

December 30, 2016

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

**Re: Pacific Power & Light Company's Petition for an Accounting Order**

In accordance with WAC 480-07-370(b), Pacific Power & Light Company, a division of PacifiCorp, encloses for filing its petition for deferral of compliance costs associated with the Clean Air Rule.

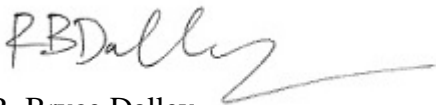
It is respectfully requested that all data requests be sent to the following, with copies to the Company's counsel:

By Email (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By Regular Mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah Street, Suite 2000  
Portland, OR 97232

Please direct informal inquiries to Ariel Son, Regulatory Projects Manager, at (503) 813-5410.

Sincerely,



R. Bryce Dalley  
Vice President, Regulation

Enclosures

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of  
  
PACIFIC POWER & LIGHT COMPANY  
  
Petition for an Order Approving Deferral of  
Costs Related to Compliance with the Clean  
Air Rule.

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DOCKET UE-16\_\_\_\_  
  
PACIFICORP'S PETITION FOR  
ACCOUNTING ORDER

**I. INTRODUCTION**

*1* In accordance with WAC 480-07-370(b), Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, petitions the Washington Utilities and Transportation Commission (Commission) for an order authorizing the Company to defer compliance costs associated with the Clean Air Rule beginning January 1, 2017. Pacific Power seeks deferral of these costs to track and preserve them for later ratemaking treatment.

**II. BACKGROUND**

*2* Pacific Power is an electric utility and public service company doing business in the state of Washington under RCW 80.04.010, and its public utility operations, retail rates, service, and accounting practices are subject to the Commission's jurisdiction. PacifiCorp also provides retail electricity service under the name Pacific Power in Oregon and California and under the name Rocky Mountain Power in Idaho, Utah, and Wyoming. The Company's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon, 97232.

3 Pacific Power’s name and address:

Washington Dockets  
Pacific Power  
825 NE Multnomah Street, Suite 2000  
Portland, OR 97232  
[washingtondockets@PacifiCorp.com](mailto:washingtondockets@PacifiCorp.com)

Etta Lockey  
Senior Attorney  
825 NE Multnomah Street, Suite 1800  
Portland, OR 97232  
Phone: (503) 813-5701  
[etta.lockey@pacificorp.com](mailto:etta.lockey@pacificorp.com)

In addition, PacifiCorp respectfully requests that all data requests be addressed to:

By e-mail (preferred) [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail Data Request Response Center  
PacifiCorp  
825 NE Multnomah Street, Suite 2000  
Portland, OR 97232

Informal inquiries may be directed to Ariel Son, Regulatory Projects Manager, at (503) 813-5410.

### **III. THE BASIS FOR REQUESTING DEFERRED ACCOUNTING**

#### **A. Clean Air Rule**

4 On September 15, 2016, the Washington Department of Ecology (Ecology) issued the Clean Air Rule, which regulates greenhouse gas emissions from point sources in Washington. The Clean Air Rule applies to all sources in Washington that annually emit more than 70,000 metric tons of carbon dioxide equivalent (MT CO<sub>2</sub>e). PacifiCorp’s Chehalis Generating Station in Washington is subject to the Clean Air Rule—PacifiCorp does not own or operate any emitting resources in Washington other than Chehalis.

5 Under the Clean Air Rule, Ecology will establish an emission reduction pathway, which is the annual reduction requirement, in units of MT CO<sub>2</sub>e for calendar year and compliance period. The emission reduction pathway begins in 2017 based on the baseline GHG emissions value which is the average of five years of GHG emissions data

between 2012 and 2016. The greenhouse gas emission reduction pathway decreases annually by an additional one and seven tenths of a percent of the baseline greenhouse gas emissions value. Beginning in year 2036, the emission reduction pathway remains constant at the value calculated for calendar year 2035. Compliance must be demonstrated in three-year compliance year intervals: 2017-2019, 2020-2022, etc. This means that the compliance requirements can be averaged over a three-year period.

6           Entities subject to the Clean Air Rule can choose to change operations to ensure that the emissions reduction pathway is met or entities may purchase Emission Reduction Units (ERUs) to meet the compliance obligation. An ERU represents the emission reduction of one metric ton of CO<sub>2e</sub>. ERUs must originate from greenhouse gas emission reductions occurring within Washington unless derived from allowances. ERUs may be generated as follows: 1) actual emissions below greenhouse emission reduction requirement—ERUs are generated in an amount equal to the difference between the reported covered greenhouse gas emissions and the higher greenhouse gas emission reduction requirement; 2) emission reduction projects, programs, or activities; or 3) greenhouse gas emission markets external to the state of Washington. ERUs may be banked for ten years and first-in, first-out restrictions apply. ERUs may be exchanged between covered entities—exchanges may be brokered by third-parties but third-parties cannot hold ERUs.

7           Accordingly, the costs associated with complying with the Clean Air Rule are either the operational cost of limiting generation from Chehalis when it would not otherwise be economic to do so or the cost of purchasing or generating ERUs. The Company is currently assessing its least-cost options for compliance with the Clean Air Rule and will continue to evaluate options over the course of the first compliance period.

**B. Proposed Accounting**

8           During the deferral period, Pacific Power proposes to account for the Clean Air Rule compliance costs in the following manner. If the Company complies with the Clean Air Rule through the purchase of ERUs, the ERU purchases will be credited to Account 555—Purchased Power, thereby decreasing the amounts booked in that account, and debited to Account 182.3—Other Regulatory Assets.

9           If the Company complies with the Clean Air Rule through limiting generation from Chehalis, the replacement energy, i.e. the energy curtailed at Chehalis, or the ancillary services, e.g., operating reserves, derived from Chehalis, plus any associated delivery services such as transmission for replacement energy or ancillary services, will be determined by the Company’s dispatch model. The Company will then calculate the incremental net power costs of 1) the replacement energy by using the Mid-Columbia market price less the Chehalis generation costs, or 2) the cost of ancillary services derived from the facility from the Company’s dispatch model, plus any associated delivery services for replacement energy or ancillary services, and will debit that amount to Account 182.3—Other Regulatory Assets. The Company requests that it be allowed to accrue interest on the unamortized balance in both of these scenarios at a rate equal to its authorized weighted average cost of capital most recently approved by the Commission in Docket UE-152253.

**C. Estimate of Amounts**

10           As explained above, the Company is continuously evaluating its compliance options under the Clean Air Rule. As such, the Company is unable to provide a cost estimate at this time. Pacific Power intends to provide a cost estimate to the Commission once the Company’s assessment of least-cost options is complete.

#### IV. CONCLUSION

11 Pacific Power respectfully requests that the Commission authorize the Company to defer the compliance costs associated with the Clean Air Rule. The Company will address any ratemaking treatment of these costs in a future filing or general rate case.

Respectfully submitted this 30<sup>th</sup> day of December, 2016.

By: Etta Lockey / AS  
Etta Lockey  
Senior Attorney  
Pacific Power & Light Company