



November 1, 2023

VIA ELECTRONIC FILING

Kathy Hunter
Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Received
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RE: Advice 23-05—Schedule QF—Avoided Cost Purchases from Cogeneration and Small Power Purchases

PacifiCorp dba Pacific Power & Light Company (PacifiCorp or Company) submits proposed tariffs applicable to PacifiCorp’s electric service in the state of Washington in compliance with RCW 80.28.050, WAC 480-106-040, and the Washington Utilities and Transportation Commission’s (Commission) Rules and Regulations. The Company respectfully requests an effective date of January 1, 2024.

Third Revision of Sheet No. QF.11	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Third Revision of Sheet No. QF.12	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Third Revision of Sheet No. QF.13	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Third Revision of Sheet No. QF.14	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Third Revision of Sheet No. QF.15	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Third Revision of Sheet No. QF.16	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Third Revision of Sheet No. QF.17	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Third Revision of Sheet No. QF.18	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities

WAC 480-06-040(1) requires utilities to file a revision to its tariff for purchases from qualifying facilities, a schedule of estimated avoided costs that identifies, both separately and combined, its avoided cost of energy and its avoided cost of capacity by November 1 of each year. The revised Schedule QF includes these components.

The Company respectfully requests a five-year waiver of WAC 480-106-040(1)(b) as it requires an estimated avoided cost of capacity be “based on the projected fixed cost of the next planned

capacity addition identified in the succeeding twenty years in the utility's most recently acknowledged integrated resource plan." The Company's last acknowledged integrated resource plan (IRP) was its 2017 IRP. In addition, in a letter issued July 25, 2023, the Commission informed utilities, the public, and interested parties that the Commission is discontinuing its practice of issuing acknowledgment letters for IRPs.

Accordingly, the Company is proposing to use capacity costs from the most recently filed IRP or IRP Two-Year Progress Report for the near future until the Commission establishes a new protocol or rules governing these inputs. The Company's 2021 IRP Two-Year Progress Report was filed on May 31, 2023, and reflects recent estimates for resource costs as well as the expected impacts of recent changes in tax law, specifically the Inflation Reduction Act of 2022. This waiver is reasonable, as it will incorporate recent estimates published by the Company, and is consistent with Commission precedent, where the Commission previously granted Avista Corporation's request for a similar waiver in Avista's 2022 Schedule 62 Revision, Docket UE-220783, Order 01 (Dec. 22, 2022).

The avoided cost methodology approved for Avista includes a Peaking Capacity Value in all years with a capacity deficit based on the lowest-cost frame peaking gas unit identified in its IRP. The avoided cost also includes a Clean Energy Premium Value related to the incremental cost of the additional resources needed to meet Clean Energy Transformation Act compliance targets. PacifiCorp is proposing avoided costs similar to the methodology approved for Avista:

- Peaking Capacity Value is based on a Frame "F" Simple Cycle Combustion Turbine, from the Company's 2021 IRP Two-Year Progress Report, and includes twelve months of capacity payments starting in 2024, which is the first year in which the proposed rates will be effective.
- Clean Energy Premium Value is based on the incremental cost of the wind and solar resources added for CETA compliance starting in 2030 in the Company's 2021 IRP Two-Year Progress Report. The Clean Energy Premium Value reflects the fixed costs of these resources, less production tax credit revenue and the capacity and energy value applicable to each resource under the proposed Schedule QF. The associated Clean Energy Premium Values are converted to a dollar per megawatt-hour value and levelized over the life of each resource. The average of the values for wind and solar is added to the capacity costs for each resource type.

For compliance with WAC 480-106-040(2), the Company proposes to update the capacity contribution for wind and solar QFs to reflect the values and methodology from its 2021 IRP, filed on September 1, 2021, as its 2021 IRP Two-Year Progress Report did not include updated values. For compliance with WAC 480-106-050(4)(d), the Company proposes to update wind and solar integration costs to reflect values identified in its 2021 IRP Two-Year Progress Report.

The proposed rates in the revised Schedule QF reflect the impacts of updated market prices for electricity. In addition, the levelization period for the avoided cost of capacity required under WAC 480-106-040(1)(c) has been rolled forward by one year.

The combination of updated capacity costs, updated capacity contributions, and the inclusion of a Clean Energy Premium Value results in increased capacity payments for wind and solar, and a slight reduction in capacity payments for baseload QFs. Market prices for electricity are significantly higher in the next three years, relative to the Company's prior filing, resulting in higher overall avoided cost rates for all resource types through 2027. Thereafter, baseload prices are slightly lower through a 15 year contract term, while wind and solar rates are higher than the current rates.

PacifiCorp is providing workpapers, which contain sensitive commercial information, as confidential under the provisions of WAC 480-07-160. A redacted version is also being provided.

PacifiCorp respectfully requests that all data requests regarding this matter be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

Please direct informal questions to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

Sincerely,

 /s/

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Enclosure

23-05-PAC-Attach-A-11-1-23.pdf

23-05-PAC-Attach-B-11-1-23.pdf

23-05-PAC-WP-Avoided-Cost-Study-11-1-23.xlsx

23-05-PAC-WP-Avoided-Energy-Cost-Sept-2023-OFPC-11-1-23 (C).xlsb

23-05-PAC-WP-Avoided-Energy-Cost-Sept-2023-OFPC-11-1-23 (R).xlsb