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November 1, 2022

VIA ELECTRONIC FILING

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

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**RE: Advice 22-05—Schedule QF—Avoided Cost Purchases from Cogeneration
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, 2023.

Second Revision of Sheet No. QF.11	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Second Revision of Sheet No. QF.12	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Second Revision of Sheet No. QF.13	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Second Revision of Sheet No. QF.14	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Second Revision of Sheet No. QF.15	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Second Revision of Sheet No. QF.16	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Second Revision of Sheet No. QF.17	Schedule QF	Avoided Cost Purchases and Procedures for Qualifying Facilities
Second 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 waiver of WAC 480-06040(1) 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 IRP was its 2017 IRP as its currently filed 2021 IRP has not yet been acknowledged. As a result, the updated avoided costs in this filing were calculated using the methodology consistent with the Commission's rules, the additional direction given through Order 01 in docket UE-190666 and approved in the Company's currently effective tariffs.

In addition, the methodology continues to rely on the exemption of WAC 480-106-040(1)(b)(i) granted in Order 01 to calculate the avoided cost of capacity for solar resources using the fixed costs for solar based on the results of PacifiCorp's 2017S request for proposals and a capacity contribution of two percent. As a result, the Company requests that the Commission continue the exemption granted in Order 01 in docket UE-190666 for this filing.

The proposed rates in the revised Schedule QF reflect the impacts of updated market prices and an updated inflation forecast consistent with those market prices. Market prices have increased significantly since the Company's prior filing, and the resulting increase in energy value is the primary driver of the significant increase in avoided costs. 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.

Since the Company's prior filing, resource costs have been impacted by changes in tax law from the recently passed Inflation Reduction Act of 2022 as well as by supply chain turmoil and inflation. In response to an inquiry from WUTC Staff regarding the potential impacts of these changes on the approved avoided costs, the Company prepared estimates of the impacts and has included them within the workpapers supporting its avoided cost update.

PacifiCorp's approved avoided cost of capacity is based on a solar resource that was eligible for a 30% Investment Tax Credit (ITC). Because the resource deficiency date was after the expiration of the 30% ITC, the approved avoided costs are proportionately higher, to account for the loss of tax benefits. The Inflation Reduction Act of 2022 extended 30% Investment Tax Credit (ITC) eligibility through at least 2032, and likely longer after accounting for the time for construction (four years in the current rules). As a result, the higher ITC would result in a reduction in the cost of the planned capacity resource, relative to the approved values.

PacifiCorp's approved avoided cost of capacity was based on the cost of a solar resource bid in PacifiCorp's 2017S request for proposals. PacifiCorp recently provided solar resource cost estimates in its October 13, 2022, public-input meeting for its 2023 IRP.¹ The cost estimates for the next few years are consistent with recent solar-project pricing estimates PacifiCorp has received and are significantly higher than projections in both the 2021 IRP and in the approved Schedule QF.

The net impact of the change in tax law and change in resource costs is an increase of under 0.25% relative to the currently approved assumptions. Because the impact is negligible,

¹ PacifiCorp 2023 IRP Public-Input Meeting, October 13, 2022. See slides 4-5. Available at: www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2023-irp/PacifiCorp_2023_IRP_PIM_Oct_13_2022.pdf

PacifiCorp is not proposing a change or seeking a waiver of the rules to allow the avoided cost of capacity to be updated at this time. Consistent with WAC 480-06-040(1)(b)(i), PacifiCorp anticipates that its current avoided cost of capacity assumptions will be updated in its November 1, 2023, Schedule QF filing based on proposals received in its currently ongoing 2022 All-Source Request For Proposals, which was approved by the Commission in docket UE-210979.

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.

It is respectfully requested that all formal correspondence and Staff requests regarding this filing be addressed to:

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

By regular mail: Data Request Response Center
PacifiCorp
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Portland, Oregon, 97232

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

Sincerely,

/s/
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Enclosures

22-05-PAC-Attachment-A-11-1-22
22-05-PAC-Attachment-B-11-1-22
22-05-PAC-SchQF-Avoided-Cost-Study-WPs-11-1-22-(C)
22-05-PAC-SchQF-Avoided-Cost-Study-WPs-11-1-22-(R)
22-05-PAC-SchQF-Avoided-Energy-Cost-Sept-WPs-11-1-22 (C)
22-05-PAC-SchQF-Avoided-Energy-Cost Sept-WPs11-1-22 (R)