

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

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

Requesting Approval of Forecasts Under
RCW 70A.65.120

DOCKET UE-220789

ORDER 01

APPROVING SUPPLY AND
DEMAND FORECAST

BACKGROUND

- 1 In 2021, the Washington State Legislature passed the Climate Commitment Act (CCA) through Engrossed Second Substitute Senate Bill 5126 into law, codified as RCW 70A.65, to reduce greenhouse gas (GHG) emissions. Also referred to as “Cap and Invest,” the law establishes a declining cap on GHG emissions from covered entities, and is intended to reduce emissions in the state by 95 percent by 2050.¹ The CCA allows electric utilities, which are subject to the Clean Energy Transformation Act (CETA), to receive no-cost allowances to mitigate the cost burden of the Cap and Invest Program on electric customers.² The CCA required the Department of Ecology (Ecology) to adopt rules, in consultation with the Washington Utilities and Transportation Commission (Commission), to establish the methods and procedures for allocating allowances for investor-owned electric utilities (IOUs).³
- 2 On September 29, 2022, Ecology published final rules under Chapter 173-446 of the Washington Administrative Code (WAC), the Climate Commitment Act Program. WAC 173-446-230 specifies that Ecology will use utility-specific four-year demand and resource supply forecasts to determine the cost-burden effect and the allocation of no-cost allowances to each electric utility.
- 3 WAC 173-446-230(2)(g) provides that the initial allocation of allowances will be adjusted as necessary to account for any differential between actual GHG emissions and

¹ See [Climate Commitment Act - Washington State Department of Ecology](#).

² WAC 173-446-230(1).

³ RCW 70A.65.120.

forecasted GHG emissions.⁴ Commission staff (Staff) and other parties refer to this informally as the true-up mechanism (true-up). Ecology has clarified that it will not subtract allowances if actuals are less than forecasted emissions, but rather it would give the utility proportionately fewer allowances the next year.

4 On September 30, 2022, the Commission served a Notice Requiring Petitions Requesting Approval of Forecasts Pursuant to RCW 70A.65.120 (Notice) to the electric IOUs, which asked each utility to file for approval its most likely four-year demand and resource supply forecast by October 31, 2022.⁵ The Notice indicated that the forecasts should be derived from sources that most accurately and best predict how each IOU will comply with CETA, which may include a Clean Energy Implementation Plan (CEIP)⁶ or Integrated Resource Plan (IRP). Further, the Notice asked the IOUs to address whether the Commission should permit annual updates to the four-year demand and resource supply forecasts.

5 On October 28, 2022, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed with the Commission a Petition Requesting Approval of Forecasts, which was assigned to Docket UE-220789, and on January 5, 2023, PacifiCorp filed a revised petition. PacifiCorp used its 2021 CEIP as the source for its forecast of years 2023-2025 and its 2021 IRP for 2026. PacifiCorp's Final 2021 CEIP was filed in Docket UE-210829 on December 30, 2021, and is not yet approved, as there is an ongoing complaint investigation concerning the Company's CEIP in Docket UE-220376. As stated in the Notice, the outcome of this forecast docket will have no bearing on the ongoing CEIP and associated investigation. PacifiCorp forecasts a total Washington load of 4,656,030 MWh in 2023; 4,710,640 MWh in 2024; 4,730,240 MWh in 2025; and 4,760,890 MWh in 2026.

6 Since PacifiCorp is a multijurisdictional utility, in addition to relying on the filed CEIP and 2021 IRP, the Company also used its most recently approved Washington Interjurisdictional Cost Allocation Method (WIJAM) from Docket UE-191024 to represent the portion of generation allocated to Washington ratepayers. The application of the 2019 WIJAM allocations for years 2024-2026 in this forecast is different than what PacifiCorp used for those same years in its 2021 CEIP, because the CEIP assumed a

⁴ WAC 173-446-230(2)(g).

⁵ Notice Requiring Petitions Requesting Approval of Forecasts Pursuant to RCW 70A.65.120, filed November 16, 2023, in Dockets UE-220770, 220789, & 220797.

⁶ The compliance period for the utilities' CEIPs is 2022-2025, which differs by one year from the 2023-2026 compliance period.

“tentative proposed future allocation methodology for resources added in 2024 and beyond.” Consistent with Ecology’s rules, PacifiCorp extended the 2019 WIJAM methodology for the years 2024-2026.

7 On November 10, 2022, the Commission issued a Notice of Opportunity to File Written Comments and Notice of Recessed Open Meeting, providing an opportunity for interested parties to provide input on PacifiCorp’s forecast.

8 NW Energy Coalition (NVEC), Public Counsel, and Climate Solutions filed comments in response to the Notice, which are discussed in detail below. No commenter recommended rejecting the companies’ forecasts.

9 Staff has reviewed PacifiCorp’s forecast and believes that it is consistent with WAC 173-446-230 and Commission expectations but recommends that the Commission approve the forecast subject to the condition that, beginning in 2023, if substantive changes to emissions estimated by this forecast are expected in a future year, the Company must refile by June 15 of that year.

10 The Commission held a recessed open meeting to discuss the IOU’s CCA forecasts on January 23, 2023. Public Counsel and NVEC made oral comments regarding the general process for approving forecasts, issues related to the standard for “substantive” changes that require an update per Staff’s suggested condition, and the potential uncertainty in a “most likely” standard for approving the forecasts. Public Counsel also requested that the Company update specific line-item entries to separate zero-emission resources from carbon emitting resources in future forecasts.

DISCUSSION

11 As a threshold matter, we approve PacifiCorp’s forecast. After hearing discussion on the value of a condition requiring an update that may duplicate the reporting required by Ecology, we grant our approval subject to the modified condition that the Company must notify the Commission if there are any substantive changes, as that term may be defined by the Commission in a subsequent proceeding.

Forecast Sources

12 WAC 173-446-230(2)(c)(i) states that the preferred source for these forecasts should be a forecast “approved” by the Commission, although other sources, such as filed CEIPs and IRPs, are also included in the rule as appropriate sources for forecasts. While

PacifiCorp's CEIP has not yet received final Commission approval, the Commission nevertheless believes that CEIPs and IRPs are the best basis for CCA forecasts because they represent the best estimate of the utility's demand and supply. In the past, Staff, the Company, and other parties have discussed using power cost forecasts as the basis for CCA forecasts, as these are typically also approved by the Commission. However, the interlocking, iterative, and robust public processes between CEIPs and IRPs provide more transparency to the Commission and interested persons and are more likely to result in continuous improvement, while power cost forecasts are typically only used within the context of rate cases.

- 13 Secondly, the ongoing discussions in the CEIPs make them more current than power-cost-based forecasts. Moreover, should the Commission require changes to targets or methodologies in CEIP or IRP discussions that substantively change emissions and allowance expectations, the notification condition provided in this Order should help resolve any discrepancies.

Annual Updates and True-Up Mechanism

- 14 PacifiCorp recommends the Commission allow the Company to update its forecasts as needed based on future Multistate Protocol (MSP) negotiations, as well as permit PacifiCorp to biennially update its four-year demand and resource forecasts consistent with the Company's IRP and CEIP filing and update cycles.
- 15 We find Staff's recommendation more practical. Since Ecology's final rules include a "true-up" mechanism, the Commission should not require annual updates to the forecasts, because the "true-up" is intended to account for any differences between forecasted emissions and actuals, rendering an annual update unnecessary, neither should we require continuous updates on an as-needed basis. We thus approve these forecasts, subject to the condition detailed above regarding notification in the event of substantive changes affecting the forecasts. The Commission reserves the right to determine the definition of substantive changes requiring notification, and trusts that PacifiCorp will open a dialogue with Staff regarding any arguably substantive changes. This approach strikes a balance that ensures that the most updated forecast is publicly available and that the true-up mechanism can work as an administrative buffer, rather than as a fix for large discrepancies.

Other Issues Raised by Interested Parties

- 16 Several related issues were raised by interested parties in response to the Commission's invitation to comment on the forecast. These issues include the use of the social cost of

greenhouse gases in dispatch costs; increases in unspecified market purchases; leakage, as defined in RCW 70A.65.010(43); and the use of allowances to mitigate impacts to ratepayers. We appreciate parties raising these issues, agree that these issues are important and that we should, and will, address them going forward.

FINDINGS AND CONCLUSIONS

- 17 (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.
- 18 (2) PacifiCorp is an electric company and a public service company subject to Commission jurisdiction.
- 19 (3) PacifiCorp is an investor-owned electric utility subject to the requirements of Chapter 19.405 RCW.
- 20 (4) PacifiCorp properly calculated its four-year demand and resource supply forecast.
- 21 (5) PacifiCorp's 2023-2026 demand and resource supply forecast should be approved pursuant to 70A.65.120, subject to the condition that the Company must notify the Commission in the event of any substantive changes, as that term may be defined by the Commission in a subsequent proceeding.
- 22 (6) This matter came before the Commission at its recessed open meeting on January 23, 2023.
- 23 (7) After reviewing PacifiCorp's petition and forecast and giving due consideration to all relevant matters and for good cause shown, the Commission approves PacifiCorp's four-year demand and resource supply forecast.

ORDER

THE COMMISSION ORDERS:

- 24 (1) The Commission grants PacifiCorp d/b/a Pacific Power & Light Company's Petition Requesting Approval of Forecasts Under RCW 70A.65.120, subject to the condition described in paragraph 11.

- 25 (2) 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.
- 26 (3) The Commission retains jurisdiction over the subject matter and PacifiCorp d/b/a Pacific Power & Light Company, to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective January 24, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVE W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner