

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of  
  
PACIFIC POWER & LIGHT COMPANY,  
  
Petitioner,  
  
For An Accounting Order Authorizing  
Deferral of Costs related to the Purchase of  
Unbundled Renewable Energy Certificates

DOCKET UE-143915

ORDER 01

ORDER GRANTING ACCOUNTING  
PETITION; ALLOWING RECOVERY  
OF COSTS

**BACKGROUND**

- 1 On November 18, 2014, Pacific Power & Light Company (Pacific Power or Company) filed with the Washington Utilities and Transportation Commission (Commission) an accounting petition (Petition) seeking authorization to defer costs related to the purchase of unbundled Renewable Energy Certificates (RECs). Pacific Power purchased the RECs in 2014 to meet its Renewable Portfolio Standard (RPS) requirement in 2016.
- 2 The Energy Independence Act (EIA or Act)<sup>1</sup> requires qualifying electric utilities to obtain certain percentages of their electricity from eligible renewable resources. The Commission enforces investor-owned utility companies' compliance with the EIA.<sup>2</sup> Beginning in 2012, the renewable resource requirement was 3 percent of a utility's retail load. This requirement adjusted upward to 9 percent in 2016, and will increase to 15 percent in 2020.
- 3 Staff has reviewed Pacific Power's procurement of the 2014 RECs and recommends the Commission find them to be a prudent acquisition for RPS compliance purposes. Staff's evaluation relied on the following factors to establish prudence:
- 1) **The Need for the Resource.**<sup>3</sup> The RPS requirement can be met in two ways: applying RECs generated by the Company's own generating resources, or purchasing RECs from other generators. From 2012 through 2014, Pacific Power

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<sup>1</sup> RCW Chapter 19.285.

<sup>2</sup> RCW 19.285.060(6).

<sup>3</sup> More information about these criteria can be found in Docket UE-111048, Order 09 at ¶409.

generated more RECs than were needed to meet the 3 percent target.<sup>4</sup> The excess RECs were sold, and the funds generated were returned to Washington ratepayers through a separate tracking mechanism, discussed below.<sup>5</sup> The company's future REC needs were identified and planned for in Pacific Power's 2013 Integrated Resource Plan (IRP), and further honed in its 2013 IRP update.<sup>6</sup> The company planned for the increasing RPS requirement in 2016 by securing low-priced RECs in 2014, and by saving all Washington-allocated RECs generated in 2015.

- 2) **Evaluation of Alternatives.** The Company evaluated several alternatives both in its 2013 IRP and through a request for proposal (RFP) related to the actual purchases. Staff reviewed the RFPs at the Company's headquarters. Staff finds that the Company conducted an appropriate evaluation of various alternatives. Staff also finds that the Company's choice to purchase RECs was the most cost-effective way to comply with the 2016 RPS requirements.
- 3) **Involvement of the Company's Board of Directors.** Since Pacific Power does not operate with a formal board of directors, Staff applies a reasonableness standard for the purposes of evaluating prudence. The Company involved several key executives in the decision to purchase RECs for compliance and analyzed the business case for different options for compliance. Based on its review of internal communications, Staff finds that the REC purchases were reasonable.
- 4) **Adequate Documentation.** The Company responded to several data requests along with information detailing the involvement of the Company's management, evaluation of alternatives through an RFP, and the need for the resource. Staff has reviewed these responses in relation to each of the other standards for prudence. Staff supports a finding of prudence for the purchase of these RECs.

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<sup>4</sup> A Company's annual requirement is determined through a filing in June of each year. Reports are filed per WAC 480-109-210. The company's yearly reports are filed under the following dockets: 2012 – UE-120813; 2013 – UE-131063; 2014 – UE-140802; 2015 – UE-151162; 2016 – UE-160777.

<sup>5</sup> For Commission orders regarding REC sales, and for Pacific Power's yearly REC sale filings, see Docket UE-100749.

<sup>6</sup> PacifiCorp 2013 IRP Update, Docket UE-120416 (March 14, 2014).

4 Concurrent with its procurement of the 2014 RECs, Pacific Power was ordered by the Commission to recover certain costs through a tracker mechanism in Schedule 95.<sup>7</sup> The remaining balance in the tracker mechanism is \$898,851, which is expected to be fully amortized in March 2017. Adding an additional \$432,137 related to the 2014 RECs and the accumulating interest extends the ending date of Schedule 95 from March 2017 to June 2017.

5 Staff has reviewed the Petition and recommends the Commission issue an order authorizing accounting treatment for the costs related to the purchase of the 2014 RECs. Staff has reviewed these purchases and finds that the costs related to the 2014 RECs were prudently incurred. Staff recommends the Commission authorize Pacific Power to recover the costs of the 2014 RECs in rates through the Company's Schedule 95 tracker mechanism.

### **DISCUSSION**

6 We agree with Staff's recommendation and grant Pacific Power's Petition. We also find that the costs related to the RECs were prudently incurred, and authorize the Company to recover its cost by extending its Schedule 95 tracker mechanism. Extending the Schedule 95 tracker mechanism is a reasonable way to grant the Company cost recovery without increasing customer rates.

### **FINDINGS AND CONCLUSIONS**

- 7 (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.
- 8 (2) Pacific Power is an electric company and a public service company subject to Commission jurisdiction.
- 9 (3) WAC 480-07-370(1)(b), allows companies to file petitions, including the Petition Pacific Power filed in this docket.

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<sup>7</sup> These costs were related to the over-crediting of revenues from the sales of REC revenues prior to 2014, see Docket UE-100749.

- 10 (4) Staff has reviewed the Petition in Docket UE-143915, including related work papers.
- 11 (5) Staff finds that Pacific Power's Petition is reasonable and should be granted. Staff also finds that the costs to procure the 2014 RECs were prudently incurred, and that those costs should be recoverable in rates through the Schedule 95 tracker mechanism.
- 12 (6) This matter came before the Commission at its regularly scheduled meeting on December 22, 2016.
- 13 (7) After reviewing Pacific Power's Petition filed in Docket UE-143915 on November 18, 2014, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that: 1) the Petition should be granted; 2) the purchase of the 2014 RECs was prudent; and 3) Pacific Power should recover the costs of the RECs through its Schedule 95 tracker mechanism.

**ORDER**

**THE COMMISSION ORDERS:**

- 14 (1) Pacific Power & Light Company's Petition seeking authorization to defer costs related to the purchase of unbundled Renewable Energy Certificates in 2014 is granted.
- 15 (2) Pacific Power & Light Company's purchase of unbundled Renewable Energy Certificates in 2014 was prudent.
- 16 (3) Pacific Power & Light Company may recover the cost of the unbundled Renewable Energy Certificates through its Schedule 95 tracker mechanism.
- 17 (4) The Commission retains jurisdiction over the subject matter and Pacific Power & Light Company to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective December 22, 2016.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner