

Agenda Date: October 13, 2011
Item Number: A1

Docket: UE-111418

Company: Pacific Power and Light Company
Staff: David Nightingale, Sr. Regulatory Engineering Specialist

Recommendation

Grant Pacific Power and Light Company's (PacifiCorp or company) amended petition for a waiver to WAC 480-107-015(3)(b) for various small projects as listed in the memo; grant PacifiCorp's amended petition for a waiver to WAC 480-107-015(3)(d) for seasonal power needs as shown in the memo; and grant PacifiCorp's amended petition for a waiver to WAC 480-107 for solar projects outside Washington's jurisdiction.

Background

On March 31, 2011, PacifiCorp timely submitted its Integrated Resource Plan (IRP). The company's IRP showed a capacity need within three years. Given that capacity is needed within three years, the company is required to file a Request For Proposal (RFP) to meet those needs.¹ On August 3, 2011, the company filed a petition to waive requirements related to submitting RFPs contained in WAC 480-107-015.²

In the company's IRP of March 31, 2011 the capacity needs identified within the upcoming three year time period consisted of small amounts of power from combined heat and power (CHP), demand-side resources, irrigation curtailment, and other small acquisitions, as well as larger acquisitions that were specifically required to meet capacity needs primarily in the third quarter of the next several years. The company shows in its petition that the use of a combination of existing tariffs and bid processes for small acquisitions, and an RFP process without sealed bids for market transactions will fulfill its obligation to serve customers' demand needs in the next three years.

The commission initially heard this docket at its August 11, 2011 open meeting, but deferred a decision pending a more specific request for waivers from PacifiCorp. Subsequently, the company amended its petition and submitted it on September 6, 2011. This amended petition narrowed the scope of the waiver request and provided more specific and detailed analysis of which sections of the law the company was requesting exceptions. PacifiCorp claims these specific waivers to be "in the public interest because it allows the company to utilize procurement processes that are specifically designed, by type of resource, to achieve the maximum benefit for PacifiCorp's customers."³

¹ WAC 480-107-015(3)(a)

² UE-111418, Petition for Waiver, paragraph 16.

³ UE-111418, Amended Petition for Waiver, paragraph 5, page 3.

Discussion

RFP Requirements

When an electric Investor-Owned Utility determines through the development of their IRP that they have a capacity need within three years, “A utility must submit to the commission a proposed request for proposals and accompanying documentation no later than one hundred thirty-five days after the utility's IRP is due to be filed with the commission.”⁴ The August 3, 2001 RFP waiver filing met the filing deadline of 135 days after the due date of their IRP. The rule does not provide any threshold for the capacity type or size resource for which this request for proposal requirement can be avoided. Consequently, if there is a capacity need shown within three years, the rule requires the filing of a proposed RFP that complies with the rule or the company must petition for an exception to the rule. The company has applied for specific exceptions to the rule.

The 2011 PacifiCorp’s IRP shows capacity needs in the West Control Area (which includes Oregon, Washington, and California customers) of the following types:

IRP Preferred Portfolio Capacity Resources ⁵ (Types of resources to be aquired in this IRP cycle)	Capacity (MW nameplate)			
	2011	2112	2113	2114
Jim Bridger, Turbine Upgrades	0	0	3.7	0
Biomass, Combined Heat and Power (CHP)	4.2	4.2	4.2	4.2
Irrigation Pump Energy Curtailment (DSM class 1)	0	0	2	0
Energy Conservation Program (DSM class 2)	7	8	8	8
Solar Water Heating, distributed	1.81	1.81	1.81	1.81
Front Office Transactions (FOTs)	150	550	550	550
Totals	163.01	564.01	569.71	564.01

The capacity resources needed are all small in size except for the Front Office Transactions.

PacifiCorp is requesting exceptions to the rule as follows:

- Waiver of WAC 480-107-015(3)(b) with respect to Jim Bridger Turbine Upgrades;
- Waiver of WAC 480-107-015(3)(b) with respect to CHP Biomass;

⁴ WAC 480-107-015(3)(b).

⁵ PacifiCorp 2011 IRP, Volume I, excerpted from Table 8.16, p. 230, March 31, 2011 at: http://www.pacificorp.com/content/dam/pacificorp/doc/Energy_Sources/Integrated_Resource_Plan/2011IRP/2011IRP-MainDocFinal_Vol1-FINAL.pdf, the resources listed are those which will serve Washington customers and exclude the Oregon only solar small scale program.

- Waiver of WAC 480-107-015(3)(b) with respect to DSM Class 1;
- Waiver of WAC 480-107-015(3)(b) with respect to DSM Class 2;
- Waiver of WAC 480-107-015(3)(b) with respect to Hot Water Solar Heating; and
- Waiver of entire WAC Chapter 480-107 with respect to Solar.⁶
- Waiver of WAC 480-107-015(3)(d) with respect to Front Office Transactions;

PacifiCorp's request to waive the entire WAC 480-107 is restricted to a solar energy program in Oregon, and therefore is not subject to Washington law and will not impact Washington ratepayers. The waiver requested for WAC 480-107-015(3)(b) for the small capacity resources allows the company to meet its capacity obligation by several small projects or tariffs described below.

- 1) The Jim Bridger upgrades are to be secured in a "procure and construct" bid process for that specific facility. Because these projects take years to implement, the competitive procurement process has already been completed and the upgraded turbines are under construction. It is included in this RFP because this is the IRP cycle in which the project will be completed and start delivering the additional capacity;
- 2) The biomass capacity will be acquired using the existing tariff Schedule 37;
- 3) Class 1 DSM, the Irrigation pump curtailments are under consideration for implementation and are proposed to be acquired using request for information and project specific competitive RFPs;
- 4) Class 2 DSM, are the existing residential, commercial and industrial energy conservation programs, to be acquired using existing tariff Schedules 107, 113, 114, 115, 118 and 125;
- 5) The solar heating program is still under consideration and would be placed either under a net-metering or energy efficiency tariff.

As applied to the company's Front Office Transactions (FOTs), the requested waiver of WAC 480-107-015(3)(d) would allow PacifiCorp to pursue FOTs without the constraint of sealed bids. Other vendors of capacity may submit bids in competition with the market-based FOTs. PacifiCorp's IRP described the nature of the FOTs in its petition:

"Front office transaction prices are determined at the time of the transaction, usually via a third party broker and based on the view of each respective party regarding the then-current forward market price for power... .Annual transactions can be available up to as

⁶ UE-111418 Amended Petition for Waiver, paragraph 51. The "Solar" program listed last is an Oregon only program.

much as three or more years in advance. Seasonal transactions are typically delivered during quarters and can be available from one to three years or more in advance. The terms, points of delivery, and products will all vary by individual market point. Two front office transaction types were included for portfolio analysis: an annual flat product, and a HLH third quarter product. An annual flat product reflects energy provided to PacifiCorp at a constant delivery rate over all the hours of a year. Third-quarter HLH transactions represent purchases received 16 hours per day, six days per week from July through September.”⁷

Analysis of Mechanisms for Acquiring Capacity Resources

For the small capacity acquisitions, the company proposes open competitive processes through the normal course of business propositions and existing or future tariffs. Staff is comfortable these resources will be acquired prudently without use of the RPF process described in WAC 408-107(3)(b). Therefore staff recommends granting of the requested exceptions to the rule for these acquisitions.

The waiver of subsection (3)(d) for the larger acquisitions secured through using FOTs allows for decisions based on electronic submissions where delivery in a sealed envelope, as called for in WAC 480-107-015(3)(d) is impractical. All of the requirements for RFPs contained in WAC 480-107-025 are met by the company except the delivery of sealed bids. This seems reasonable and appropriate.

An important outcome of the RFP process, in addition to acquisition of cost-effective resources, is the filing of the annual avoided cost schedule as required by WAC 480-107-055. None of the waivers will have a detrimental effect on the company’s ability to provide an updated avoided cost schedule.

Conclusion

Use of existing and proposed tariffs or competitive project-specific RFPs for the procurement of the small capacity resources identified in the 2011 IRP is a reasonable approach because there is commission and stakeholder review built into the tariff modification and approval process. Therefore, for the smaller acquisitions proposed, staff recommends that the requested waiver from WAC 480-107-015(3)(b) be granted in those instances.

The magnitude of the purchases proposed in the RFP using FOTs are substantial. However, PacifiCorp proposes procurement through FOTs where sealed bids are not practical. Waiver of

⁷ PacifiCorp 2011 IRP, Volume I, p. 150, March 31, 2011.

WAC 480-107-015(3)(d) should not negatively affect the outcome of the procurement process. All the salient requirements under the rule will be met by the proposed exception. Therefore, staff concludes that the public interest will be served and recommends that the requested waiver from only WAC 480-107-015(3)(d) be granted for the proposed FOT capacity acquisitions.

Staff considers the waiver of WAC 480-107-015(3)(d) for capacity acquisitions and the waiver of WAC 480-107-015(3)(b) for the smaller acquisitions are in the public interest because this will allow the IRP-driven RFP solicitation requirements and adjustments to tariffs to proceed in a timely manner with competitive bidding using standard acquisition mechanisms. The waiver of WAC 480-107 in its entirety is solely for a solar project where the costs are fully assigned to Oregon.

Recommendations

Grant PacifiCorp's amended petition for a waiver to WAC 480-107-015(3)(b) for various small projects as listed in the memo; grant PacifiCorp's amended petition for a waiver to WAC 480-107-015(3)(d) for seasonal power needs as shown in the memo; and grant PacifiCorp's amended petition for a waiver to WAC 480-107 for a solar project outside Washington's jurisdiction⁸.

⁸ Staff notes that neither the approval of the yet to be submitted proposed RFP nor the prudence of all the smaller projects are being determined in this proceeding.