

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of)	DOCKET UE-151694
)	
PACIFIC POWER & LIGHT)	ORDER 01
COMPANY)	
)	
Petition for Waiver from Certain)	ORDER GRANTING PARTIAL
Request for Proposals Requirements)	WAIVER TO WAC 480-107,
)	REQUESTS FOR PROPOSALS
.....)	

BACKGROUND

1 When a regulated electric utility files an Integrated Resource Plan (IRP) with the Commission that identifies an additional capacity need within three years, WAC 480-107-105(3) requires the utility to file a proposed Request for Proposals (RFP) with the Commission within 135 days. Interested parties then have 60 days from the RFP’s filing date to comment, and the Commission will approve or suspend the RFP within 30 days after the close of the comment period.¹

2 On March 31, 2015, Pacific Power & Light Company (Pacific Power or Company) timely submitted its 2015 IRP, which identified a capacity need within three years. On August 14, 2015, the Company filed a draft Request for Proposals for Market Resources (Market RFP) and a petition to waive certain requirements related to submitting RFPs contained in WAC 480-107 (Petition).²

3 Pacific Power’s 2015 IRP selected a preferred portfolio that would meet the Company’s identified resource needs in the next three years with market purchases, conservation, and solar.³ The Petition requests the Commission allow the Company to forego the formal RFP process required by 480-107-015 and acquire the identified resources through alternative, more efficient means.

¹ WAC 480-107-015(3)(a),(b) and (c).

² Petition for Waiver, ¶ 48. Further discussion about the subject matter of this petition can be found in the UE-111418 open meeting memoranda from Aug. 8, 2011, and Oct. 13, 2011.

³ Pacific Power & Light Company’s 2015 IRP, page 196.

4 Specifically, Pacific Power requests the following waivers:

- WAC 480-107-015(3)(b), which requires RFPs, as it relates to the Company's selected conservation resources. The Company argues that conservation acquisition is already governed through existing tariffs and the Commission's oversight of the Company's conservation program under the Energy Independence Act.⁴
- WAC 480-107-015(3)(d), which requires sealed bids, as it relates to the Company's selected market purchases. The Company argues that sealed bids are not supported by the market solicitation procedures used within the Western Electric Coordination Council (WECC).⁵
- WAC 480-107, in its entirety, as it relates to the Company's selected solar resources. The Company argues that the solar resources in its IRP were selected to comply with Oregon's solar requirements, and that the cost of those resources will be directly assigned to Oregon customers.⁶

5 On September 16, 2015, Commission staff (Staff) conducted a site visit to learn more about Pacific Power's procedures for setting the cost inputs for the IRP. The Company hired an independent consultant, Black & Veatch, in 2012 to identify the costs associated with a wide range of generation resources, for use in the 2013 IRP. For the 2015 IRP, the Company reached out directly to developers, including GE, Mitsubishi, Wartsila, and various wind and solar developers, to update the 2013 IRP's cost estimates. Based on the information presented, Staff is comfortable that Pacific Power's cost inputs for the 2015 IRP were developed using independent and current information, and generally represent reasonable estimates of the costs associated with new resources.⁷

6 Staff is concerned, however, about the Company's ongoing reliance on market purchases, particularly in light of plant retirements in 2020 that are projected to leave the Northwest

⁴ Petition for Waiver, p. 18-19.

⁵ Petition for Waiver, p. 8-10.

⁶ Petition for Waiver, p. 19-20.

⁷ Staff still questions some of the Company's cost assumptions regarding storage technologies, and will continue to work with the Company in that area.

short on capacity in 2021.⁸ According to its IRP, Pacific Power plans to purchase 769 MW of capacity at hubs in the Pacific Northwest to meet its load in 2021.

- 7 When Staff requested the Company identify its projected market reliance at the winter peak, when the region faces a potential shortfall, it was unable to do so. The Western Resource Adequacy Evaluation that Pacific Power presented in Appendix J of its 2015 IRP is, in Staff's opinion, inadequate and now outdated. Based on recent analyses that project a regional shortfall, Staff strongly believes that any resource plan that relies on market purchases must account for the risk associated with that strategy. Accordingly, Staff recommends the Company incorporate a market reliance risk assessment into its 2017 Integrated Resource Plan. Staff has discussed its proposed condition with the Company, and the Company expressed a willingness to accept it.
- 8 Based on the costs and lengthy timetable associated with an all-source RFP process, Staff agrees with Pacific Power that requiring an all-source RFP would not be in the public interest. Given the potential for regional market shortfalls in 2021 and beyond, Staff recommends that the Commission approve the Petition subject to the condition that the Company incorporate a market reliance risk assessment into its 2017 IRP.
- 9 During the open meeting, Company representatives pointed out that Staff's memo did not explicitly recommend approval of the Market RFP or that the Commission order Pacific Power to issue the Market RFP. Staff has reviewed the contents of the Company's Market RFP and concluded that it meets the RFP requirements of WAC 480-107. Staff therefore agrees with the Company that the Commission should approve the Market RFP as filed and order the Company to issue it.

⁸ The Northwest Power and Conservation Council's May 2015 Pacific Northwest Power Supply Adequacy Assessment for 2020-21 identified a need for 1,150 MW of new gas-fired capacity to maintain regional reliability targets. Available at <https://www.nwccouncil.org/energy/powersupply/2015-05/>.

DISCUSSION

10 WAC 480-107-002(3) allows the Commission to grant exceptions to the rules governing RFPs, but only where such exceptions are “consistent with the public interest, the purposes underlying regulation, and applicable statutes.” Pacific Power claims its request is in the public interest because the proposed procurement processes “are structured to effectively and efficiently acquire each particular resource at the lowest reasonable cost, adjusted for risk.”⁹

11 We find that granting the Petition, subject to the condition that the Company incorporate a market reliance risk assessment into its 2017 IRP, is in the public interest. The market reliance risk assessment analysis proposed by Staff is an important first step to more clearly identify the Company’s resource needs in 2021 and beyond. It will also generate a more reasonable projection of future market costs.

12 The Commission notes the waivers only apply to the present RFP requirements arising from the IRP presented in Docket UE-140546.

FINDINGS AND CONCLUSIONS

13 (1) The Washington Utilities and Transportation 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. RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.

14 (2) Pacific Power is an electric company and a public service company subject to Commission jurisdiction.

15 (3) On August 14, 2015, Pacific Power filed a Petition for Waiver of WAC 480-107 and Draft Proposals for Market Resources.

⁹ Petition for Waiver, ¶47.

- 16 (4) This matter came before the Commission at its regularly scheduled meeting on October 29, 2015.
- 17 (5) Pacific Power has demonstrated pursuant to WAC 480-107-002(3) that the waivers from certain requirements in WAC 480-107 the Company has requested are consistent with the public interest, the purposes underlying regulation, and applicable statutes. The Petition should be granted subject to the condition that the Company incorporate a market reliance risk assessment into its 2017 IRP.

ORDER

THE COMMISSION ORDERS:

- 18 (1) Pacific Power & Light Company's Petition for Waiver of Certain Requirements Related to Requests for Proposals contained in WAC 480-107, filed on August 14, 2015, is granted, subject to the condition that Pacific Power & Light Company incorporate a market reliance risk assessment into its 2017 IRP. Subject to condition, the Commission waives the following rules:
- a. WAC 480-107-015(3)(b) in relation to Pacific Power & Light Company's selected conservation resources;
 - b. WAC 480-107-015(3)(d) in relation to the Pacific Power & Light Company's selected market purchases; and
 - c. WAC 480-107, in its entirety, in relation to the Pacific Power & Light Company's selected solar resources.
- 19 (2) The Request for Market Proposals is approved pursuant to WAC 480-107-015(3)(b).
- 20 (3) Pacific Power & Light Company must issue the Request for Market Proposals within 30 days of the date of this Order, pursuant to WAC 480-107-015(3)(c).
- 21 (4) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may

come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

- 22 (5) The Commission retains jurisdiction over the subject matter and Pacific Power & Light Company to effectuate the terms of this Order.

DATED at Olympia, Washington, and effective October 29, 2015.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner