy transaction period (ETP) from 2018 through 2020, the Company intends to seek FOT products for up to a three year maximum duration within the ETP. In no event will FOTs be sought for a time period greater than four years during the ETP.

12 The 2017 IRP preferred portfolio includes firm FOTs to address the majority of resource needs within the next three years, in addition to DSM. The 2017 IRP considered maximum FOT quantities from the following market hubs:

- California Oregon Border (COB), Flat firm Annual and 3rd Quarter HLH—400 MW of total capacity;
- Mid-Columbia, Flat firm Annual and 3rd Quarter HLH—775 MW of total capacity;
- Southern Oregon / Northern California, 3rd Quarter HLH—100 MW of total capacity; and
- Mona, 3rd Quarter HLH—300 MW of total capacity.

For planning purposes, the Company develops its FOT limits based upon its active participation in wholesale power markets, its view of physical delivery constraints, market liquidity and market depth, and with consideration of regional resource supply. Prices for firm FOT purchases in the IRP are associated with specific market hubs and are set to the relevant forward market prices, time period, and location, plus appropriate wheeling charges, as applicable.

13 Firm FOT purchases allow the Company to procure short-term firm market products from existing generating resources or new firm resources. The Company's resource need requirements may vary from year-to-year due to the fluctuation in load and

generation or due to planned and forced maintenance assumptions on existing resources. The Company does not plan to enter into long-term transactions unless a long-term resource need is identified in the IRP preferred portfolio. Long-term resource needs are typically identified in the IRP only after lower cost, lower risk short-term opportunities, such as FOTs, are exhausted such that a long-term resource is required to meet customer load requirements. In this way, the Company can tailor the firm energy/capacity FOT products it procures on a short-term basis to meet its peak needs as well as account for load forecast deviations to effectively manage costs without over committing. Firm FOTs allow the Company to determine its resource requirements on a year-by-year, quarterly, monthly, and daily basis instead of committing to new long-term resources.

14 Although from a planning perspective the 2017 IRP uses specific types of resources as proxy resources in the preferred portfolio, these should not be considered to be the only resource types or technologies that PacifiCorp is willing to consider to meet its resource needs. For example, to the extent a firm physical or financial toll or a qualifying facility (QF) is proposed that provides either an annual or third quarter product, the Company would compare the costs of all the proposals to each of the proposals received to evaluate the economics of each of the resources. Furthermore, the Company may opt to contract for more or less power, depending on such items as the quality of bids received, updates to the Company's forecasts, regional transmission availability and timing, and changes in wholesale energy market conditions.

Procurement Process

15 The Company procures firm FOTs primarily through brokered transactions and through exchanges in which the broker or exchange provides the service of finding a

competitive price. PacifiCorp can also procure FOTs through an RFP. To satisfy requirements under WAC 480-107, the Company will issue a Market Request for Proposals (Market RFP) that solicits bids for firm energy products for specified time periods and points of delivery. The Market RFP is specifically designed to procure the type of firm FOTs needed consistent with the 2017 IRP with bids measured against then-current forward market price for firm energy to meet capacity requirements at liquid trading hubs in the west. The Market RFP is less complex than an RFP used to procure long-term capacity from new or existing generating facilities and/or long-term stand-alone power purchase agreements. The Market RFP seeks FOTs that are contracted under standard terms and conditions under umbrella agreements (Edison Electric Institute (EEI), Western Systems Power Pool (WSPP), International Swaps and Derivatives Association (ISDA)).

16 In order to ensure bids submitted in response to the Market RFP are aligned with ever-changing market conditions, the Company will require that bidders keep pricing open for up to 2 hours on the day bids are due, which will require execution of a potential transaction to be completed within a very short timeframe.

17 The Market RFP will be issued to all WSPP members via an email, sent as blind carbon copy to all Western Electricity Coordinating Council (WECC) market participants. The Company maintains and updates a record of market participant contact information, including contact information for utilities, power marketers and developers. When issuing the Market RFP, and prior to the due date, the Company describes the desired enabling agreement and/or confirmation that will be used to document any consummated transactions. Historically, the enabling agreements used have been WSPP

agreements, ISDA agreements or EEI agreements which set forth the standard non-price terms and conditions governing any transaction. Bidders providing responses to the Market RFP are requested to have at least one of these agreements already in place for the Company prior to accepting a firm bid, however, this is not a mandatory requirement.

Overview of WAC Chapter 480-107

18 The rules established under WAC 480-107 require utilities to solicit bids, rank project proposals, and identify any bidders that meet minimum selection criteria.⁵ These rules do not establish the sole procedures utilities must use to acquire resources. Utilities may also construct electric resources, operate conservation programs, purchase power through negotiated contracts, or take other action to satisfy their public obligations.⁶ A utility must submit to the Commission a proposed RFP and accompanying documentation no later than 135 days after the utility's integrated resource plan is due to be filed with the Commission.⁷

19 The Company sets forth below the requirements of WAC 480-107 and explains how the Market RFP complies with the rules set forth in that chapter, and why a waiver of certain requirements of WAC 480-107 is in the public interest. The discussion below excludes certain administrative rules of WAC 480-107; the Company is not seeking waiver of any of these rules.⁸

⁵ WAC 480-107-001(1).

⁶ *Id.*

⁷ PacifiCorp filed the Market RFP and Petition for Waiver on August 9, 2017, within the 135-day window. WAC 480-107-015(3)(b).

⁸ The following sections are not discussed in detail herein because they are discussed elsewhere in the Petition or are administrative in nature: 480-107-001 (Purpose and Scope); 480-107-002 (Application of Rules); 480-107-004 (Additional Requirements); 480-107-006 (Severability); 480-107-145 (Filings – Investigations); 480-107-999 (Adoption by Reference); 480-107-007 (Definitions).

WAC 480-107-015—The Solicitation Process

20 WAC 480-107-015(1)-(2). This rule states that:

Any owner of a generating facility, developer of a potential generating facility, marketing entity, or provider of energy savings may participate in the RFP process. Bidders may propose a variety of energy resources including: Electrical savings associated with conservation; electricity from qualifying facilities; electricity from independent power producers; and, at the utility's election, electricity from utility subsidiaries, and other electric utilities, whether or not such electricity includes ownership of property. Qualifying facility producers with a generation capacity of one megawatt or less may choose to participate in the utilities' standard tariffs without filing a bid.

21 Consistent with the first requirement of this section, the Company would receive and consider proposals from a variety of energy resources, as long as they meet the solicitation product requirements identified in the Market RFP. The Company does not need to limit its consideration of bids to market purchases and therefore is able to comply with this requirement. Similarly, the Company will comply with WAC 480-107-015(2), which requires that RFPs include a declaration of utility or affiliate participation in the bidding process, because the Market RFP will contain information about whether a utility or its affiliate/subsidiaries may participate.⁹

22 WAC 480-107-015(3). This rule states that:

(3) Timing of the solicitation process.

(a) The rules in this section do not apply when a utility's integrated resource plan, prepared pursuant to WAC 480-100-238, demonstrates that the utility does not need additional capacity within three years.

(b) A utility must submit to the commission a proposed request for proposals and accompanying documentation no later than one hundred thirty-five days after the utility's integrated resource plan is due to be filed with the commission. Interested persons will

⁹ The Company does not plan to allow utility, affiliate or subsidiary participation in the Market RFP.

have sixty days from the RFP's filing date with the commission to submit written comments to the commission on the RFP. The commission will approve or suspend the RFP within thirty days after the close of the comment period.

(c) A utility must solicit bids for electric power and electrical savings within thirty days of a commission order approving the RFP.

(d) All bids will remain sealed until expiration of the solicitation period specified in the RFP.

The Company has submitted for approval its Market RFP concurrently with this waiver request. The Company will solicit bids within thirty days of a Commission order approving the Market RFP in accordance with WAC 480-107-015(3)(c). The Company will then work with the Commission and other interested persons to ensure that adequate time is given for review of the Company's proposed Market RFP. However, because the bids are faxed and/or emailed to the Company and are reviewed and evaluated within a two-hour timeframe, the bids are not sealed. The Company therefore requests waiver of WAC 480-107-015(3)(d) in order to not require sealed bids. This waiver is consistent with the public interest because it allows the Company to ensure bid prices are aligned with ever-changing market conditions, which benefits its customers by attempting to capture attractive market pricing and opportunities.

23 WAC 480-107-015(4)-(5). The Company will comply with WAC 480-107-015(4), as it allows utilities, at their discretion, to issue an RFP that limits project proposals to resources with specific characteristics as well as to issue RFPs more frequently than required by this rule. WAC 480-107-015(5) does not apply to the Company in that it provides a mechanism for interested persons to receive notice from the Commission of a utility's RFP filings.

480-107-025—Contents of the Solicitation

24 WAC 480-107-025(1). This rule states that:

The RFP must identify the resource block, consisting of the overall amount and duration of power the utility is soliciting, the initial estimate of avoided cost schedule as calculated in WAC 480-107-055 Avoided cost schedule, and any additional information necessary for potential bidders to make a complete bid.

The Company's 2017 Market RFP was filed concurrently with this waiver request. The Market RFP identifies each of these items: 1) the minimum bid of 25 MW in 25 MW increments for Standard On-Peak (6x16) products that will allow acquisition of the overall amount solicited over the duration the Company is soliciting; and 2) the initial estimate of avoided cost schedule as calculated in WAC 480-107-035 as a reference to forward market curve which the bids will be evaluated against. In addition, the Market RFP also includes any specified resource terms, including but not limited to, firmness of energy, capacity amount, delivery requirements, eligible points of delivery, and scheduling requirements.

25 WAC 480-107-025(2)-(5). The Market RFP contains all of the content required by these rules. It documents that the size of the resource block is consistent with the range of estimated new resource needs identified in the utility's IRP in accordance with WAC 480-107-025(2). It explains the general evaluation and ranking procedures the utility will use in accordance with WAC 480-107-035 project ranking procedure, and includes additional minimum eligibility criteria, in accordance with WAC 480-107-025(3). The additional minimum eligibility requirements include the Company's credit requirements as the selection of bids are contingent on Company credit approval which is dependent on the bidder's credit rating, notional dollar amount of specified transaction, and the term of specified transaction. The Market RFP also includes the due date and

time of bid response and due date and time of completed evaluation in accordance with WAC 480-107-025(4). Further, the Market RFP contains all of the security requirements and rationale for them, as required by WAC 480-107-025(5).

26 WAC 480-107-025(6). This rule encourages utilities to consult with Commission staff during the development of the RFP. The Company has done this, and will continue to do so.

WAC 480-107-035—Ranking Procedures

27 WAC 480-107-035(1). This rule states that the procedures and criteria the utility will use in its RFP to evaluate and rank project proposals are subject to Commission approval. The Company acknowledges this and has submitted its ranking procedures for Commission review with its submittal of the Market RFP.

28 WAC 480-107-035(2). This rule states:

At a minimum, the ranking criteria must recognize resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, credit and financial risks to the utility, the risks imposed on ratepayers, public policies regarding resource preference adopted by Washington state or the federal government and environmental effects including those associated with resources that emit carbon dioxide. The ranking criteria must recognize differences in relative amounts of risk inherent among different technologies, fuel sources, financing arrangements, and contract provisions. The ranking process must complement power acquisition goals identified in the utility's integrated resource plan.

The Company evaluates the results of the Market RFP based on price in comparison to the Company's current forward market curve. The forward market curve reflects the then-current, competitive forward market price for energy/capacity to ensure that the Company procures the optimal amount of energy/capacity at the lowest reasonable cost, adjusted for risk. To the extent bidders provide resource options other

than energy and capacity resources from the market then the Company will evaluate those proposals using a ranking criteria which will include any benefits, costs or risks associated with the resource as it pertains to the Company's dispatch rights of the resource, land ownership, development risk if any and other risks that may be imposed on customers which may include the impact, if any, of carbon dioxide.

29 WAC 480-107-035(3)-(5). The Company will retain each proposal, a summary of the proposal pricing, and the final ranking of all proposed projects available for public inspection in accordance with WAC 480-107-035(3). Further, the Company acknowledges that it may reject bids on the grounds set forth in WAC 480-107-035(4)-(5).

30 WAC 480-107-035(6). This rule allows competing bidders to request an independent evaluation of the bid if the utility, or the utility's affiliate or subsidiary submits a bid in response to an RFP. This rule will not apply to the proposed Market RFP because the Company does not plan to allow its subsidiaries or affiliates to bid in the Market RFP.

WAC 480-107-045—Pricing and Contracting Procedures

31 WAC 480-107-045(1). This rule states that:

Once project proposals have been ranked in accordance with WAC 480-107-035 Project ranking procedure, the utility must identify the bidders that best meet the selection criteria and that are expected to produce the energy, capacity, and electrical savings as defined by that portion of the resource block to which the project proposal is directed.

The bidders' proposals will be due within 10 business days of when the Market RFP is issued. If a bid meets the selection criteria, that bid is selected and the transaction will be completed on the Market RFP due date. The Company will confirm the transaction terms on the same day via a recorded phone line within approximately two

hours of receiving bids to execute the transaction. This verbal execution is then followed up with a written confirmation, which documents the agreed-upon price terms and conditions.

32 WAC 480-107-045(2). This rule states that the project proposal's price, pricing structure, and terms are subject to negotiation. The Company acknowledges that these items are negotiable.

WAC 480-107-055—Schedules of Estimated Cost

33 WAC 480-107-055(1). This rule states that a utility must file annually a schedule of estimated avoided cost for the energy and capacity associated with the resource block the utility solicited in its most recent RFP filed in accordance with WAC 480-107-025.

The Company intends to file this schedule in the fourth quarter of 2017.

34 WAC 480-107-055(2). This rule states that:

Schedules of estimated avoided cost are to be based upon:

(a) The most recent project proposals received pursuant to an RFP issued under these rules;

(b) Estimates included in the utility's current integrated resource plan filed pursuant to WAC 480-100-238;

(c) The results of the utility's most recent bidding process; and

(d) Current projected market prices for power. The utility must file documentation supporting its schedule of estimated avoided cost.

The Company estimates its avoided costs consistent with this rule. The Company's avoided cost is calculated based on its Schedule 37 (for QFs 2 MW or less) or market price (for QFs larger than 2 MW). Schedule 37 avoided cost prices are prepared using the Generation and Regulation Initiative Decision Tools (GRID) model runs to determine the value of the avoided energy during the sufficiency period and the all-in

cost of a combined cycle combustion turbine for the deficiency period where the sufficiency and deficiency period is determined based on the load and resource plan for the west BAA. Schedule 37 avoided cost prices have traditionally been updated and filed every year in the fourth quarter covering a ten-year period and are available for QF projects for up to a five-year term. For QFs greater than 2 MW, the Company offers projected market prices for power at its avoided cost consistent with the definition of avoided costs contained in WAC 480-107-007.¹⁰ The Company addresses these large QFs on an individual basis and provides avoided cost market prices specific to the timing and characteristics of the proposed resource.

35 *WAC 480-107-055(3)-(4)*. To the extent that the Company revises its estimated avoided cost schedule, it will file such revisions with the Commission along with documentation supporting the revision as required by WAC 480-107-055(3). The Company also acknowledges that the schedule of estimated avoided cost provides only general information to potential bidders about the costs of new power supplies; it does not provide a guaranteed contract price for electricity, in accordance with 480-107-055(4).

WAC 480-107-065—Eligibility for Long-Run Conservation Purchase Rates

36 *WAC 480-107-065(1)-(2)*. These rules solely apply to conservation suppliers.

¹⁰ “Avoided costs” means the incremental costs to a utility of electric energy, electric capacity, or both, that the utility would generate itself or purchase from another source, but for purchases to be made under these rules. A utility’s avoided costs are the prices, terms and conditions, including the period of time and the power supply attributes, of the least cost final contract entered into as a result of the competitive bidding process described in these rules. If no final contract is entered into in response to a RFP issued by a utility under these rules, the utility’s avoided costs are the lesser of:

(1) The price, terms and conditions set forth in the least cost project proposal that meets the criteria specified in the RFP; or

(2) Current projected market prices for power with comparable terms and conditions.

Because conservation bids are required by WAC 480-107-065(2)(a) to be over a time period greater than five years, the Company does not expect to receive any eligible conservation bids in response to its Market RFP. Therefore, the Company does not expect that the requirements of these rules will apply with respect to the Market RFP issued to procure FOTs as identified in the 2017 IRP.

WAC 480-107-075—Contract Finalization

37 WAC 480-107-075(1)-(5). The rules of this section govern the potential development of a final contract with any bidder. WAC 480-107-075(1) grants a utility discretion to decide whether to enter into a final contract. As mentioned above, the Company confirms transaction terms on the same day bids are due via a recorded phone line within approximately two hours and then documents the terms of the agreed-upon transaction with a written confirmation, which includes price, terms and conditions. However, in the event the Company receives proposals for resources other than energy or capacity resources that meet the criteria set forth in the RFP, the Company would consider whether or not to enter into a final contract. In the event the Company and the bidder opt to enter into a final contract, the Company will follow the requirements set forth in WAC 480-107-075(2)-(5).

WAC 480-107-085—Obligations of Generating Facilities to the Utility

38 WAC 480-107-085(1)-(3). The rules of this section set forth the obligations of the utility and an owner or operator of a generating facility purchasing or selling electricity under this chapter. Given the short-term nature of the resources solicited in the Market RFP, the Company does not expect to receive proposals for new generating assets, which may take 36 to 42 months to engineer, procure, and construct. Therefore, the Company

does not expect that the requirements of these rules will apply with respect to the Market RFP issued to procure FOTs as identified in the 2017 IRP. In the event the Company receives a proposal for a new generating asset from an eligible bidder that meet the requirements of the solicitation, the Company will follow the requirements set forth in 480-107-085(1)-(3).

**WAC 480-107-095—Obligations of the Utility to Qualifying Facilities and
WAC 480-107-105—Rates for Sales to Qualifying Facilities**

39 These sections govern certain aspects, including rates and services provided, of the Company’s relationship with QFs. The Company currently follows these rules with respect to its relationship with existing QFs. To the extent a QF is a winning bidder resulting from the issuance of the Market RFP, the Company will continue to comply with these rules with respect to those QFs.

**WAC 480-107-115—System Emergencies and
WAC 480-107-125—Interconnection Costs**

40 These sections address requirements for generating facilities. The Company currently follows these rules with respect to existing generating facilities. Given the short-term nature of the resources solicited in the Market RFP, the Company does not expect to receive proposals for new generating assets, which may take 36 to 42 months to engineer, procure, and construct. Therefore, the Company does not expect that these requirements will apply with respect to the Market RFP issued to procure FOTs as identified in the 2017 IRP. In the event the Company receives a proposal for a new generating asset from an eligible bidder that meet the requirements of the solicitation, the Company will follow the requirements set forth in these sections.

WAC 480-107-135—Conditions of Purchase of Electrical Power or Savings from a Utility, a Utility’s Subsidiary or Affiliate

41 This section sets forth the requirements for a utility, its subsidiary or affiliate participation in the utility’s bidding process. This requirement will not apply to the Company because the Market RFP will not allow the utility, subsidiaries or affiliates to bid.

III. Other West BAA Resources

Overview

42 In addition to FOTs, Volume I, Chapter 8, Table 8.17 of the 2017 IRP identifies DSM resources as needed resources in the west BAA in the next three years. For each of these resources the Company has established procurement processes in place to effectively acquire each resource. These are described below. In addition, the Company provides an explanation of why each requested waiver is in the public interest.

Class 2 DSM

43 The preferred portfolio identifies Class 2 DSM resources, which represent energy efficiency programs, such as low-income weatherization services, residential equipment and appliance efficiency upgrades, residential dwelling energy efficiency improvements, and commercial/industrial process, equipment, and lighting efficiencies. These programs are secured utilizing Washington tariff Schedules 114, 118, and 140, in accordance with Washington’s I-937 conservation requirements, and as informed by the Washington DSM Advisory Group. The existing tariffs can be found at the following link:

<http://www.pacificpower.net/about/rr/wri.html>

The Company also acquires resources through a residential home energy report program (non-tariffed program) and market transformation efforts associated with its

sponsorship of the Northwest Energy Efficiency Alliance (NEEA). NEEA leverages strong regional partnerships to accelerate the adoption of energy-efficient products, services and practices. Since these efforts are funded by NEEA, they are not procured directly through the Company.

44 WAC 480-107-015(3)(b), as discussed above, requires a utility to submit a proposed RFP to the Commission for approval no later than 135 days after the utility's IRP is due to be filed with the Commission. The Company seeks a waiver of this rule for the Class 2 DSM resources described above. With respect to Class 2 DSM, the Company has Commission-approved tariffs or other processes in place to procure these resources. Conducting an RFP process for these resources within 135 days of filing the IRP would therefore unnecessarily create additional administrative burden and potential confusion to entities wishing to provide these resources.

Request for Waiver

45 WAC 480-107-002(3) allows the Commission to grant waivers of the requirements of WAC Chapter 480-107 "if consistent with the public interest, the purposes underlying regulation, and applicable statutes."

46 The Company's request is in the public interest. The procurement processes described above are structured to effectively and efficiently acquire each particular resource at the lowest reasonable cost, adjusted for risk. The content, timing, or administration of these processes is not fully compatible with all of the requirements of the RFP process as contemplated by the Commission's rules. As such, the identified processes are in the public interest because they are specifically tailored to each resource and to minimize procurement risks to the Company and its customers, while still

maintaining Commission oversight through existing tariffs and the submittal of the Market RFP for Commission review.

47 The Company’s request is also consistent with the purposes underlying the regulations and applicable statutes. The purpose and scope section of WAC Chapter 480-107 states that the “rules in this chapter do not establish the sole procedures utilities must use to acquire new resources.”¹¹ This language acknowledges that a full bid solicitation process may not always be the preferable mechanism for utilities to procure resources and satisfy their public service obligations. Furthermore, with only one exception, the Company is seeking only a limited waiver of the Commission’s rules. Where a waiver is sought, the Company has explained and demonstrated how such waiver allows the Company to efficiently and effectively procure the identified resources in accordance with the rules that remain applicable.

48 The Company’s request is also consistent with other applicable statutes, including the Public Utility Regulatory Policies Act (PURPA). As fully explained above, the Company does and will continue to purchase energy and capacity from QFs in accordance with PURPA. Further, the Company does and will continue to estimate and calculate avoided costs and rates for QFs in accordance with the rules set forth in WAC Chapter 480-107.

49 The Company’s request is also nearly identical to previous waiver requests the Commission granted in 2011, 2013, and 2015.¹²

¹¹ WAC 480-107-001(1).

¹² Order No. 01, Docket No. UE-111418 (Oct. 14, 2011); Order No. 01, Docket No. UE-131670 (Oct. 10, 2013), Order No. 01, Docket No. UE-151694 (Oct. 29, 2015).

Conclusion

50 Due to the foregoing, the Commission should grant the Company’s petition for waiver for each of the 2017 IRP preferred portfolio resources listed below, specifically:

- Waiver of WAC 480-107-015(3)(d) with respect to FOTs;
- Waiver of WAC 480-107-015(3)(b) with respect to Class 2 DSM.

51 The Company has submitted its 2017 Market RFP concurrently with this waiver request within 135 days of filing its 2017 IRP.

DATED: this 9th day of August, 2017.

Respectfully submitted,



Erin E. Apperson
WSBA No. 43693
Pacific Power
825 NE Multnomah St. Suite 1800
Portland, OR 97232
(503) 813-6642
erin.apperson@pacificorp.com

Counsel for Pacific Power