

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

|                          |   |                     |
|--------------------------|---|---------------------|
| WASHINGTON UTILITIES AND | ) | DOCKET UE-144160    |
| TRANSPORTATION           | ) |                     |
| COMMISSION,              | ) |                     |
|                          | ) | ORDER 01            |
| Complainant,             | ) |                     |
|                          | ) |                     |
| v.                       | ) | COMPLAINT AND ORDER |
|                          | ) | SUSPENDING TARIFF   |
| PACIFIC POWER & LIGHT    | ) | REVISIONS           |
| COMPANY,                 | ) |                     |
|                          | ) |                     |
| Respondent.              | ) |                     |
| .....                    | ) |                     |

**BACKGROUND**

- 1 On December 29, 2014, Pacific Power & Light Company (Pacific Power or Company) filed a tariff revision with the Washington Utilities and Transportation Commission (Commission) updating its avoided cost tariff, Schedule 37, with an effective date of January 29, 2015.<sup>1</sup> At Commission Staff’s (Staff) request, the Company extended the effective date until January 30, 2015, and then again until February 13, 2015, to allow Staff and the Company more time to discuss issues related to the filing.
  
- 2 The avoided costs set forth in Schedule 37 are the standard offer rates that the Company pays to small qualifying facilities (two megawatts or fewer) pursuant to the Public Utilities Regulation and Policy Act (PURPA), which requires utilities to purchase the output of small generation facilities at the utility’s avoided cost – the amount the utility would have paid to acquire the same amount of capacity and energy from the resource it would have selected in the absence of the qualifying facility. WAC 480-107-055(2) states that a utility’s avoided cost should be based on the most recent proposals received from a request for proposals, cost estimates included in the

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<sup>1</sup> Washington Administrative Code (WAC) 480-107-055(1) requires investor-owned utilities to make an annual filing of their avoided capacity and energy costs.

utility's current integrated resource plan, the results of the utility's most recent bidding process, and current projections of market prices for power.

- 3 Pacific Power's filing makes two significant changes to Schedule 37. The first modification changes the way the Company pays qualifying facilities for their capacity component. Staff believes that the Company's calculation methodology, described in detail in Staff's memo, would result in an understated avoided cost rate that may be discriminatory to qualifying facilities.
- 4 The second proposed change imposes integration costs on wind and solar qualifying facilities. The Company proposes to reduce the payment it makes to wind facilities by \$3.06 per megawatt-hour (MWh), and the payment to solar facilities by \$0.77 per MWh. These reductions are based on the Company's 2014 Wind Integration Study, which evaluated the cost of integrating hundreds of megawatts of wind across the Company's six-state service territory. Staff questions whether this data can reasonably be applied to a two-megawatt facility. Staff also notes that the Wind Integration Study did not actually model the costs of solar integration on the Company's system, but rather discounted the wind integration cost by 75 percent based on industry practice.<sup>2</sup> Staff does not believe that this is a rigorous enough approach to support a reduced payment for solar qualifying facilities. Accordingly, Staff recommends the Commission suspend the tariff filing so the issues identified in Staff's memo can be thoroughly investigated.
- 5 At the Commission's regularly scheduled open meeting on February 12, 2015, Pacific Power requested the Commission approve the tariff revisions as filed. Irion Sanger of the Renewable Energy Coalition expressed concerns about the calculation methodologies the Company used in its proposed tariff revisions, and supported Staff's recommendation to suspend the filing.

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<sup>2</sup> Per company materials and presentation at the Sept. 26, 2014, meeting of the 2015 IRP Advisory Group.

## DISCUSSION

- 6 We agree with Staff and the Renewable Energy Coalition that the Company's filing raises issues that warrant further investigation. The Company has requested, and Staff has agreed, that this filing will be resolved expeditiously.

## FINDINGS AND CONCLUSIONS

- 7 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, 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) This matter came before the Commission at its regularly scheduled meeting on February 12, 2015.
- 10 (4) The Commission finds that the Company's filing raises issues that warrant further investigation. Accordingly, the tariff revisions should be suspended, and the parties should work to resolve the filing expeditiously.

## ORDER

### THE COMMISSION ORDERS:

- 11 (1) The tariff revisions filed by Pacific Power & Light Company on December 29, 2014, are suspended.
- 12 (2) Pacific Power & Light Company must not change or alter the tariffs filed in this docket during the suspension period, unless authorized by the Commission.
- 13 (3) The Commission may hold hearings at such times and places as may be required.

DATED at Olympia, Washington, and effective February 12, 2015.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner