

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

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

for a Declaratory Order Approving the  
Avoided Cost Rate Methodology for Power  
Purchases from Large Qualifying Facilities  
per WAC 480-106-050(5)

DOCKET UE-200573

ORDER 01

DECLARATORY ORDER

**BACKGROUND**

- 1 On June 22, 2020, PacifiCorp, d/b/a Pacific Power & Light Company, (Pacific Power or Company) filed a Petition for Declaratory Order (Petition) with the Washington Utilities and Transportation Commission (Commission). The Petition requests that the Commission approve Pacific Power's proposed avoided cost rate methodology (Methodology) for power purchases from large qualifying facilities (QFs) of greater than five megawatts pursuant to WAC 480-106-050(5).
- 2 This Petition follows the Commission's recent rulemaking to implement provisions of the Public Utility Regulatory Policies Act (PURPA) in Docket U-161024. As required by General Order R-597 in that docket, Pacific Power filed proposed tariff revisions on August 9, 2019, in Docket UE-190666 that included updated, estimated avoided cost pricing and a revised standard QF power purchase agreement. On November 19, 2019, Pacific Power filed substitute tariff sheets in response to comments filed by Commission staff (Staff), the Northwest and Intermountain Power Producers Coalition, and the Renewable Energy Coalition. The Commission addressed the Company's proposed tariff revisions at its regularly scheduled open meeting on January 23, 2020. At that meeting, Staff recommended the Commission reject Pacific Power's proposed tariff filing and require the Company to file substitute pages consistent with Staff's guidance. Pacific Power agreed to extend the effective date of the proposed tariff revisions and the Commission directed the Company to work with stakeholders to implement Staff's recommendations.
- 3 On February 28, 2020, Pacific Power filed its second substitute tariff pages. On March 12, 2020, the Commission entered Order 01 in Docket UE-190666 (Order 01), which, among other things, rejected the Company's filing and required Pacific Power to file revised tariff pages consistent with the requirements set forth therein.

- 4 On May 5, 2020, Pacific Power filed revised tariff pages consistent with Order 01. The Company committed to make a separate filing to address its large QF Avoided Cost Methodology within 45 days of the date the Commission resolved its filing in Docket UE-190666. Accordingly, Pacific Power now seeks a declaratory order approving its Schedule QF Avoided Cost Methodology for Power Purchases from Large Qualifying Facilities Greater than Five Megawatts, attached as Exhibit A to the Petition. Pacific Power submits that the proposed Methodology is based on the same methodology the Commission approved in Docket UE-190666 for standard fixed rates in Schedule QF.<sup>1</sup>
- 5 On June 23, 2020, the Commission issued a Notice of Opportunity to Respond to Petition. On July 13, 2020, Staff filed comments stating that it is not aware of “any analysis demonstrating concerns with the Company’s filing. In fact, Staff anticipates [the Company’s] cost methodology to be similar to that of Puget Sound Energy’s large QF methodology.” The Commission received no other responses to the Petition.
- 6 Harry Fukano, Assistant Attorney General, Olympia, Washington, represents Staff. Matthew McVee, Chief Regulatory Counsel, Portland, Oregon, represents Pacific Power.

### DISCUSSION

- 7 “Any person may petition an agency for a declaratory order with respect to the applicability to specified circumstances of a rule, order, or statute enforceable by the agency.”<sup>2</sup> As relevant here, the petition must demonstrate (1) that uncertainty necessitating resolution exists; (2) that there is an actual controversy arising from the uncertainty; (3) that the uncertainty adversely affects the petitioner; and (4) that the adverse effect of the uncertainty on the petitioner outweighs any adverse effect on others.<sup>3</sup>
- 8 We find that the Petition satisfies the statutory requirements for a declaratory order. Pacific Power seeks Commission approval of its Methodology for large QFs as required by Commission rules. Effective July 13, 2019, WAC 480-106-050(5) states, “Each utility shall file and obtain commission approval of its avoided cost rate methodology for qualifying facilities with capacity greater than five megawatts.” Pacific Power has

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<sup>1</sup> Petition ¶ 4.

<sup>2</sup> RCW 34.05.240; *accord* WAC 480-07-930(1).

<sup>3</sup> RCW 34.05.240.

legitimate concerns about whether its Methodology complies with this new regulation, giving rise to an actual controversy that adversely affects the Company to a greater degree than any adverse effect on others. Pacific Power, therefore, appropriately seeks a declaratory order on the process it will use to negotiate rates with large QFs under the new regulatory framework. We note that a declaratory order addresses only the applicability of Commission rules or governing statutes to particular circumstances. In this case, however, we find that a declaratory order satisfies the requirement in WAC 480-106-050(5) for Commission approval of Pacific Power's Methodology.

9 We begin our analysis of the merits of the Petition by outlining the requirements in WAC 480-106-050. Subsection (1) requires that rates for purchases from QFs be just and reasonable to the utility's customers and in the public interest; not discriminate against QFs; and not exceed the avoided costs to the utility of alternative energy, capacity, or both. Subsection (2) states that the utility should consider both (a) its schedule of estimated avoided costs filed pursuant to WAC 480-106-040 and (b) the factors set forth in WAC 480-106-050(5) to simplify negotiations with large QFs and imbue those negotiations with greater transparency and objectivity.

10 We conclude that Pacific Power's Methodology satisfies these requirements. The Methodology outlines the issues the utility and the QF may consider when negotiating the contract for Pacific Power's purchase of electricity. The outcome of the negotiations should be that the utility will pay the large QF at the Company's avoided cost, thus leaving customers indifferent to the source of the electricity and resulting in fair, just, reasonable, and sufficient rates as required by WAC 480-106-050(1). Pacific Power's Methodology provides the appropriate framework for those negotiations and reaching the desired outcome.

11 Pacific Power's Methodology also appropriately incorporates its schedule of estimated avoided costs as required by WAC 480-106-050(2) and WAC 480-106-050(5). Pacific Power states that its Methodology is "largely derived from [Pacific Power's] approved Schedule QF tariff and supporting workpapers provided in that filing."<sup>4</sup> Pacific Power also filed supporting workpapers in this docket. Pacific Power's incorporation of its methodology from the standard offer, as demonstrated in its workpapers, satisfies WAC 480-106-050(5)(a). The Company states that, for the purpose of providing indicative pricing for non-standard QFs, energy value will be calculated using Pacific Power's hourly Mid-Columbia market prices from its most recent Official Forward Price Curve.

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<sup>4</sup> Petition, Exhibit A, p.3.

Pacific Power's incorporation of its Schedule QF tariff in its Methodology satisfies WAC 480-106-050(5)(a).

- 12 WAC 480-106-050(5)(b) requires the parties to consider “[t]he availability of energy, capacity, and ancillary services from a qualifying facility during the system daily and seasonal peak periods.” The rule then lists specific factors to consider that could have a material impact on the QFs’ ability to deliver energy, capacity, and ancillary services. Ancillary services include voltage and frequency control, black start capabilities, reactive services. Storage is a capacity resource that also can provide ancillary benefits. We find that Pacific Power’s Methodology appropriately incorporates these requirements.<sup>5</sup> Exhibit A discusses how the Company will consider the specific characteristics of a project when determining whether it avoids or incurs additional costs to the system.
- 13 WAC 480-106-050(5)(c) directs the parties to consider how a particular QF may defer a utility’s need for additional capacity or reduce its reliance on fossil fuels: “The relationship of the availability of energy, capacity, or both, from the qualifying facility as derived in (b) of this subsection, to the ability of the utility to avoid costs, including the deferral of capacity additions and the reduction of fossil fuel use.” Pacific Power adequately addresses the ability of a QF to defer additional capacity. Exhibit A states that the capacity value of non-standard QFs will be equal to the dollar per megawatt-hour value applicable to standard QFs, which is a formula that has previously been approved by the Commission. Although Pacific Power does not specifically reference a QF’s ability to reduce the use of fossil fuels and meet statutory obligations such as the Clean Energy Transformation Act, RCW Chapter 19.405, we expect that the QF and the utility will negotiate the value of a specific QF to deferring the utility’s future capacity needs.
- 14 WAC 480-106-050(5)(d) requires the negotiating parties to consider “[t]he costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a qualifying facility.” Pacific Power’s Methodology satisfies this consideration by addressing transmission losses and distribution losses.
- 15 We conclude that Pacific Power’s proposed avoided cost rate Methodology for the Company’s power purchases from large QFs is consistent with the requirements in WAC 480-106-050(5), and that this conclusion satisfies the requirement in WAC 480-106-050(5) for Commission approval of that Methodology.

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<sup>5</sup> Petition Exhibit A, Subsection 2(A).

**ORDER**

**THE COMMISSION ORDERS:**

- 16 (1) The Commission grants PacifiCorp, d/b/a Pacific Power & Light Company's Petition for a Declaratory Order Approving the Avoided Cost Rate Methodology for Power Purchases from Large Qualifying Facilities per WAC 480-106-050(5).
- 17 (2) PacifiCorp, d/b/a Pacific Power & Light Company's Avoided Cost Rate Methodology for Power Purchases from Schedule QF Large Qualified Facilities is consistent with the requirements of WAC 480-106-050(5).
- 18 (3) This declaratory order satisfies the requirement in WAC 480-106-050(5) for Commission approval of PacifiCorp, d/b/a Pacific Power & Light Company's Avoided Cost Rate Methodology for Power Purchases from Schedule QF Large Qualifying Facilities.

DATED at Lacey, Washington, and effective August 25, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner