

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT
COMPANY

Schedule QF Tariff Revision

DOCKET UE-190666

ORDER 01

REJECTING TARIFF REVISIONS;
REQUIRING COMPLIANCE FILING;
GRANTING EXEMPTION FROM
WAC 480-106-040(1)(b)(i)

BACKGROUND

- 1 On June 12, 2019, the Washington Utilities and Transportation Commission (Commission) concluded its rulemaking in Docket U-161024 and entered an order amending, adopting, and repealing parts of the Washington Administrative Code (WAC). Among other changes, the Commission added a new Chapter 480-106 WAC modifying the implementation of the Public Utility Regulatory Policies Act (PURPA), which requires utilities to purchase energy and capacity from small power producers, also called qualifying facilities (QFs). The three electric utilities regulated by the Commission filed tariff revisions updating their respective tariffs implementing the requirements of the new rules on August 9, 2019. Discussions with the utilities and interested stakeholders prompted Commission staff (Staff) to bring these tariff revisions to the Commission's regularly scheduled open meeting on September 12, 2019, for Commission discussion and stakeholder input.
- 2 During and after the September 12, 2019, open meeting, Pacific Power & Light Company (Pacific Power or Company), the two other electric utilities, interested stakeholders, and Staff agreed to build a record to encompass the multiple tariff revisions necessary to implement the new rule. Pacific Power agreed to provide a more robust filing to support its proposed tariff, and agreed with the Northwest and Intermountain Power Producers Coalition (NIPPC) and the Renewable Energy Coalition (REC) to a timeline for filing comments and responses in this Docket.

3 Each investor-owned utility filed tariff revisions in response to the Commission’s
General Order R-597, which adopted final rules implementing PURPA after a lengthy
and complex rulemaking process.

4 Pacific Power initially filed proposed tariff revisions in this Docket on August 9, 2019. In
the interim, the Company has engaged in discussions with Staff and interested third
parties.

5 This Docket was also discussed at the Commission’s regularly scheduled January 23,
2020, open meeting. At that meeting, Staff recommended that the Commission reject the
Company’s tariff revision and require the Company to revise Schedule QF to address
nine items identified by Staff. Staff explained that Pacific Power had not made any
substantive revisions to its original filing in response to Staff or stakeholder feedback
during that period. Staff asserted that the Company had shown little willingness to alter
its filing absent further explicit direction from the Commission.

6 Staff’s January 23, 2020, memo identified nine items that precluded Staff from
recommending approval of the tariff. Based on the Commission’s direction during the
open meeting discussion, Staff and Pacific Power have worked together to implement
most of these recommendations. Pacific Power made its revised compliance filing on
February 28, 2020.

7 Addressed in the Company’s cover letter, the February 28 filing does three things:

- Addresses the issues identified by Staff in the January 23, 2020 open meeting memo;
- Provides a sensitive exploration of the impact of the date of the “next planned capacity addition.” Staff contends that the Company’s 2017 IRP clearly identifies this date as 2028, while Pacific Power contends that 2021, the anticipated in-service date for the resources acquired through its 2017 solar request for proposals (2017S RFP), is more appropriate and;
- Requests an exemption from WAC 480-106-040 to allow the Company to set the combined energy and capacity avoided price for solar resources based on the average price of the shortlist bids in its 2017S RFP.

8 Staff commends Pacific Power for the Company's willingness to engage in productive collaboration. Below is a summary of Staff's evaluation of how Pacific Power addressed the nine issues.

1. *Gas Peaker Proxy – no adjustments to fixed costs.* Pacific Power has revised its schedule to align with the Commission's direction.
2. *Gas Peaker Proxy – use proxy from 2020 through 2027.* Pacific Power has revised its schedule to align with the Commission's direction.
3. *Non-wind, non-solar QFs – clarification of tariff offerings.* Pacific Power has revised its schedule to align with the Commission's direction, though the adjustment may create some confusion about RCW 80.80.040 as it relates to Non-Compliant QFs.
4. *Next Planned Capacity Addition – no capitalized energy cost adjustment.* Pacific Power has removed the capitalized energy cost adjustment, per the Commission's direction.
5. *Large QF Avoided Cost Methodology – separate filing.* Pacific Power has revised its schedule to align with the Commission's direction. In its February 28, 2020, cover letter, Pacific Power committed to file this methodology within 45 days of the resolution of this Docket.
6. *Contracting Process and Timeline – remove interconnection study requirement in tariff.* Pacific Power has revised its schedule to align with the Commission's direction. The Company retained the requirement that prospective QFs provide all available interconnection materials. Staff supports this language.
7. *Contracting Process and Timeline – no “proposed final version” and defined timelines.* Pacific Power has revised its schedule to align with the Commission's direction.
8. *Contracting Process and Timeline – extend 15-day signing window for final PPA.* Pacific Power has revised its schedule to create a signing window of 45 calendar days. This does not perfectly align with Puget Sound Energy's (PSE) signing window of 45 business days. The January 23, 2020, open meeting discussion on this topic reassured Staff that this measure sufficiently aligns with the Commission's direction.
9. *Contracting Process and Timeline – remove 90 days' notice before complaint to WUTC.* Pacific Power has shortened the notice requirement from 90 days to 30 days. While the January 23, 2020, open meeting conversation on this topic left room for differing interpretations of the Commission's direction, Staff maintains

that any notice requirement unnecessarily limits the right of both parties to bring a complaint to the Commission.

9 Staff reviewed the Company's recent filing and believes it requires additional revisions. Staff remains unpersuaded by the Company's contentions that Schedule QF's tariff terms, avoided capacity costs for solar, and capacity contribution calculations comply with the General Order R-597, the new rules in WAC 480-106, and with PURPA. Staff recommends, therefore, that the Commission reject the filing and direct the Company to refile its tariff revisions in compliance with Commission rules and orders by April 3, 2020, and also require the Company to file standard power purchase agreements as an attachment to those tariff revisions by May 29, 2020.

10 Staff recommends that the Commission, on its own motion, waive the application of WAC 480-106-040(1)(b)(i) and direct Pacific Power to calculate the avoided cost of capacity for solar resources with the following inputs, rather than those in the Company's most recently acknowledged IRP:

- Fixed costs for solar based on the results of the Company's recent solar resource request for proposals; and
- A capacity contribution of two percent, the calculation independently derived by Puget Sound Energy and Avista Corporation.

11 Staff additionally recommends requiring the Company to include a Washington-specific capacity contribution calculation for renewable resources in its next IRP, specifying that the above waiver is granted only until such time as the PURPA tariff is updated following the Commission's acknowledgement of the Company's next IRP.

12 In the alternative, Staff recommends that the Commission require Pacific Power to produce a Washington-specific renewable resource capacity contribution study and direct the Company to file revised avoided cost rates based on the results of this study by May 29, 2020.

13 Finally, Staff recommends the Commission require Pacific Power remove the 30-day notice requirement from its tariff.

14 Over the past six months, the Commission has received public comments regarding the Company's filing, including comments from Northwest and Intermountain Power Producers Coalition (NIPPC), the Renewable Energy Coalition (REC), and responsive

comments from the Company. NIPPC and REC largely agree with the specific changes included in Staff's recommendations. NIPPC and REC took particular interest in certain topics, and provided the following recommendations:

- a. Clarifying how non-wind, non-solar resources will be treated in the Company's tariffs;
- b. Treating non-wind, non-solar resources as baseload resources with a 100 percent capacity contribution;¹
- c. Removing the "proposed final version" step from the QF contracting process and timeline because it adds no value and unnecessarily lengthens the timeline;
- d. Addressing the Company's contracting procedures that do not consistently specify a timeline for response;
- e. Extending the 15-day signing window for contracting procedures to be consistent with Puget Sound Energy's (PSE) signing window for QFs;²
- f. Address avoided costs and tariff language first, then negotiate and finalize a PPA with the Company later;³
- g. Creating greater clarity and more contract options, perhaps even a form PPA that can be flexible enough to handle almost all QF types;⁴
- h. Clarifying that QFs in other states are eligible;⁵
- i. Adding all legally enforceable obligations from rule language in tariff, instead of including some and excluding others;
- j. Removing information requests in step 4 of contracting procedures; and,
- k. Creating more flexibility in timing, and requiring that requests for additional information be made in good faith.⁶

15 While Staff agrees with some of the recommendations made by NIPPC and REC, Staff believes that the Company's tariff language regarding eligibility of out-of-state QFs is clear, and that other parts of the tariff contemplate the steps out-of-state QFs must take to

¹ Comments by NIPPC and REC, 8 (Nov. 14, 2019).

² See PSE's Tariff WN U-60, Schedule 91, Original Sheet No. 91.K, effective Dec. 7, 2019.

³ Comments by NIPPC and REC, 12 (Nov. 15, 2019); Comments by NIPPC and REC, 18 (Dec. 9, 2019); Comments by NIPPC and REC, 4 (Jan. 6, 2020).

⁴ Comments by NIPPC and REC, 15 (Dec. 9, 2019).

⁵ Comments by NIPPC and REC, 15 (Dec. 9, 2019).

⁶ Comments by NIPPC and REC, 17 (Dec. 9, 2019).

sell under Pacific Power's PURPA tariff in Washington.⁷ Regarding the Company's inclusion of some, but not all, legally enforceable obligations contained in rule in the tariff's language, Staff sees no conflict between Commission rules and Pacific Power's tariff language and notes that the rule applies whether or not some (or all) of that language is also in tariff. Also, Staff is not convinced that the other information types listed in step 4 are duplicative or unnecessarily detailed. Staff connects NIPPC's and REC's concerns about time-wasting with the core principle of working in good faith, which Staff believes should be a fundamental driver for all parties. NIPPC, REC, and Staff do not suggest changes to the tariff that would further this principle.

DISCUSSION AND DECISION

- 16 We agree with Staff's recommendation to reject Pacific Power's filing and direct the Company to refile its tariff consistent with our General Order R-597, the new rule WAC 480-106 and with PURPA. We explain our decision and provide specific direction to the Company below.
- 17 *Waiver to set avoided capacity costs for solar based on 2017 Solar Request for Proposals (RFP).* WAC 480-106-040(1)(b)(i) requires utilities to calculate avoided cost of capacity "based on either the estimates included in its most recently acknowledged integrated resource plan or the most recent project proposals received pursuant to an RFP issued consistent with Chapter 480-107 WAC, whichever is most current[.]" Pacific Power's earlier proposals would use the results of this RFP to establish the avoided cost of capacity. For these earlier proposals, Staff agrees with the Company that the RFP data is a more accurate reflection of the current market than the resource cost assumptions contained in its 2017 IRP. Pacific Power's February 28, 2020, filing goes further, however, requesting an exemption from WAC 480-106-040(1) to set the Company's PURPA rates reflecting avoided costs for solar resources – both avoided capacity costs and avoided energy costs – at \$37.24/MWh for the duration of the PURPA PPA term.
- 18 We agree with Staff's reservations about allowing this simplistic representation of the Company's avoided costs because it undermines the rationale and methodology set forth in the Commission's revised PURPA rules. WAC 480-106-040(1) requires that utilities file a schedule "that identifies, both separately and combined, its avoided cost of energy and its avoided cost of capacity." Under PURPA, QFs are entitled to sell energy, or

⁷ Reply Comments by Pacific Power, 10 (Dec. 23, 2019).

capacity, or both. This entitlement requires separate valuations of capacity and energy. While the Company may argue that the average price from the 2017R RFP shortlist is an avoided cost of energy and capacity combined, the two avoided cost components are inextricable.⁸

19 Two inputs to Pacific Power’s avoided cost calculations appear to largely drive the Company’s comparatively high avoided cost rates for solar resources: the Company’s relatively high energy forecast, and the Company’s relatively high capacity contribution calculations.

20 As with PSE’s and Avista Corporation’s (Avista) PURPA tariff revisions,⁹ and in the absence of better information and in recognition of a dramatically changing energy landscape in the region, Staff does not dispute the reasonableness of Pacific Power’s energy forecast. However, we agree with Staff that the capacity contribution calculations could benefit from further refinement.

21 *Issues arising from Pacific Power’s capacity contribution calculations.* The calculations in Pacific Power’s 2017 IRP estimate the capacity value of a given resource to the Company’s integrated six-state system. Fixed tilt solar has a capacity contribution of 53.9 percent, while tracking solar has a 64.8 percent capacity contribution.¹⁰ The system’s capacity need is driven by the Company’s summer peak. This, in turn, is driven by load from the eastern side of the Company’s system – west side solar is useful in meeting high east side load during hot summer evenings. However, under the Commission’s adopted cost allocation methodology, PURPA resources are situs assigned. Therefore, QFs are resources located in Washington, serving load in Washington. Pacific Power’s Washington service area peaks in the winter. Solar in Washington is not nearly as well-matched to meet this need. This is further illustrated by Avista’s and PSE’s much lower capacity contribution calculations for solar, both of which are set at two percent.¹¹

⁸ Docket UE-190666 Pacific Power & Light Company’s Compliance Filing and Request for Waiver, filed February 28, 2020, page 5; citing the utility’s 2017 IRP.

⁹ PSE’s tariff revision implementing the new rules was filed under Docket UE-190665. Avista’s similar filing is under Docket UE-190663.

¹⁰ Docket UE-190666 Pacific Power & Light Company’s Compliance Filing and Request for Waiver, filed February 28, 2020, page 5; citing the utility’s 2017 IRP.

¹¹ Avista’s capacity contribution calculations are found on Table 9.11 in the Company’s 2019 IRP, page 9-27. PSE’s capacity contribution calculations are in the company’s 2017 IRP, page N-

- 22 We agree with Staff's proposal and direct Pacific Power to refile Schedule QF and calculate avoided capacity costs for solar using the solar capacity contribution of two percent, as calculated by both PSE and Avista. This value is a reasonable proxy for the capacity contribution of solar in Pacific Power's Washington service area serving Pacific Power's Washington customers. However, Pacific Power need only use the other utilities' calculations until a more precise estimate particular to the Company's system and service territory can be produced in its 2021 IRP, a study that Pacific Power will be required to include in its next IRP.
- 23 Until such time as the Company can develop a more precise estimate in its 2021 IRP, we grant an exemption to WAC 480-106-040(1)(b)(i) to permit and require Pacific Power to use the capital costs from its 2017S RFP and other utilities capacity contribution calculations rather than the capital cost estimates and the capacity contribution calculations in the Company's 2017 IRP.
- 24 *Contracting Process and Timeline – remove 30 days' notice before complaint to WUTC.* We agree with Staff that requiring notice prior to filing a complaint with the Commission unnecessarily limits the rights of both parties. Consistent with our consumer protection rules, which permit consumers to file complaints without first attempting to resolve the issue with the utility, we decline to place time restrictions that may result in unnecessary and unproductive delays. Nevertheless, we encourage utilities and QFs to work cooperatively and collaboratively prior to bringing any dispute forward to the Commission.
- 25 *Contracting Process and Timeline – extend 45 calendar day signing window for final PPA.* Pacific Power has revised its schedule to create a signing window of 45 calendar days, which is inconsistent with other utility tariff signing windows of 45-60 *business* days.¹² We require Pacific Power to revise its tariff to extend its signing window to 45 business days for the purpose of consistency and clarity, and also to afford QFs the same minimum time to respond to each utility.
- 26 *Additional time for review of standard Power Purchase Agreements (PPAs).* Though Pacific Power's form PPA was filed more than six months ago, we understand that the

67. The capacity contribution calculation for solar was originally 1 percent, but was updated to 2 percent in a later filing. *See* UE-180063.

¹² Puget Sound Energy's tariff signing window is 45 calendar days, and Avista Corporation's signing window is 60 business days.

Company and interested stakeholders have not yet begun to negotiate the PPA terms and conditions. At the Commission's September 12, 2019, open meeting, NIPPC/REC proposed addressing avoided costs and tariff language first, then negotiating and finalizing the PPA later. NIPPC/REC have included this request in most of their subsequent joint comments.¹³ We agree with Staff that more time will lead to a more polished, standard PPA.

27 The Commission therefore requires Pacific Power file finalized standard PPAs as attachments to its refiled tariff required by this Order by May 29, 2020. This will allow time for discussion of terms, and for drafting a form PPA that can be flexible enough to handle almost all QF types – a concern raised by NIPPC/REC in their request for more and clearer contract options. Staff is recommending similar treatment for PPAs attached to Avista Corporation's PURPA tariff.

FINDINGS AND CONCLUSIONS

- 28 (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.
- 29 (2) Pacific Power is an electric company and a public service company subject to Commission jurisdiction. Pacific Power is a qualifying electric company under RCW 80.04.010.
- 30 (3) This matter came before the Commission at a regularly scheduled open meeting on March 12, 2020.
- 31 (4) On August 9, 2019, Pacific Power filed a compliance tariff in this docket.
- 32 (5) Pacific Power should be directed to file revised tariff pages consistent with the recommendations set out in paragraphs 17-27, above, by April 3, 2020, and to file standard power purchase agreements as an attachment to its revised tariff by May 29, 2020.

¹³ Docket UE-190666, Comments on behalf of NIPPC and REC, November 15, 2019, page 12; December 9, 2019, page 18; January 6, 2020, page 4.

- 33 (6) Pursuant to WAC 480-07-110 the Commission, on its own motion, determines that waiving the application of WAC 480-106-040(1)(b)(i) is consistent with the public interest, the purposes underlying regulation, and applicable statutes in the specific circumstances presented here.

ORDER

THE COMMISSION ORDERS:

- 34 (1) Pacific Power & Light Company's Schedule QF tariff revision is rejected. Pacific Power & Light Company, is required to file revised tariff pages consistent with the recommendations set out in paragraphs 17-27, above, by April 3, 2020, and to file standard power purchase agreements as an attachment to its revised tariff by May 29, 2020.
- 35 (2) The Commission grants an exemption from WAC 480-106-040(1)(b)(i) to require Pacific Power & Light Company to calculate the avoided cost of capacity for solar resources using the fixed costs for solar based on the results of the Pacific Power & Light Company's recent solar resource request for proposals, and a capacity contribution of two percent, consistent with the calculation independently derived by Puget Sound Energy and Avista Corporation.
- 36 (3) The Commission retains jurisdiction over this matter for purposes of effectuating this Order.

DATED at Lacey, Washington, and effective March 12, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner