

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PACIFCORP d/b/a PACIFIC POWER &
LIGHT COMPANY,

Petitioner,

Seeking Exemption from the Provisions
of WAC 480-106-040 Relating to
Calculation of Avoided Capacity Costs

DOCKET UE-220804

ORDER 01

GRANTING EXEMPTION FROM
RULE; ALLOWING TARIFF TO
GO INTO EFFECT BY
OPERATION OF LAW

BACKGROUND

- 1 On November 1, 2022, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting an exemption from WAC 480-106-040(1)(b) in the same docket as its annual avoided cost tariff filing (Petition).
- 2 WAC 480-106-040(1)(b) requires electric companies to calculate the avoided cost of capacity based on its most recently acknowledged integrated resource plan (IRP). PacifiCorp's 2017 IRP is its most recently acknowledged IRP.
- 3 PacifiCorp requested the Commission continue the exemption granted in Order 01, Docket UE-190666, which, among other things, directs the Company to calculate the avoided cost of capacity for solar resources using the fixed costs for solar based on the results of PacifiCorp's 2017 solar request for proposals (2017S RFP) and a capacity contribution of two percent.
- 4 PacifiCorp continuing to rely on Commission guidance provided in the Company's 2019 avoided cost docket diverges somewhat from Washington's two other electric utilities,¹ both of which have petitioned the Commission to use their respective unacknowledged 2021 IRPs to calculate their avoided costs of capacity in 2022.² However, at the time PacifiCorp filed its 2022 avoided cost tariff revision,³ the modeling informing both

¹ UE-190666, [Order 01](#), ¶¶17-26.

² See Docket [UE-220783](#) for Avista Corporation. See Docket [UE-220786](#) for Puget Sound Energy.

³ By the deadline of November 1, 2022, per [WAC 480-106-040](#)(1).

PacifiCorp's 2021 IRP and 2021 clean energy implementation plan (CEIP) was the subject of a Commission staff (Staff) complaint.⁴ Staff discussed with PacifiCorp the Company's plan to estimate its avoided cost of capacity *next* year in its 2023 avoided cost tariff revision using the Company's forthcoming 2023 IRP progress report,⁵ and requested additional information about PacifiCorp's 2022 tariff revision, as described below.

- 5 Given the vintage of PacifiCorp's 2017 RFP results that inform its avoided cost of capacity, Staff requested the Company perform analyses comparing its proposed 2022 avoided capacity costs to more recent resource cost estimates developed for its forthcoming 2023 IRP progress report. PacifiCorp's analyses confirmed deflationary impacts of recently enacted Federal policy (*i.e.*, investment tax credits extended by the Inflation Reduction Act of 2022) would effectively mitigate resource cost escalation stemming from recent supply chain disruptions and inflation.⁶ Staff agrees that PacifiCorp's calculations show the net impact on proposed rates of the (1) change in Federal tax law coupled with the (2) increase in resource costs is negligible.⁷ Therefore, Staff supports PacifiCorp continuing to rely on its legacy methodology for estimating its avoided cost of capacity for one more year.
- 6 Staff reviewed the Company's Petition and recommends granting PacifiCorp's request for exemption and allowing the tariff filing to go into effect by operation of law.

DISCUSSION

- 7 We grant PacifiCorp's request for an exemption from WAC 480-106-040(1)(b). Under WAC 480-106-003, the Commission may grant an exemption from the provisions of any rule in WAC 480-106 if doing so is consistent with the public interest, the purposes underlying regulation, and applicable statutes.
- 8 While PacifiCorp's estimated avoided cost of capacity relies on a legacy methodology, we agree such a methodology was previously vetted by interested parties in UE-

⁴ See Docket [UE-220376](#).

⁵ Per [WAC 480-100-625\(4\)](#).

⁶ [PacifiCorp Schedule QF 2022 tariff revision cover letter](#), pp. 2-3, November 1, 2022 (Docket UE-220804).

⁷ Staff checked PacifiCorp's calculations and confirmed the change in tax law effectively mitigates the change in resource costs, resulting in a rate increase of less than 0.25 percent when compared to rates calculated using the methodology the Commission ordered PacifiCorp follow in Docket UE-190666.

190666. Furthermore, we appreciate Staff's review of PacifiCorp's proposed avoided cost of capacity, which Staff agrees would remain effectively the same even if relevant calculations were based on more recent information (*i.e.*, Federal tax law changes or resource cost estimates PacifiCorp has developed for its forthcoming 2023 IRP progress report). Accordingly, we find that granting the Company's request for an exemption is in the public interest and consistent with both the purposes underlying the rule and applicable statutes. We further agree the tariff filing should be allowed to go into effect by operation of law.

FINDINGS AND CONCLUSIONS

- 9 (1) The 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.
- 10 (2) PacifiCorp is engaged in the business of providing electric services within the state of Washington and is a public service company subject to Commission jurisdiction.
- 11 (3) PacifiCorp is subject to WAC 480-106-040(1)(b), which requires electric companies to calculate the avoided cost of capacity based on its most recently acknowledged IRP.
- 12 (4) Under WAC 480-106-003, the Commission may grant an exemption from the provisions of any rule in WAC 480-106 if doing so is consistent with the public interest, the purposes underlying regulation, and applicable statutes. See also WAC 480-07-110.
- 13 (5) This matter came before the Commission at its regularly scheduled meeting on December 22, 2022.
- 14 (6) After reviewing the Petition filed in Docket UE-220804 by PacifiCorp on November 1, 2022, and giving due consideration, the Commission finds that the exemption is in the public interest and is consistent with the purposes underlying the regulation and applicable statutes and should be granted. The tariff should be allowed to go into effect by operation of law.

ORDER

THE COMMISSION ORDERS:

- 15 (1) PacifiCorp d/b/a Pacific Power & Light Company is granted an exemption from WAC 480-106-040(1)(b), continuing the exemption granted in Order 01 in Docket UE-190666. The tariff is allowed to go into effect by operation of law.
- 16 (2) The Commission retains jurisdiction over the subject matter and PacifiCorp d/b/a Pacific Power & Light Company to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective December 22, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL
Executive Director and Secretary