

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	DOCKET NO. UE-144160
Complainant,)	
)	
v.)	OPENING BRIEF OF BOISE WHITE
)	PAPER, L.L.C.
PACIFIC POWER & LIGHT COMPANY,)	
)	
Respondent.)	
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I. INTRODUCTION

1 Pursuant to the Washington Utilities and Transportation Commission’s (“Commission”) Order 02 in the above-referenced docket, Boise White Paper, L.L.C. (“Boise”) files this Opening Brief. Boise recommends that the Commission reject the Commission Staff’s proposal to assign a capacity benefit to Washington qualifying facilities (“QFs”) based on their ability to impact the size and timing of Pacific Power & Light Company’s (“Pacific Power” or the “Company”) next thermal resource acquisition. Doing so will further the Public Utility Regulatory Policies Act’s (“PURPA”) dual policy goals of encouraging the development of cogeneration and small power production facilities while ensuring that the Company’s ratepayers remain indifferent to QF power.

II. BACKGROUND

2 On December 29, 2014, Pacific Power filed updates to its Schedule 37, which governs the payments it makes to QFs.^{1/} Among other things, the Company proposed to

^{1/} Docket No. UE-144160, Initial Filing of Pacific Power & Light Company (Dec. 29, 2014).

eliminate capacity payments to QFs based on the costs of a simple cycle combustion turbine (“SCCT”).^{2/} The Company stated that, under its current Integrated Resource Plan, it planned to meet its load obligations through owned resources and market purchases until 2027.^{3/} Therefore, the Company claimed that the costs of a SCCT could not be avoided by purchasing QF output.^{4/} The Company’s avoided costs during this “resource sufficiency period” were based on the value of market transactions and reduced dispatch of its thermal resources, as calculated in its Generation and Regulation Initiative Decision (“GRID”) model.^{5/}

3 Commission Staff and the Renewable Energy Coalition (“REC”) oppose the Company’s proposal to eliminate the SCCT-based capacity payments to QFs.^{6/} Staff argues that the Company proposes to acquire capacity through market transactions in the resource sufficiency period and, therefore, QFs that avoid these market transactions provide a capacity benefit to the Company that should be compensated.^{7/} Additionally, Staff argues that QFs enable the Company to avoid capacity costs associated with its next projected resource acquisition because they will impact the size and timing of this resource.^{8/} Staff proposes to increase the capacity payments the Company makes to QFs, as compared to its currently effective Schedule 37.^{9/} Similarly, REC recommends that the Commission retain a monthly kilowatt capacity payment for QFs in Pacific Power’s Schedule 37 and increase either that payment or the energy payment on the theory that the Company’s avoided costs currently undercompensate QFs

^{2/} Id., Attach. C.

^{3/} Docket No. UE-144160, Declaration of Brian S. Dickman ¶ 11 (June 12, 2015).

^{4/} Id.

^{5/} Id. ¶ 9.

^{6/} Docket No. UE-144160, Declaration of Jeremy B. Twitchell ¶ 5 (July 14, 2015); Declaration of John R. Lowe ¶ 3 (July 12, 2015).

^{7/} Declaration of Jeremy B. Twitchell ¶ 19.

^{8/} Id. ¶ 20.

^{9/} Id., Table 1 & n. 36.

because there has been little QF development in the Company's Washington service territory.^{10/} Boise submitted the Cross-Answering Declaration of Bradley G. Mullins, which supported the Company's proposal to eliminate the capacity payment to QFs based on the costs of a SCCT.^{11/}

III. ARGUMENT

4 PURPA serves a dual purpose of encouraging the development of cogeneration and small power production facilities while ensuring that ratepayers do not subsidize this development.^{12/} With respect to the latter, PURPA prevents FERC and, by extension, state regulatory commissions implementing FERC's rules, from authorizing a rate for purchases from QFs "which exceeds the incremental cost to the electric utility of alternative electric energy."^{13/} The "incremental cost," or "avoided cost," is "the cost to the electric utility of the electric energy which, but for the purchase from such cogenerator or small power producer, such utility would generate or purchase from another source."^{14/} The United States Supreme Court has confirmed that a utility's full avoided cost is "the maximum rate that [FERC] may prescribe."^{15/} Accordingly, any rate that exceeds the utility's avoided cost is not authorized by PURPA.

5 Both Staff's and REC's recommendations not only to continue, but increase, the capacity payments the Company currently provides to QFs may result in payments to QFs that exceed the Company's avoided cost.^{16/} Boise does not take a position on Staff's argument that the Company obtains a capacity benefit from QFs even when it proposes to meet its load obligations primarily through front office transactions. Pacific Power responds to this assertion

^{10/} Declaration of John R. Lowe ¶¶ 3, 34.

^{11/} Docket No. UE-144160, Cross-Answering Declaration of Bradley G. Mullins ¶ 4 (July 24, 2015).

^{12/} 16 U.S.C. § 824a-3(a), (b); Inter-Power of New York, Inc., 55 FERC P 61,387 at ¶ 62,179 (June 7, 1991).

^{13/} 16 U.S.C. § 824a-3(b).

^{14/} Id. § 824a-3(d); 18 C.F.R. § 292.101(b)(6).

^{15/} American Paper Instit., Inc. v. American Elec. Power Serv. Corp., 461 U.S. 402, 413 (1983).

^{16/} Declaration of Jeremy B. Twitchell, Table 1; Declaration of John R. Lowe ¶ 20.

by arguing that the Company's avoided cost calculations represent the full cost of avoided market purchases and reduced thermal dispatch, as calculated in GRID, which includes a capacity benefit.^{17/}

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Boise does disagree, however, with Staff's claim that Washington QFs should receive a capacity payment because they help determine the eventual size and timing of the Company's next resource acquisition. The Company's next projected resource acquisition in its IRP is in its Eastern Control Area.^{18/} Under the Western Control Area ("WCA") methodology that the Commission uses to set Pacific Power's rates in Washington, this resource will not provide any benefits to Washington customers and will not be included in Washington rates.^{19/} Thus, "avoiding capacity costs associated with the [Company's next planned] resource does not avoid any cost to Washington ratepayers."^{20/} Assigning a capacity benefit to Washington QFs associated with the Company's next resource acquisition would be the equivalent of requiring Washington ratepayers to pay for capacity that will never be available to them.^{21/} This would violate PURPA's requirement to maintain customer indifference to QF power.

IV. CONCLUSION

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For the foregoing reasons, Boise recommends that the Commission reject Staff's assignment of a capacity benefit to QFs based on the impact QFs have on the size and timing of the Company's next thermal resource acquisition.

^{17/} Declaration of Brian R. Dickman ¶ 9.

^{18/} Cross-Answering Declaration of Bradley G. Mullins ¶ 6.

^{19/} WUTC v. Pacific Power, Docket Nos. UE-061546 & UE-060817, Order 08 ¶ 44 (June 21, 2007).

^{20/} Cross-Answering Declaration of Bradley G. Mullins ¶ 6.

^{21/} Cf., Middle South Services, Inc. v. Middle South Utilities, Inc., 71 P.U.R.4th 580, 33 FERC P. 61,408 at 61,788 (Dec. 23, 1985) (finding that ratepayers must be credited with capacity when their rates include avoided capacity payments to QFs).

Dated in Portland, Oregon, this 11th day of September, 2015.

Respectfully submitted,

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