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February 28, 2020

VIA ELECTRONIC FILING

Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacy, Washington 98503

Re: Docket UE-190666—Pacific Power & Light Company's Compliance Filing and Request for Waiver

PacifiCorp dba Pacific Power & Light Company submits revised tariffs consistent with the Washington Utilities and Transportation Commission's (Commission) guidance at the January 23, 2020 open meeting. At the open meeting, the Commission accepted Commission Staff's (Staff) recommendations set forth in its January 23, 2020 memorandum but also signaled some willingness to consider further minimal revisions. In this compliance filing, PacifiCorp encloses a revised Schedule QF for consideration, which includes estimated avoided cost pricing consistent with Staff's recommendations and the Commission's direction at the open meeting, as well as small modifications as described below.

Original Sheet No. QF.1	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.2	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.3	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.4	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.5	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.6	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.7	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.8	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.9	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.10	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.11	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.12	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.13	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.14	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.15	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.16	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.17	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Original Sheet No. QF.18	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities

In addition, as requested by Commissioner Balasbas during the open meeting, PacifiCorp has prepared a sensitivity illustrating the impact of the change in the assumed date of the next planned resource addition from 2028 (based on the acknowledged 2017 Integrated Resource Plan (IRP)) to 2021 (based on the timing of bids in PacifiCorp's 2017 solar request for proposals (2017S RFP)). This sensitivity demonstrates that maintaining an assumed date of 2021 for the next planned resource addition results in a relatively small reduction in avoided cost prices (as compared to assuming that the next planned resource addition is in 2028), and further allows retail customers to receive the benefits of the renewable energy credits (RECs) generated by qualifying facilities (QFs) seven years earlier. PacifiCorp maintains that this sensitivity is a more accurate reflection of avoided costs, relative to the rates includes in PacifiCorp's enclosed revised Schedule QF, which are calculated based on a 2028 resource addition consistent with Staff's recommendation.

Finally, in accordance with WAC 480-106-003, PacifiCorp respectfully requests that the Commission waive the requirements set forth in WAC 480-106-040, as they pertain to the pricing for fixed and tracking solar resources, and approve PacifiCorp's request to set the combined energy and capacity avoided cost price for those solar resources at $37.24/megawatt-hour (MWh). This value is the capacity-weighted average nominal levelized bid price for the final shortlist of solar resources outside of Utah in PacifiCorp's 2017S RFP and was previously reported at the June 28-29, 2018 public input meeting for PacifiCorp's 2019 IRP.[1] Because it reflects an average of multiple bids, this value is non-confidential. The bids in the 2017S RFP demonstrate that the capacity and energy from solar resources can be acquired at significantly below the avoided costs calculated in accordance with WAC 480-106, and that retail customers should not be compelled to pay more than the cost of equivalent utility resources. Since baseload and wind resources have significant differences in characteristics from solar resources, they are not equivalent to the bids in the 2017S RFP, therefore PacifiCorp is not requesting any exceptions in the avoided cost pricing for those resources types. In the event the Commission grants this request for waiver, PacifiCorp would file revised tariffs incorporating this change to the pricing for solar resources.

Schedule Revisions—Standard Contract Avoided Cost Pricing

The company's revised Schedule QF provides updated, estimated avoided cost pricing. Figures 2 through 5 below illustrate the avoided costs for each resource type in Schedule QF under the following scenarios: current rates, the Commission-ordered assumptions, Commissioner Balasbas' requested 2021 sensitivity, and PacifiCorp's waiver request (for fixed and tracking solar only). The updated pricing reflects the following assumptions made by the Company.

Capacity

[1] 2019 IRP Public Input Meeting, June 28-29, 2018. Presentation available online at: https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2019-irp/2019-irp-presentations-and-schedule/2018-06-28-29%20-%20Kick-Off%20the%202019%20IRP%20Public%20Process.pdf (Slide 74).

Market Proxy Avoided Capacity Cost

WAC 480-106-040(1)(b)(ii) specifies that, when the most recently acknowledged IRP identifies the need for capacity in the form of market purchases not yet executed, the fixed costs of a simple-cycle combustion turbine (SCCT) unit from the IRP must be used as the avoided capacity cost of the market purchases. The preferred portfolio in PacifiCorp's acknowledged 2017 IRP includes market purchases in all years. Consistent with the Commission's direction, prior to the next planned capacity addition, avoided capacity costs have been updated to reflect 12 months of SCCT fixed costs, and no adjustment has been applied to account for capitalized energy costs.

Planned Resource Addition Timing

The Commission directed PacifiCorp to align the timing of avoided capacity costs based on the next planned capacity addition with the timing of the next planned capacity addition identified in PacifiCorp's acknowledged 2017 IRP. The Commission acknowledged PacifiCorp's 2017 IRP on May 7, 2018. Because Washington retail rates are currently based on resources in the West Control Area Inter-Jurisdictional Allocation Methodology (WCA), PacifiCorp reviewed the 2017 preferred portfolio to identify the next planned capacity addition located in the WCA. The first WCA resource addition is an 11 megawatt (MW) Yakima solar resource in 2028. As a result, avoided capacity costs reflect the fixed costs of an SCCT in 2020 through 2027, and the costs of the next planned capacity addition in 2028 and beyond.

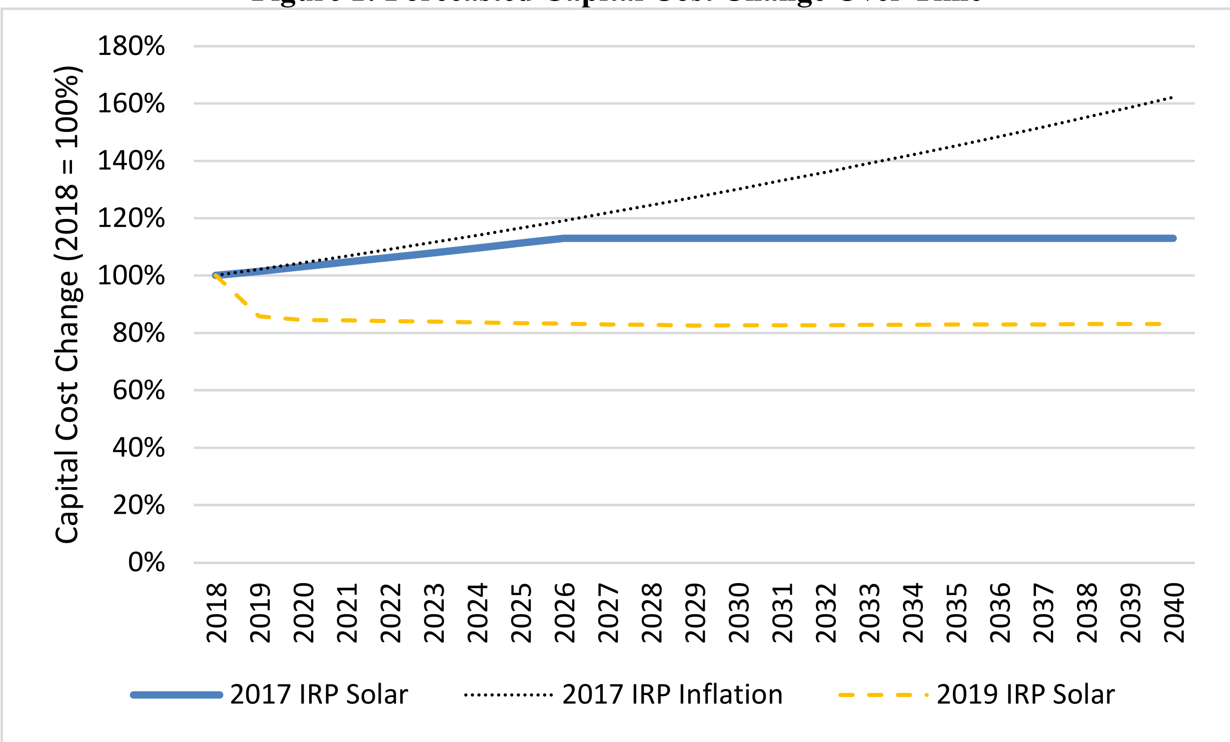
During the open meeting, Commissioner Balasbas expressed interest in the impact of adjusting the timing of the next planned resource addition to be consistent with the timing of the bids in PacifiCorp's 2017S RFP), which would be online in 2021. As discussed above, PacifiCorp has prepared a sensitivity, which reflects the fixed costs of an SCCT in 2020, and the costs of the next planned capacity addition in 2021 and beyond. This sensitivity demonstrates that maintaining an assumed date of 2021 for the next planned resource addition results in an approximately 1-3% reduction in avoided cost prices (as compared to assuming that the next planned resource addition is in 2028), and further allows retail customers to receive the benefit of the RECs generated by QFs seven years earlier. PacifiCorp maintains that this sensitivity is a more accurate reflection of avoided costs, relative to the rates included in PacifiCorp's enclosed revised Schedule QF.

Planned Resource Avoided Capacity Cost

WAC 480-106-040(1)(b)(i) specifies that the avoided cost of capacity must be based on the next planned capacity addition identified in the most recently acknowledged IRP or the most recent proposals received pursuant to an RFP that was issued consistent with WAC 480-107, whichever is most current. In its August 9, 2019 filing, PacifiCorp sought approval from the Commission to use its 2017S RFP as the basis for its avoided capacity cost. At the January 23, 2020 open meeting, the Commission directed PacifiCorp to file based on the 2017S RFP. Consistent with the Commission's direction, no adjustment has been applied to account for capitalized energy costs.

Because the next planned resource addition is not expected until 2028, while the results of the 2017S RFP reflect a 2021 online date, an adjustment is necessary to account for changes in the interim. PacifiCorp has accounted for two changes: tax law and technological improvements. The 2017S RFP bid is assumed to reflect current tax law, including up to a 30% investment tax credit (ITC) for solar resources brought online no later than December 31, 2023. Starting in 2024, solar resources will only be eligible for a 10% ITC, which will increase the effective cost. Because of the gross up for taxes in PacifiCorp's revenue requirement, the transition from a 30% ITC to a 10% ITC increases costs by approximately 33%. With respect to technological improvements, the 2017 IRP assumed that the capital cost of solar resources would increase by less than the rate of inflation, making them more cost-effective on a relative basis as time goes on. The solar cost escalation rate is illustrated in Figure 1. For comparison, the rate of inflation and the solar escalation rate from PacifiCorp's 2019 IRP are also shown. Consistent with Commission direction, the solar cost escalation rate from the 2017 IRP is used to adjust the 2021 costs from the 2017S RFP to 2028.

Figure 1: Forecasted Capital Cost Change Over Time



Planned Resource Capacity Contribution Adjustment

The Oregon tracking solar resource from the 2017S RFP is located on the west side of the PacifiCorp system. Based on the capacity contribution analysis in the 2017 IRP, this type of resource has capacity contribution of 64.8%. The resource costs and capitalized energy costs described above are per kilowatt (kW) of nameplate capacity for this resource. To get a more generic cost of capacity per kW of capacity contribution (*i.e.*, for a 100% capacity contribution resource), the results described above are grossed up by multiplying by the desired capacity contribution basis (100%) and dividing by the capacity contribution of the 2017S RFP resource (64.8%). This calculation has not changed from PacifiCorp's August 9, 2019 filing.

Planned Resource Capacity Cost Levelization

WAC 480-106-040(1)(c) specifies that schedules of estimated avoided costs must include levelization of the avoided cost of capacity to account for any difference between the in-service date of the QF and the date of the next planned generating unit. PacifiCorp proposes that the avoided market proxy and planned resource capacity costs from 2020 through 2034 be levelized and paid starting in 2020.

Renewable Energy Credit Ownership

WAC 480-106-050(4)(c) specifies that the utility receives the RECs during any period when standard rates are based on the avoided capacity costs of an "eligible renewable resource" as defined under section 19.285.030 of the Revised Code of Washington. The Oregon tracking solar resource from the 2017S RFP is an eligible renewable resource, so the company will retain RECs generated by QFs for the benefit of retail customers starting in 2028.

Under the sensitivity requested by Commissioner Balasbas, avoided capacity costs are based on an eligible resource starting in 2021, so under the provided sensitivity the company would retain RECs generated by QFs starting in 2021.

Resource-Specific Avoided Capacity Costs by Season

The avoided market proxy capacity costs and avoided planned resource capacity costs both reflect a 100% capacity contribution. In accordance with WAC 480-106-040(2), these values are adjusted by resource-specific capacity contributions to determine the avoided capacity value for different Washington QF resource types. The assumed capacity contributions are based on the assumptions in the 2017 IRP Wind and Solar Capacity Contribution Study.[2]

- Baseload: 100%
- Wind: 11.8%
- Fixed Tilt Solar: 53.9%
- Tracking Solar: 64.8%

Market proxy capacity costs reflect 12 months of payments, with equal payments in each month. In the capacity contribution study from the 2017 IRP approximately 99% of PacifiCorp's loss of load events occurred in the June through September timeframe, which is the proposed summer definition in the company's filed Schedule QF.[3] Given that levelized avoided capacity costs include both market proxy and planned resource costs, PacifiCorp proposes that the simple average of these two summer and winter capacity allocations be used for QF avoided costs. This allocates 66% of capacity costs to the summer months of June through September, and 34% to the winter months of October through May. Summer and winter capacity costs are spread over each resource's expected generation during those periods, and are applied as a $/MWh adjustment to all hours of the season.

[2] PacifiCorp 2017 Integrated Resource Plan. Volume II. Appendix N. Available online at: https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2017-irp/2017_IRP_VolumeII_2017_IRP_Final.pdf.
[3] *Ibid*. Figure N.2, pg. 317.

Combined Energy and Capacity Costs

Both energy and capacity costs have been presented as $/MWh values, as described above, so the combined costs reflect the simple sum of the two components. Figures 2 through 5 below illustrate the avoided costs for each resource type in Schedule QF under the following scenarios: (i) current rates ("Current" below), (ii) the Commission-directed assumptions ("Ordered" below), (iii) Commissioner Balasbas' 2021 sensitivity ("Balasbas" below), and (iv) PacifiCorp's waiver request for fixed and tracking solar ("Waiver" below). A summary of the assumptions in each scenario is provided below.

"Current" – The avoided costs in PacifiCorp's current tariff, effective February 18, 2019

"Ordered" – The avoided costs calculated in accordance with the Commission direction at the open meeting, which reflect the following:
- The date of the next planned resource addition is 2028;
- The cost of the next planned resource is based on the cost of the bid from the 2017S RFP, escalated from 2021 to 2028 based on assumptions in the 2017 IRP and accounting for expiring tax credits;
- 12 months of avoided SCCT fixed costs are included through 2027;
- PacifiCorp would retain RECs generated starting in 2028;
- No adjustments for capitalized energy costs are applied; and
- Avoided energy costs are unchanged from PacifiCorp's August 9, 2019 compliance filing.

"Balasbas" – The avoided costs calculated based on the sensitivity requested by Commissioner Balasbas at the open meeting. Changes relative to the "Ordered" assumptions are listed below:
- The date of the next planned resource addition is <u>2021</u>.
- The cost of the next planned resource is based on the cost of the bid from the 2017S RFP in <u>2021</u>
- 12 months of avoided SCCT fixed costs are included through <u>2020</u>.
- PacifiCorp would retain RECs generated starting in <u>2021</u>.

"Waiver" – For solar resources, the combined energy and capacity avoided cost price is set at $37.24/MWh, reflecting the price in the final short list in PacifiCorp's 2017S RFP.

Figure 2: Baseload Avoided Cost Price Comparison

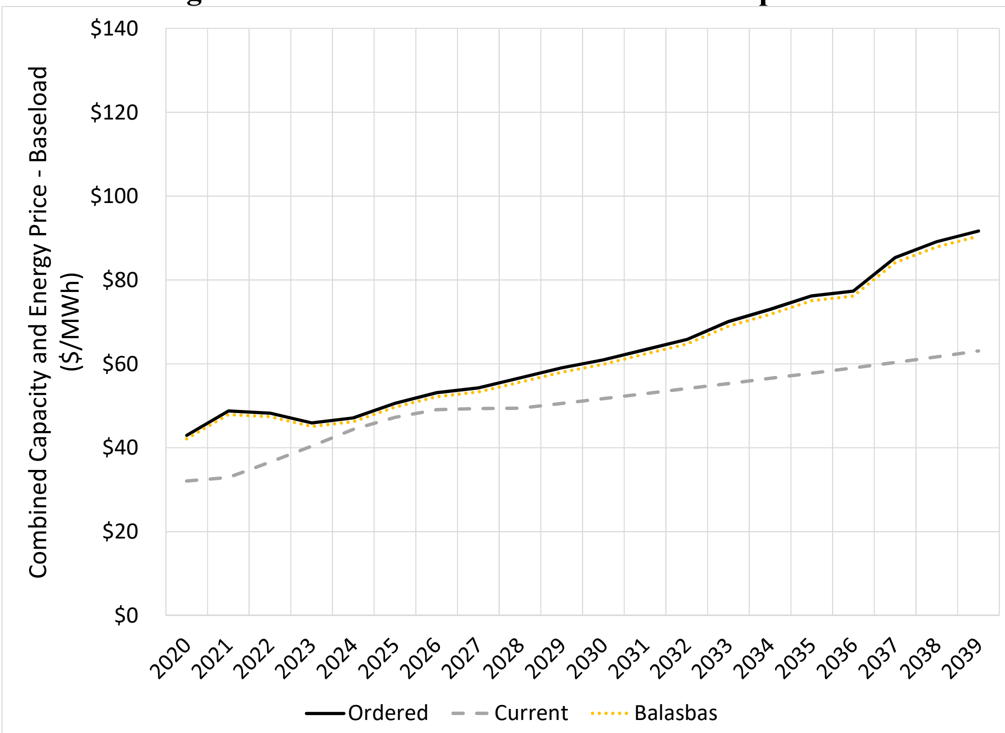


Figure 3: Wind Avoided Cost Price Comparison

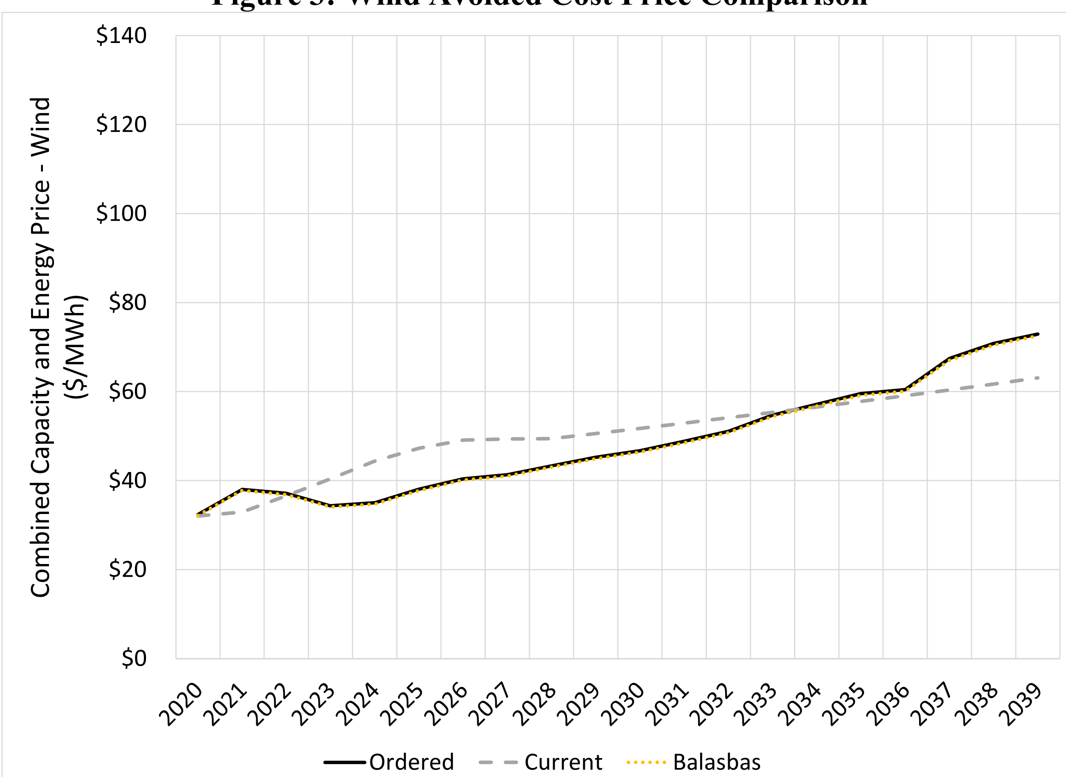


Figure 4: Fixed Tilt Solar Avoided Cost Price Comparison

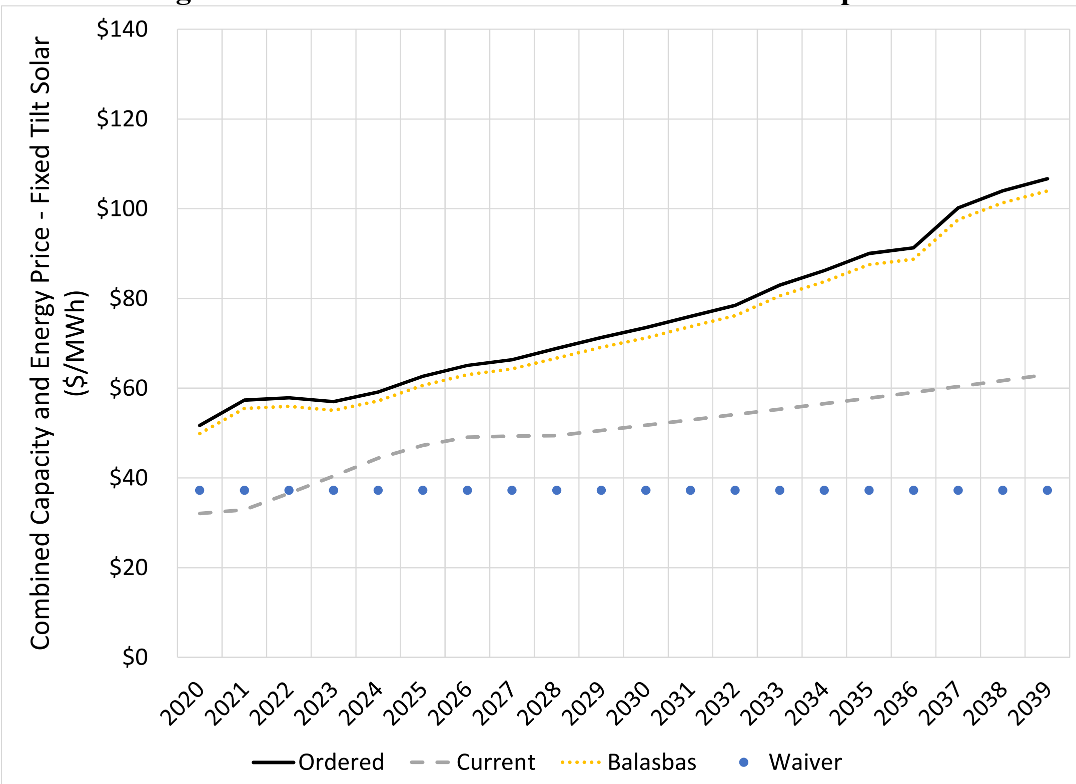
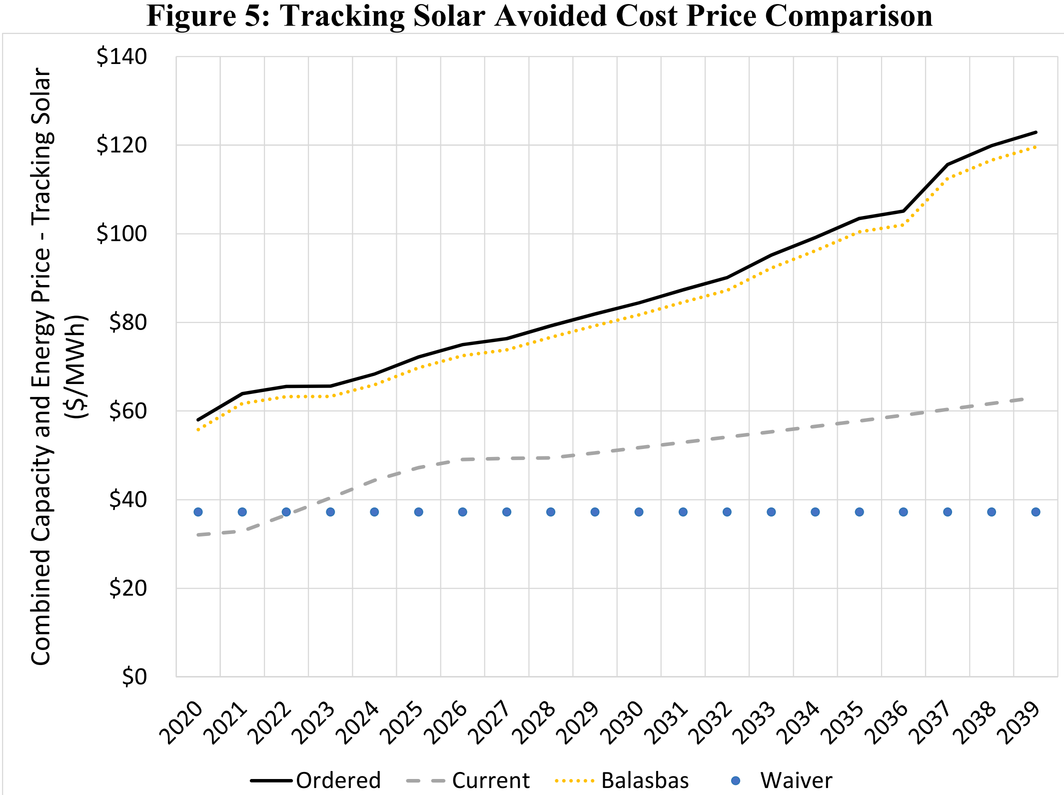


Figure 5: Tracking Solar Avoided Cost Price Comparison



Non-standard Avoided Cost Pricing Methodology

WAC 480-106-050(5) specifies that each utility shall file and obtain commission approval of its avoided cost rate methodology for QFs with capacity greater than five MW. PacifiCorp intends to file a proposed non-standard avoided cost pricing methodology within 45 days of the Commission order approving standard avoided cost prices.

Schedule Revisions—QF Contracting Procedures

In the enclosed tariff pages, PacifiCorp has incorporated Staff's recommendations and the Commission's direction during the open meeting with a few proposed modifications. The company provides a brief explanation below for proposed changes or clarifications from the guidance provided during the open meeting.

Removal from Schedule QF's contracting procedures the requirement that a QF must provide an interconnection study prior to receiving a contract

PacifiCorp has accepted Staff's recommendation and has adjusted proposed Schedule QF accordingly. PacifiCorp has retained the language in the schedule that requests that a QF provide to the company all *available* interconnection materials, but the company has deleted the originally proposed new language that imposed the requirement that was objected to by the Commission. PacifiCorp maintains that reviewing interconnection materials is an important aspect of due diligence and consistent with sound contracting practices,[4] but the company acknowledges the Commission's direction that receipt of an interconnection study demonstrating the viability of a QF's requested commercial operation date will not be a condition to execution of a QF power purchase agreement (PPA) in Washington. As raised by the company during the open meeting, and acknowledged by Staff, when PacifiCorp engages Staff and stakeholders in review of the form of standard QF PPA, the terms and conditions of that form of agreement will necessarily have to reflect the fact that the company will not have the benefit of evaluating whether an interconnection is viable on the requested commercial operation date offered by a QF for purposes of securing avoided cost pricing.

Revised Schedule QF to allow 45 days for a QF to sign an executable final PPA

PacifiCorp has adjusted Schedule QF to allow the QF up to 45 calendar days to execute the final version of QF PPA. As raised by PacifiCorp during the open meeting, the company has also added language to Schedule QF that clarifies that a QF counterparty will be required to take the avoided cost rate in effect at the time it signs a final QF PPA.

[4] The importance of pre-contract due diligence in QF contracting was recently emphasized by the Public Utility Commission of Oregon in its September 2019 *Blue Marmot* order, Order No. 19-322, issued September 30, 2019, in Public Utility Commission of Oregon docket UM 1829. At page 16 of the *Blue Marmot* order, the Oregon commission stated as follows: "We generally consider it reasonable for electric companies to complete the due diligence process before sending final draft executable contracts for signature by QFs. A utility should review significant proposed QF delivery terms as early as possible, and ideally well before providing a final draft executable contract."

Revised the requirement that QFs give PacifiCorp 90 days prior notice before filing a complaint with the Commission

In light of the fact that the Commissioners expressed differing views on this issue during the open meeting, PacifiCorp has proposed in its enclosed revised Schedule QF to reduce the originally requested 90 days prior notice to 30 days prior notice. PacifiCorp hopes this proposal strikes an appropriate balance between the positions expressed by both PacifiCorp and the QF stakeholders.

PacifiCorp appreciates Staff's continued diligence and professionalism in this proceeding and the Commission's guidance and candor at the open meeting.

Please contact Ariel Son at (503) 813-5410 if you have any questions.

Sincerely,

Etta Lockey
Vice President, Regulation
PacifiCorp

Enclosures
190666-PPL-Cply-Trf-2-28-20.pdf
190666-PPL-WP1-2021-Avoided-Cost-Study-2-28-20 (C).xlsx
190666-PPL-WP1-2021-Avoided-Cost-Study-2-28-20 (R).xlsx
190666-PPL-WP2-2028-Avoided-Cost-Study-2-28-20 (C).xlsx
190666-PPL-WP2-2028-Avoided-Cost-Study-2-28-20 (R).xlsx
190666-PPL-WP3-Avoided-Cost-Figures-2-28-20.xlsx