

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	DOCKET UE-170885
PACIFIC POWER & LIGHT COMPANY's	ORDER 01
Petition for Waiver from Certain Request for Proposals Requirements and Approval of its Draft Request for Proposals	ORDER GRANTING PARTIAL WAIVER TO WAC 480-107, REQUESTS FOR PROPOSALS; APPROVING DRAFT REQUEST FOR PROPOSALS

BACKGROUND

- 1 WAC 480-107-015(3) requires any regulated electric utility that identifies in its Integrated Resource Plan (IRP) a need for additional capacity within three years to file a proposed request for proposals (RFP) with the Washington Utilities and Transportation Commission (Commission) within 135 days of the date the utility's IRP is due. Interested parties have 60 days from the RFP's filing date to submit comments, and the Commission will approve or suspend the RFP within 30 days after the close of the comment period.¹
- 2 On April 4, 2017, Pacific Power & Light Company (Pacific Power or Company) submitted its 2017 IRP, which identified an additional capacity need within three years. On August 9, 2017, the Company filed a draft RFP for Market Resources (Market RFP) and a petition to waive certain requirements related to submitting RFPs contained in WAC 480-107 (Petition).² The comment period ended October 8, 2017, and no comments were received.
- 3 Pacific Power's 2017 IRP selected a preferred portfolio that would meet the Company's identified resource needs in the next three years with market purchases and conservation.³ The Petition requests that the Commission allow the Company to forego the formal RFP process required by WAC 480-107-015 and acquire the identified resources through alternative, more efficient means.

¹ WAC 480-107-015(3)(a), (b) and (c).

² Docket UE-170885, *Petition for Waiver of Certain Requirements Related to Requests for Proposals Contained in WAC 480-107*, starting at ¶ 45.

³ Docket UE-160353, 2017 Integrated Resource Plan (2017 IRP), Vol. I, p. 2.

- 4 Specifically, Pacific Power requests waivers from the following rules:
- 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
- 5 In conjunction with its 2015 IRP, Pacific Power filed a similar market RFP, and a similar petition requesting a waiver of certain RFP rules.⁶ The Commission’s Order 01 approved the request subject to the condition that “the Company incorporate a market reliance risk assessment into its 2017 IRP,” an assessment intended to be “an important first step to more clearly identify the Company’s resource needs in 2021 and beyond.”⁷
- 6 The Company claims it fulfilled this condition as documented in Appendix J of its 2017 IRP.⁸ Staff agrees that the Company fulfilled the technical requirement of this condition, but characterizes the assessment provided as a review rather than an analysis. Though Pacific Power’s assessment explicitly identified a regional risk of a power supply shortfall,⁹ the Company did not attempt to quantify this risk or provide in-depth analysis comparing this risk to alternative methods of meeting load.
- 7 Staff is concerned about Pacific Power’s ongoing reliance on market purchases, particularly in light of the Company’s assertion that “customers bear the price risk of the Company’s reliance on a given level of market purchases.”¹⁰ Staff argues that ratepayers

⁴ Petition for Waiver, p. 19-20.

⁵ Petition for Waiver, p. 10-11.

⁶ Docket UE-151694.

⁷ *Id.*, Order 01, ¶ 11.

⁸ 2017 IRP, Vol. 2, p. 171-178.

⁹ *Id.*, p.176.

¹⁰ *Ibid.*

are responsible for *prudently incurred* costs, not all costs, and that this distinction applies to costs associated to imprudently-managed risk. Staff notes that the Commission will determine the prudence of Pacific Power's power costs in a rate case, and at that time parties to that proceeding will analyze whether the Company's decision to embrace the market was a reasonable decision given what the Company knew – or should have known – at the time.

- 8 Based on the costs and lengthy timetable associated with an all-source RFP, combined with Pacific Power's large wind buildout in the eastern half of its system, Staff believes that an all-source RFP is not necessary at this time. 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 by November 13, 2017.

DISCUSSION

- 9 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.”¹¹
- 10 We agree with Staff that Pacific Power has satisfied the requirement for a market reliance risk assessment, which was required as a condition of Pacific Power's 2015 RFP waiver petition. We note, however, that determining recovery for power costs includes determining whether decisions to accept risk – such as the risk of relying on the market – were prudently made.
- 11 The Commission notes the waivers only apply to the present RFP requirements arising from the IRP presented in Docket UE-160353.

¹¹ Petition for Waiver, ¶47.

FINDINGS AND CONCLUSIONS

- 12 (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.
- 13 (2) Pacific Power is an electric company and a public service company subject to Commission jurisdiction.
- 14 (3) On August 9, 2017, Pacific Power filed a Draft Request for Proposals for Market Resources and a Petition for Waiver of Certain Requirements Related to RFPs Contained in WAC 480-107. No comments were received during the 60-day comment period, which ended October 8, 2017.
- 15 (4) This matter came before the Commission at its regularly scheduled meeting on October 12, 2017.
- 16 (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.
- 17 (6) Pacific Power has satisfied the Commission's requirement for a market reliance risk assessment to be included in 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 9, 2017, is granted. The Commission waives the following rules:
- a. WAC 480-107-015(3)(b) in relation to Pacific Power & Light Company's selected conservation resources; and
 - b. WAC 480-107-015(3)(d) in relation to the Pacific Power & Light Company's selected market purchases.

- 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.

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

DATED at Olympia, Washington, and effective October 12, 2017.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary