

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PACIFIC POWER & LIGHT COMPANY,

Petitioner,

For An Accounting Order Authorizing
Deferral of Costs related to the Purchase of
Unbundled Renewable Energy Certificates

DOCKET UE-161067

ORDER 01

ORDER GRANTING ACCOUNTING
PETITION; ALLOWING RECOVERY
OF COSTS

BACKGROUND

- 1* The Energy Independence Act (EIA or Act)¹ requires qualifying electric utilities to obtain certain percentages of their electricity from eligible renewable resources. The Washington Utilities and Transportation Commission (Commission) enforces investor-owned utility companies' compliance with the EIA.² Utilities may generate power using eligible renewable resources, purchase Renewable Energy Certificates (RECs) from other generators, or use a combination of these two methods to achieve compliance.³
- 2* On September 9, 2016, Pacific Power & Light Company (Pacific Power or Company) filed with the Commission an accounting petition (Petition) seeking authorization to defer costs related to the purchase of unbundled RECs necessary for compliance with the Company's renewable portfolio standard (RPS).⁴ Pacific Power requests approval to defer the costs associated with its RPS compliance obligations in 2017 and beyond for future ratemaking treatment.

¹ RCW Chapter 19.285.

² RCW 19.285.060(6).

³ Beginning in 2012, the renewable resource requirement was 3 percent of a utility's retail load. This requirement adjusted upward to 9 percent in 2016, and will increase to 15 percent in 2020.

⁴ On December 22, 2016, the Commission entered an order in docket UE-143915 authorizing deferral of the costs related to unbundled RECs purchased in 2014 to meet the Company's RPS requirements in 2015, 2016, and 2017. The Commission found that the costs to procure the 2014 RECs were prudently incurred, and authorized recovery of the costs through the Company's Schedule 95 REC tracker.

3 Commission staff (Staff) reviewed the Company's Petition and recommends the
Commission allow the Company to defer its REC expenses and recover its costs through
the Schedule 95 REC tracker until the Company's next general rate case. Staff
recommends the Commission require Pacific Power to make a compliance filing to adjust
Schedule 95 as necessary on or before July 1, 2017. Staff will review the Company's
purchase power contracts, and the prudence of those purchases, prior to the compliance
filing.

4 Staff notes that Public Counsel has expressed concern about allowing Pacific Power to
collect interest on deferred costs. Staff recommends including the regulatory deferrals in
rate base as a component of investor-supplied working capital without accumulating
interest, consistent with its standard recommendation for deferred accounting.

5 Accordingly, Staff recommends the Commission issue an order authorizing Pacific
Power to defer the costs of ongoing purchases of RECs for RPS compliance as
Regulatory Assets in Account 182.3, without interest, and allow the recovery of the
purchased RECs in Schedule 95 until Pacific Power's next general rate case.

DISCUSSION

6 We agree with Staff's recommendation and grant Pacific Power's Petition. We also adopt
Staff's recommendation to allow cost recovery through Pacific Power's Schedule 95
REC tracker until the Company's next general rate case, and require the Company to
make a compliance filing on or before July 1, 2017, to adjust Schedule 95 as necessary.
In the immediate future, this solution avoids including the REC costs in the actual Power
Cost Adjustment (PCA) costs, which, due to PCA dead bands, could preclude cost
recovery. We agree that the Company's next general rate case should include a full
discussion related to the treatment of REC purchases.

FINDINGS AND CONCLUSIONS

- 7 (1) The Commission is an agency of the State of Washington vested by statute with
the authority to regulate the rates, rules, regulations, practices, accounts,
securities, transfers of property and affiliated interests of public service
companies, including electric companies.
- 8 (2) Pacific Power is an electric company and a public service company subject to
Commission jurisdiction.

- 9 (3) WAC 480-07-370(1)(b), allows companies to file petitions, including the Petition Pacific Power filed in this docket.
- 10 (4) Staff has reviewed the Petition in Docket UE-161067, including related work papers.
- 11 (5) Staff finds that Pacific Power's Petition is reasonable and should be granted. Specifically, Staff finds that the Company should be allowed to defer the costs of its ongoing purchases of RECs for RPS compliance until the conclusion of its next general rate case as Regulatory Assets in Account 182.3, without interest. Staff also finds that Pacific Power should be allowed to recover the cost of purchasing RECs in Schedule 95 until the Company's next general rate case.
- 12 (6) Pacific Power should make a compliance filing to adjust Schedule 95 as necessary on or before July 1, 2017. Staff will review the Company's purchase power contracts, and the prudence of those purchases, prior to the compliance filing.
- 13 (7) This matter came before the Commission at its regularly scheduled meeting on February 9, 2017.
- 14 (8) After reviewing Pacific Power's Petition filed in Docket UE-161067 on September 9, 2016, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that: 1) the Petition should be granted; 2) Pacific Power's costs related to its ongoing purchases of RECs for RPS compliance should be deferred as Regulatory Assets in Account 182.3, without interest, until the conclusion of the Company's next general rate case; 3) Pacific Power should recover the costs of the RECs through its Schedule 95 REC tracker mechanism until its next general rate case; and 4) Pacific Power should make a compliance filing to adjust Schedule 95 as necessary on or before July 1, 2017.

ORDER

THE COMMISSION ORDERS:

- 15 (1) Pacific Power & Light Company's Petition seeking authorization to defer costs related to the purchase of unbundled Renewable Energy Certificates is granted.

- 16 (2) Pacific Power & Light Company's costs related to its ongoing purchases of RECs for RPS compliance may be deferred as Regulatory Assets in Account 182.3, without interest, until the conclusion of its next general rate case.
- 17 (3) Pacific Power & Light Company may recover the cost of the unbundled Renewable Energy Certificates through its Schedule 95 tracker mechanism until the conclusion of its next general rate case.
- 18 (4) Pacific Power & Light Company must make a compliance filing to adjust Schedule 95 as necessary on or before July 1, 2017.
- 19 (5) The Commission retains jurisdiction over the subject matter and Pacific Power & Light Company to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective February 9, 2017.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner