

Attachment

PSE’S RESPONSES TO THIRD-PARTY QUESTIONS, COMMENTS AND REQUESTS

Item #	Stakeholder and reference	Topic	Utility	Question, comment or request (comments are quotes unless in italics or brackets; footnotes omitted)	Puget Sound Energy
1	NIPPC/REC; Staff memo attachment	Large QF term sheets	All	The utilities non-binding term sheets for use in negotiating contracts for QFs over 5 MW required to be posted to their websites. We note however that we could not locate the term sheets for any of the utilities.	PSE will post the term sheets at <a href="http://www.pse.com">www.pse.com</a> with content similar to this page: <a href="https://www.pse.com/green-options/Renewable-Energy-Programs/distributed-renewables">https://www.pse.com/green-options/Renewable-Energy-Programs/distributed-renewables</a>
2	NIPPC/REC; Staff memo attachment	Tariff contents	Avista	Avista’s proposal to maintain its contracting procedures and standard PPA outside of Schedule 62 is inconsistent with WAC 480-106-030, which specifies that the tariff content include the contracting procedures, information requirements (for standard and non-standard QFs), and standard contract provisions.	N/A
3	NIPPC/REC	Capacity valuation from IRP	Avista	Avista’s proposal to derive its capacity price from its 2020 Draft integrated resource plan, rather than the most recently acknowledged IRP or most recent project proposals received pursuant to a request for proposal as required by WAC 480-106-040 (1)(b)(i).	N/A

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4	NIPPC/REC; Staff memo attachment	Required information for small QFs	PSE	PSE’s proposal to file a revised Schedule 91 that does not list the information required for QFs 5 MW and smaller to obtain a final executable PPA and that fails to include a contracting process is inconsistent with WAC 480-106-030 which specifies that the tariff must include the contracting procedures and information requirements (for both standard and non-standard QFs).	In its revised Schedule 91 tariff sheets, PSE will include contracting procedures that set forth the obligations of PSE and the qualifying facility entering into power purchase agreements for the purchase and sale of qualifying facility net output. Such contracting procedures will provide that a legally enforceable obligation will be considered in an executed written power purchase agreement between the utility and the qualifying facility prior to commercial operation.
5	NIPPC/REC; Staff memo and attachment	Peaker proxy implementation	PSE	PSE’s proposal to price its capacity in 2019 through 2022 based on market purchases rather than a simple-cycle combustion turbine (“SCCT”) required by WAC 480-106-040(1)(b)(ii).	In its revised Schedule 91 tariff sheets, PSE will price its capacity in 2019 through 2022 based on the projected fixed costs of a simple-cycle combustion turbine unit based upon PSE’s analyses for the 2017 integrated resource plan.

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6	NIPPC/REC; Staff memo and attachment	Peaker proxy implementation	Pacific Power	PacifiCorp’s proposal to pay for capacity only in July and December rather than include the full capacity cost of a SCCT in its avoided cost calculation for the years during which it identifies the need for capacity in the form of market purchases as required by WAC 480-106-040(1)(b)(ii).	N/A
7	NIPPC/REC; standard contracts discussed in Staff memo	Standard PPA	All; focus on Pacific Power	PacifiCorp proposed to file only a standard contract “template” for an on-system, firm, greenfield QF project that it will modify for other types of QFs (e.g., existing, off-system, or otherwise do not fit within that contract template). This is inconsistent with WAC 480-106-030, which specifies that the tariff content include standard contract provisions.	PSE’s three Schedule 91 standard power purchase agreements are consistent with WAC 480-106-030 and accommodate all Schedule 91 pricing options.

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8	NIPPC/REC	Legally enforceable obligation language in tariff	All	All three utilities’ proposals regarding the formation of legally enforceable obligations (“LEO”) are inconsistent with WAC 480-106-030(2), which provides explicit direction on how a QF may form a LEO. Each utility provides differing language, and no utility includes the language that a LEO may arise prior to executing a contract which is required by PURPA and Washington law. The Commission determined that a LEO may be found on a case-by-case basis recognizing that a LEO “is based on a [QF] committing itself to sell all or part of its electric output to an electric utility.”	In its revised Schedule 91 filing, PSE will indicate that (i) a legally enforceable obligation may exist prior to an executed written power purchase agreement; (ii) the qualifying facility or PSE may petition the Commission to resolve an irreconcilable disagreement that may arise between the qualifying facility owner and PSE during the contracting process; and (iii) the Commission will recognize that the formation of a legally enforceable obligation is based on a qualifying facility committing itself to sell all or part of its electric output to PSE.

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9	NIPPC/REC	QF power output requirements in tariff or contract	All	All references made by any of the three utilities to a requirement that a QF must provide “all QF output,” or “all of the electrical capacity and energy” rather than “all or part” of the net output is inconsistent with PURPA and WAC 480-106-020, which requires the purchase of energy and capacity that is “made available” or WAC 480-106-030 which allows a LEO formation for “all or part” of the QF’s electric output.	In its revised Schedule 91 filing, PSE will clarify that it will purchase any energy and capacity made available from a qualifying facility.

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10	NIPPC/REC	Direct interconnection requirements	All	All references made by any of the three utilities to a requirement that a QF must be “directly interconnected,” “located within the Company’s electric service area,” otherwise “on-system” is inconsistent with PURPA and WAC 480-106-020, which requires a utility to purchase any energy and capacity that is made available from a QF either directly or indirectly via transmission over another entity’s lines.	<p>The prices offered in Schedule 91 are limited to small qualifying facilities with a direct connection to PSE’s distribution system, which credits projects for avoidance of transmission and transformation losses. PSE could make Schedule 91 available to qualifying facilities that interconnect to PSE’s transmission system or are wheeled across a third party’s transmission system to PSE, but PSE would first need to develop a separate pricing structure under Schedule 91 for purchases from those qualifying facilities.</p> <p>In its revised Schedule 92 filing, PSE will clarify that it will purchase energy and capacity which is made available from a qualifying facility, without regard to the location or interconnection status of such facility.</p>

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11	NIPPC/REC	Interconnection agreement as requirement	All	All references made by all three utilities to any requirement that a QF must complete interconnection studies or execute an interconnection agreement prior to executing its PPA or prior to forming a LEO6 is inconsistent with PURPA.	In its revised Schedule 91 and Schedule 92 filings, PSE will state that PSE must make all the necessary interconnections with any qualifying facility to accomplish purchases or sales and that the facility must pay for interconnection costs to the extent required under WAC 480-106-080.
12	NIPPC/REC	Monthly shaping factors	Avista	<i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission:</i> Avista’s monthly energy shaping factors.	N/A
13	NIPPC/REC	Capacity contribution	All	<i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission:</i> Avista’s [and PSE’s] methodology for calculating renewable capacity contribution.	PSE’s approach for calculating renewable capacity contribution is based upon PSE’s 2017 Integrated Resource Plan (“IRP”), which the Commission acknowledged in Dockets UE-160918 and UG-160919.

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14	NIPPC/ REC	Market forecast	All; focus on PSE	<p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission:</i></p> <p>PSE’s Mid-C market price forecast. PSE used a market price forecast from its PSE’s current forecast of market prices for electricity in PSE’s most current draft Integrated Resource Plan; however, that plan has not been made public and the forecast accuracy must be vetted.</p>	<p>PSE’s use of “the utility’s current forecast of market prices” is exactly consistent with the Commission Rule at WAC 480-106-040(1)(a) and no further investigation is needed.</p> <p>The Commission Rule at WAC 480-106-040(1)(a) states that “An estimated avoided cost of energy based on the utility’s current forecast of market prices for power...”. It is important to note that unlike the rule language in subsequent sections, regarding avoided capacity costs, which specifically state the potential source as “the most recently acknowledged IRP”, this section of the rule does not. Therefore the Commission Rules do not require that estimated avoided costs of energy come from a source where the forecast accuracy must be vetted. The Commission Rules do specifically use the word “current”, PSE believes the advantage of the Commission Rules using that word is that the most current forecast of market prices is beneficial to the</p>
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					<p>ratepayers that have to ultimately pay for these standard contracts. The other advantage of the Commission Rules specifically using the word “current”, is that the QF is getting a current value rather than a value that is two years old.</p> <p>Notwithstanding that the Commission Rule language requires use of a current forecast of markets prices for power, but not from the most recently acknowledged IRP, PSE’s current forecast of market prices for power is, in fact public, and is outlined in its current draft 2019 IRP, and has been presented to stakeholders on September 19, 2019. All presentation materials are located at the following link: <a href="https://pse-irp.participate.online/">https://pse-irp.participate.online/</a>. A complete documentation of the power prices will be included in the 2019 IRP. The draft IRP will be released on November 15, 2019 with the final IRP filed with the WUTC on January 15, 2020.</p> <p>Since PSE has exactly complied with the</p>
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					Commission Rule at WAC 480-106-040(1)(a), and has actually provided more information than the rule requires, no further investigation is needed, no further process needs to allocated for this topic, and the Commission can approve the rates and avoided costs before the end of the calendar year.

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15	NIPPC/REC; Staff memo attachment	Utility right to purchase RECs	PSE	<p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission:</i></p> <p>PSE’s proposal to require that QFs offer PSE an option to purchase the environmental attributes. This is inconsistent with the requirement that the QF owns the environmental attributes unless the standard rates for which they are paid is based on a renewable resource or the QF otherwise expressly conveys the attributes to the utility for additional consideration under WAC 480-106-050 (4)(c).</p>	<p>PSE has included the REC purchase option in its Schedule 91 standard power purchase agreements for several years as a matter of convenience. PSE’s intention was not to force the qualifying facility to sell the RECs to the utility. PSE fully understands and agrees that qualifying facilities have no obligation to sell RECs to PSE. Likewise, PSE has no obligation to negotiate with the qualifying facility, and the price of the RECs are subject to negotiation. In light of the concerns expressed, PSE is amenable to deleting or changing this language in the tariff schedule and power purchase agreement.</p>
16	NIPPC/REC; Staff memo and attachment	Capitalized energy cost adjustment	Pacific Power	<p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission:</i></p> <p>PacifiCorp’s proposal for its “capitalized energy cost adjustment.”</p>	N/A

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17	NIPPC/REC; Staff memo attachment	Methodology for avoided cost calculation for large QFs	All	<i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission:</i> Methodology(s) for negotiating non-standard prices.	PSE will file and obtain Commission approval of its avoided cost rate methodology for qualifying facilities with capacity greater than five megawatts.

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18	NIPPC/REC; Staff memo attachment	Contracting procedures and timelines	All	<p><i>It is unclear whether this item is consistent with the Commission’s rules and policies. NIPPC/REC recommends further investigation by the Commission:</i></p> <p>Contracting procedures and timelines.</p>	<p>In its revised Schedule 91 tariff sheets, PSE will include contracting procedures that sets forth the obligations of the utility and the qualifying facility entering into Schedule 91 standard power purchase agreement for the purchase and sale of qualifying facility output.</p> <p>The current proposed contracting procedures and timelines in Schedule 92 meet the requirements of WAC 480-106-030(2)(a).</p> <p>In its revised Schedule 92 filing, PSE will indicate that (i) a legally enforceable obligation may exist prior to an executed written power purchase agreement; (ii) the qualifying facility or PSE may petition the Commission to resolve an irreconcilable disagreement that may arise between the qualifying facility owner and PSE during the contracting process; and (iii) the Commission will recognize that the formation of a legally enforceable obligation is based on a qualifying facility committing itself</p>
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					to sell all or part of its electric output to PSE.

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19	NIPPC/ REC	Process for address ing concern s re: standar d PPAs	All	NIPPC/REC intends to comment in more detail regarding the specific concerns with each utility’s contract provisions. NIPPC/REC’s preferred process would be not to litigate these issues before the Commission at an open meeting, but instead to have a litigated proceeding in which Staff and interested parties identify contested PPA provisions and the Commission makes a policy determination as to the reasonableness of each disputed provision. <sup>9</sup> NIPPC/REC prefer that this occur through notice and comment rather than a formal evidentiary proceeding with testimony and hearings.	PSE’s filed Schedule 91 standard power purchase agreements are reasonable and generally consistent with PSE standard power purchase agreements previously approved by the Commission and used by PSE over the past several years. Because the filed standard power purchase agreement terms are consistent with the current agreement terms that have been already reviewed and approved this Commission, PSE believes that further extensive review is not necessary. Because the filed standard power purchase agreement terms are consistent with the current agreement terms and that more than a dozen qualifying facilities have already signed these Commission-approved agreements in the past several years, PSE believes that these terms are reasonable and that further extensive review is not necessary. Because several existing qualifying facilities need to sign new PPAs when their current PPAs expire at the end of this calendar year, PSE is requesting that the Commission
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					<p>complete the review and approval before the end of the year. If the Commission were to seek additional process to address time to review certain provisions of standard power purchase agreements with qualifying facilities, PSE would work together with the Commission, Commission Staff, Public Counsel, and other stakeholders to expedite the review of the tariff schedule attachment so that existing QFs can sign new PPAs when their current PPAs expire at the end of this calendar year.</p>



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20	NIPPC/REC	Standard PPA: Start of contract term for existing QFs	All	The Commission set fixed price terms for existing QFs of 10 years and for new QFs of 15 years, using different language. It is not explicit in the WAC and as a result, the utilities each provide differing interpretations around when the 10-year term of fixed price [payments] for existing QFs commences. WAC 480-106-050 expressly provides that the 15-year term of fixed prices for new QFs starts on contract execution, but it does not make a similar finding for existing QFs.	See PSE’s response to Item #19.
21	NIPPC/REC	Standard PPA: Default and Cure	All	Each of the utilities have differing provisions around what constitutes a default and whether or not the QF may cure that default and the amount of time a QF has to cure. Generally, some ability to cure is reasonable	See PSE’s response to Item #19.
22	NIPPC/REC	Standard PPA: Damages	All	While it is generally not unreasonable for a party to owe damages in the event of a default or termination, the damages that are imposed should be commercially reasonable.	See PSE’s response to Item #19.

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23	NIPPC/REC	Standard PPA: Upgrades and increases or decreases	All	Whether a QF is permitted to upgrade its facilities or increase/decrease its nameplate capacity, and if upon doing so, it is entitled to the rates within its existing contract, is an important topic for resolution because there may be changes to the project, equipment, or facilities that require changes to the nameplate capacity	See PSE’s response to Item #19.
24	NIPPC/REC	Standard PPA: Facility milestones	All	The milestones proposed by some of the utilities are not commercially reasonable. For example, PSE’s milestones would essentially require the QF to initiate commercial operation within one year after contract execution. <sup>10</sup> Given that it may take three years from execution to reach commercial operation and the Commission’s rules allow for 3 years between execution and commercial operation, these milestones are not reasonable.	See PSE’s response to Item #19. Also, PSE would note that its initial Schedule 91 standard power purchase agreement filing contained an error. The milestone for completion of interconnection facilities should have been 35 months and not 350 days, and the milestone for commercial operations should have been 36 months and not 360 days. In its revised Schedule 91 tariff sheets, PSE will correct these two errors.

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25	NIPPC/REC; referenced in staff memo	Standard PPA: Interconnection requirements and service	All	The utilities include varying levels of interconnection requirements in their standard contracts, including metering and telemetering requirements, communications requirements and that a QF must be designated as a network resource. Because interconnections are generally handled separately, these interconnection requirements may not be reasonable to include within the PPA. It may be reasonable to simply remove these requirements and state that all interconnections will comply with the applicable interconnection rules.	See PSE’s response to Item #19.
26	NIPPC/REC	Standard PPA: Scheduling	All	The scheduling provisions are important because many small QFs do not have the capability to meet aggressive scheduling requirements. These requirements should be commercially reasonable and practical in light of the utilities’ need for power to be scheduled and a small QF’s ability to do so.	See PSE’s response to Item #19.

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27	NIPPC/REC	Standard PPA: Estimates on minimum and maximum deliveries	All	The provisions surrounding estimated energy deliveries and minimum or maximum deliveries and the damages or differing prices paid for violating such provisions are important to determining the economic viability of a project. Small QFs often do not have the bandwidth to produce down-to-the-minute estimates of energy deliveries, and then be penalized for not producing at that estimate. A commercially reasonable approach would give enough flexibility to QFs to enable them to accurately estimate.	See PSE’s response to Item #19.
28	NIPPC/REC	Standard PPA: Insurance	All	The utilities have a wide range of insurance requirements from simply a general liability policy, but also property insurance, and an extremely detailed list of various types of other insurances, and on top of that the level of general liability insurance varies. This may be one area where it is reasonable to have some consistency or standardization.	See PSE’s response to Item #19.

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29	NIPPC/REC	Standard PPA: Creditworthiness and security	All	The creditworthiness and security provisions vary greatly among the utilities as well. Generally, it is appropriate for some assurances around creditworthiness, but it may not be commercially reasonable for the QFs to post security unless and until it is demonstrated that the QF cannot meet the credit requirement	See PSE’s response to Item #19.
30	NIPPC/REC	Standard PPA: Dispute resolution	All	The dispute resolution provisions create significant confusion around how disputes over executed contracts should be resolved and whether disputes come before the Commission, the courts, or some sort of third-party alternative dispute resolution process such as and arbitration	See PSE’s response to Item #19.
31	NIPPC/REC	Standard PPA: Governmental authority	All	All three utilities include the same language in a “governmental authority” section, which notes that the agreement is “subject to” all governmental authorities having jurisdiction over the facility, the agreement and the parties. This language is similar to language in Portland General Electric Company’s standard contract, which has been the subject of litigation in Oregon.	See PSE’s response to Item #19.

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32	NIPPC/REC	Standard PPA: Commission approval	Avista	Avista’s contract contains a provision stating that the contract is subject to Commission approval. In Idaho, the Idaho Public Utility Commission approves each individual PURPA contract executed by the utilities and based on the fact that only one utility included this provision, it is not clear whether the WUTC plans to employ a similar method, or if this was simply an error left over from something Avista may have taken out of one of its Idaho contracts.	N/A
33	NIPPC/REC	Standard PPA: Non-termination on repeal of PURPA	All	Each of the utilities should include a provision in their standard PPAs that provides that the contract will not terminate if PURPA is repealed.	See PSE’s response to Item #19.

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34	Sun2o/D GEP	Solar Capacity Valuation	Avista	<p><i>Flawed assumptions informing Avista’s 0% capacity contribution factor for solar:</i></p> <p>The first flawed assumption is that Avista will operate today, and going forward, strictly as a winter peaking utility. Since the filing of their 2017 IRP, system data and system assessments show a dual peaking profile that may shift to a summer peaking profile over the course of QF contracts.</p>	N/A
35	Sun2o/D GEP	Solar Capacity Valuation	Avista	<p><i>Flawed assumptions informing Avista’s 0% capacity contribution factor for solar:</i></p> <p>The second flawed assumption is that Avista’s Rathdrum Solar Project, which is used to model solar capacity contribution in the 2017 IRP, is representative of solar QFs that would be placed in service under this Tariff. Avista’s 2017 IRP uses the monthly output of its Rathdrum Solar Project to evaluate the capacity contribution of solar.</p>	N/A

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36	Sun2o/D GEP	Capacity valuation methodology	All	<p>Effective load carrying capability (“ELCC”) can be used to arrive at a fair capacity contribution value of solar for a dual peaking utility in the PNW. ELCC is an accurate measure of the equivalent firm capacity for variable resource...</p> <p>To determine the capacity contribution of solar QFs for this Tariff, dependable capacity contribution values for solar in the winter and summer can be calculated, as shown by E3, and then applied based on the peaking profile of the respective utility. For example, if the Commission were to accept E3’s Dependable Capacity Analysis, a solar QF contracting with a dual peaking utility such as Avista would be paid at an average of summer and winter contribution, equal to 53.5%.</p>	<p>The effective load carrying capability (“ELCC”) value of 16% for wind resources was set forth in the Figure N-37: Indicative Avoided Capacity Resource Costs for Resources Delivered to PSE (Base + CAR Only Scenario) at page N-67 of Appendix N in PSE’s 2017 IRP that was filed with the Commission on November 14, 2017.</p> <p>The ELCC value of 2% for solar resources is based upon the corrected Figure N-37 that was filed with the Commission on January 12, 2018: <a href="https://pse-irp.participate.online/">https://pse-irp.participate.online/</a></p>



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37	Sun2o/D GEP	Social Cost of Carbon	All, focus on Avista	<p>Avista’s Tariff should be revised to include an adder for the Social Cost of Carbon (“SCC”) avoided by renewable QFs. Currently, Avista proposes to use the deterministic Mid-C market forecast energy price scenario from their Draft 2020 IRP. Avista is not using the Draft 2020 IRP scenario that includes SCC in dispatch and is not proposing to compensate QFs for avoided greenhouse gas emissions, and the associated cost that will be avoided by energy generated by carbon free QFs...</p> <p>Once the Commission publishes the social cost of carbon, planned by September 15th , Joint Parties urge the Commission to require Washington IOUs to revise their tariffs to include this avoided cost for QFs that decide to include the sale of their renewable attributes with the sale of their energy.</p>	<p>RCW 19.280.030(3)(a) requires an electric utility must incorporate the social cost of greenhouse gas emissions as a cost adder when:</p> <p>(i) evaluating and selecting conservation policies, programs, and targets; (ii) developing integrated resource plans and clean energy action plans; and (iii) evaluating and selecting intermediate term and long-term resource options. Nothing in RCW 19.280.030(3)(a) requires an electric utility to pay the social cost of greenhouse gas emissions to a qualifying facility or any other party.</p>

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<p>38</p>	<p>Sun2o/D GEP; referenc ed in staff memo</p>	<p>Energy Storage Inclusio n</p>	<p>All</p>	<p>Solar plus energy storage QFs create flexible, dispatchable clean generation assets that can provide additional capacity during WA IOU’s peak demand hours and provide a range of reliability services. QFs that incorporate energy storage should be compensated for the value they deliver ratepayers at avoided cost rates... Joint Parties urge the Commission to order a revision of the Tariff that includes a schedule for QFs paired with energy storage by 2hr, 3hr and 4hr duration. Solar plus energy storage QFs can provide firm, dispatchable, clean energy to Avista and WA Utilities, but will not be developed without a Tariff that provides accurate and fair avoided cost compensation for the capabilities of the QF.</p>	<p>PSE notes that neither PURPA nor FERC’s regulations explicitly mention energy storage as an energy resource type that can make a facility eligible for qualifying facility status. In <i>Luz Development and Finance Corp.</i>, however, FERC clarified that a storage facility is eligible for qualifying facility status if its primary energy source (i.e., the source of the electric energy to be stored and delivered at a later time) is “one of those contemplated by the statute . . . e.g., biomass, waste, renewable resources, geothermal resources or any combination thereof.” 51 FERC ¶ 61,078, at 61,172 (1990). There remain significant uncertainties as to the treatment of storage facilities collocated with qualifying facilities. If the Commission were to seek additional process to address the impact of storage collocated with qualifying facilities, PSE would work together with the Commission, Commission Staff, Public Counsel, and other stakeholders in that process.</p>
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39	Staff	Capacity factor adjustment	PSE	<p>To arrive at a reasonable avoided cost of capacity, the value of capacity, which is lowered based on the capacity contribution adjustment, should then be spread across the expected number of generation hours such that the QF would collect the appropriate capacity contribution...</p> <p>PSE has not yet filed replacement pages implementing this concept, but the company has been receptive to the revision.</p>	<p>PSE will revise its work paper and pricing strips to address the concerns raised by Commission Staff.</p>
40	Staff memo and attachment	Avoided cost of energy: market forecasts	All	<p>Staff notes the variation across the companies’ forecasts, but does not at this time dispute the reasonableness of any company’s forecast. Avista and PSE have significantly lower price forecasts; relatedly, these two companies are using their draft IRP forecasts, which contemplate the impacts of the Clean Energy Transformation Act.</p>	<p>PSE believes that its draft 2019 IRP provides a reasonable projection of the future energy prices.</p>

Attachment

PSE’S RESPONSES TO THIRD-PARTY QUESTIONS, COMMENTS AND REQUESTS

Item #	Stakeholder and reference	Topic	Utility	Question, comment or request (comments are quotes unless in italics or brackets; footnotes omitted)	Puget Sound Energy
41	Staff memo and attachment	Capacity payments and in-service date	All	Staff views this [Avista’s] implementation as truer to the language of the rule, but feels that PSE’s and Pacific Power’s implementations also align with the rule’s intent.	PSE’s capacity payments are reasonable and consistent with the rule. If the Commission were to seek additional process to address capacity payments generally, PSE would work together with the Commission, Commission Staff, Public Counsel, and other stakeholders in that process.

Attachment

PSE’S RESPONSES TO THIRD-PARTY QUESTIONS, COMMENTS AND REQUESTS

42	Staff memo and attachment	Capacity valuation-based timing of IRP resource selections	All; focus on PSE	PSE interpreted WAC 480-106-040(1)(b) as a directive to take a levelized average cost of all “next planned capacity additions identified in the succeeding twenty years” from its IRP. In staff’s view, this is not a plain reading of the rule, but the material difference between these differing perspectives appears minimal at this time. That may change in a future IRP.	The capacity valuation used in PSE’s Schedule 91 pricing calculation is based directly upon input from PSE’s most recently acknowledged (2017) IRP to provide simplicity, transparency and consistency. When PSE reads the rule language, it believes the entire phrase needs to be considered. The entire phrase uses both the words “next” and “succeeding twenty years”. If the rule was meant to exclude all the other costs, then the rule should have either stated “only the next”, or “just the next” and/or completely excluded the words “succeeding twenty years”. PSE believes that the interests of transparency and consistency are served by using all the data that appears in the most recently acknowledged IRP. When an interested party looks at the table of indicative avoided capacity resource costs (Appendix N, figure N-37, page N-67 <a href="https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP17_AppN.pdf">https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP17_AppN.pdf</a> ), they may wonder
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PSE’S RESPONSES TO THIRD-PARTY QUESTIONS, COMMENTS AND REQUESTS

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					<p>why all the data is not being used. PSE also believes that in the long run, especially after CETA implementation, that using all the data points for the estimated avoided cost of capacity will be best for all stakeholders, especially for the ratepayers that will have to pay for the power purchase agreements.</p> <p>Appendix N: Electric Analysis</p> <p>Figure N-37: Indicative Avoided Capacity Resource Costs for Resources Delivered to PSE (Base + CAR Only Scenario)</p> <table border="1"> <thead> <tr> <th>Capacity Resource Addition</th> <th>Levelized Net Cost (\$/kW/yr)</th> <th>Firm Resource ELCC + 90% (\$/kW/yr)</th> <th>Wind Resource ELCC + 90% (\$/kW/yr)</th> <th>Solar Resource ELCC + 1% (\$/kW/yr)</th> </tr> </thead> <tbody> <tr><td>2018 Avoided Energy</td><td>\$0.10</td><td>\$0.10</td><td>\$0.02</td><td>\$0.00</td></tr> <tr><td>2019 Supply Capacity Cost</td><td>\$0.10</td><td>\$0.10</td><td>\$0.02</td><td>\$0.00</td></tr> <tr><td>2020</td><td>\$0.10</td><td>\$0.10</td><td>\$0.02</td><td>\$0.00</td></tr> <tr><td>2021</td><td>\$0.10</td><td>\$0.10</td><td>\$0.02</td><td>\$0.00</td></tr> <tr><td>2022 Transmission Redirect</td><td>\$3.26</td><td>\$3.26</td><td>\$0.52</td><td>\$0.03</td></tr> <tr><td>2022 Flow Battery 4 hr</td><td>\$93.00</td><td>\$93.00</td><td>\$14.88</td><td>\$0.93</td></tr> <tr><td>2024 Flow Battery 4 hr</td><td>\$93.00</td><td>\$93.00</td><td>\$14.88</td><td>\$0.93</td></tr> <tr><td>2025 Frame Peaker</td><td>\$80.00</td><td>\$80.00</td><td>\$12.80</td><td>\$0.80</td></tr> <tr><td>2026 Frame Peaker</td><td>\$80.00</td><td>\$80.00</td><td>\$12.80</td><td>\$0.80</td></tr> <tr><td>2027 Frame Peaker</td><td>\$80.48</td><td>\$80.48</td><td>\$12.88</td><td>\$0.80</td></tr> <tr><td>2028</td><td>\$80.48</td><td>\$80.48</td><td>\$12.88</td><td>\$0.80</td></tr> <tr><td>2029</td><td>\$80.48</td><td>\$80.48</td><td>\$12.88</td><td>\$0.80</td></tr> <tr><td>2030</td><td>\$80.48</td><td>\$80.48</td><td>\$12.88</td><td>\$0.80</td></tr> <tr><td>2031 Frame Peaker</td><td>\$84.16</td><td>\$84.16</td><td>\$13.47</td><td>\$0.84</td></tr> <tr><td>2032</td><td>\$84.16</td><td>\$84.16</td><td>\$13.47</td><td>\$0.84</td></tr> <tr><td>2033</td><td>\$84.16</td><td>\$84.16</td><td>\$13.47</td><td>\$0.84</td></tr> <tr><td>2034 Frame Peaker</td><td>\$88.31</td><td>\$88.31</td><td>\$14.13</td><td>\$0.88</td></tr> <tr><td>2035</td><td>\$88.31</td><td>\$88.31</td><td>\$14.13</td><td>\$0.88</td></tr> <tr><td>2036 Frame Peaker</td><td>\$91.09</td><td>\$91.09</td><td>\$14.57</td><td>\$0.91</td></tr> <tr><td>2037</td><td>\$91.09</td><td>\$91.09</td><td>\$14.57</td><td>\$0.91</td></tr> </tbody> </table> <p>N-67 PSE 2017-2019</p>	Capacity Resource Addition	Levelized Net Cost (\$/kW/yr)	Firm Resource ELCC + 90% (\$/kW/yr)	Wind Resource ELCC + 90% (\$/kW/yr)	Solar Resource ELCC + 1% (\$/kW/yr)	2018 Avoided Energy	\$0.10	\$0.10	\$0.02	\$0.00	2019 Supply Capacity Cost	\$0.10	\$0.10	\$0.02	\$0.00	2020	\$0.10	\$0.10	\$0.02	\$0.00	2021	\$0.10	\$0.10	\$0.02	\$0.00	2022 Transmission Redirect	\$3.26	\$3.26	\$0.52	\$0.03	2022 Flow Battery 4 hr	\$93.00	\$93.00	\$14.88	\$0.93	2024 Flow Battery 4 hr	\$93.00	\$93.00	\$14.88	\$0.93	2025 Frame Peaker	\$80.00	\$80.00	\$12.80	\$0.80	2026 Frame Peaker	\$80.00	\$80.00	\$12.80	\$0.80	2027 Frame Peaker	\$80.48	\$80.48	\$12.88	\$0.80	2028	\$80.48	\$80.48	\$12.88	\$0.80	2029	\$80.48	\$80.48	\$12.88	\$0.80	2030	\$80.48	\$80.48	\$12.88	\$0.80	2031 Frame Peaker	\$84.16	\$84.16	\$13.47	\$0.84	2032	\$84.16	\$84.16	\$13.47	\$0.84	2033	\$84.16	\$84.16	\$13.47	\$0.84	2034 Frame Peaker	\$88.31	\$88.31	\$14.13	\$0.88	2035	\$88.31	\$88.31	\$14.13	\$0.88	2036 Frame Peaker	\$91.09	\$91.09	\$14.57	\$0.91	2037	\$91.09	\$91.09	\$14.57	\$0.91
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PSE’S RESPONSES TO THIRD-PARTY QUESTIONS, COMMENTS AND REQUESTS

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43	Staff memo and attachment	Next planned capacity resource	Pacific Power	More concerning, however, is the company’s conflation of the planned 2021 start date for projects resulting from the RFP with the “next planned capacity resource addition identified in the succeeding twenty years in the utility’s most recently acknowledged integrated resource plan,” as specified in WAC 480-106-040(b). This interpretation has the effect of pulling the next selected WCA resource up six years, from 2027 to 2021.	N/A
44	Staff memo and attachment	Differentiation by season and by fuel type	All	However, staff is concerned that implementing on- and off-peak adjustments as well as fuel type differentiation may lead to two adjustments for the same resource characteristics. Staff will continue working to understand this issue with the utilities and other stakeholders.	PSE is not planning, at this time, to make available any on- and off-peak pricing adjustments to any qualifying facility.

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45	Staff memo	Definition of projected fixed costs	All	WAC 480-106-040(1)(b) requires a utility to calculate its avoided cost of capacity “based on the projected fixed cost of the next planned capacity addition” of its most recently acknowledged IRP. The peaker proxy requirement similarly references projected fixed costs. Staff understands “projected fixed costs” as comprised of, at minimum, the capital costs and fixed operations and maintenance (O&M) costs for a selected resource. Any avoided fuel costs and variable O&M costs would be represented in the avoided energy payment, which is valued based on market forecasts. Staff is working with the utilities to better understand other factors that are included in each utility’s identification of the fixed costs of its next planned capacity addition.	PSE will revise its work paper and pricing strips to address the concerns raised by Commission Staff.



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PSE’S RESPONSES TO THIRD-PARTY QUESTIONS, COMMENTS AND REQUESTS

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46	Sun2o/D GEP	Procedural priorities	All	Items that require immediate action: I. Utilities do not include the avoided social cost of carbon as required by SB 5116	RCW 19.280.030(3)(a) requires an electric utility must incorporate the social cost of greenhouse gas emissions as a cost adder when: (i) evaluating and selecting conservation policies, programs, and targets; (ii) developing integrated resource plans and clean energy action plans; and (iii) evaluating and selecting intermediate term and long-term resource options. Nothing in RCW 19.280.030(3)(a) requires an electric utility to pay the social cost of greenhouse gas emissions to a qualifying facility or any other party.

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PSE’S RESPONSES TO THIRD-PARTY QUESTIONS, COMMENTS AND REQUESTS

47	Sun2o/D GEP	Proced ural prioritie s	All	<p>Items that require evaluation:</p> <p>I. Avista’s determination that it is a strictly winter peaking utility</p> <p>II. Avista’s determination that it has no summer capacity need</p> <p>III. Avista’s utilization of the Rathdrum Solar Project to evaluate a solar project’s production</p> <p>IV. Capacity contribution of renewable plus energy storage QFs</p>	<p>PSE notes that neither PURPA nor FERC’s regulations explicitly mention energy storage as an energy resource type that can make a facility eligible for qualifying facility status. In <i>Luz Development and Finance Corp.</i>, however, FERC clarified that a storage facility is eligible for qualifying facility status if its primary energy source (i.e., the source of the electric energy to be stored and delivered at a later time) is “one of those contemplated by the statute . . . e.g., biomass, waste, renewable resources, geothermal resources or any combination thereof.” 51 FERC ¶ 61,078, at 61,172 (1990). There remain significant uncertainties as to the treatment of storage facilities collocated with qualifying facilities. If the Commission were to seek additional process to address the impact of storage collocated with qualifying facilities, PSE would work together with the Commission, Commission Staff, Public Counsel, and other stakeholders in that process.</p>
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PSE’S RESPONSES TO THIRD-PARTY QUESTIONS, COMMENTS AND REQUESTS

<p>48</p>	<p>NIPPC/REC (comments provided via email; edited by Staff for consistency with other comments)</p>	<p>Large QF avoided cost price methodology</p>	<p>All</p>	<p>[NIPPC/REC provided] resources from other states regarding how the methodologies for calculating non-standard avoided costs have been explained. In the past in other states, [NIPPC/REC has] seen PacifiCorp (for example) provide briefing and testimony regarding how its methodology works.</p> <p><b>Oregon</b> The OPUC approved use of PacifiCorp’s PDDRR methodology in Docket No. UM 1610.</p> <ul style="list-style-type: none"> <li>• 02/04/2013 PAC Phase I testimony – See Dickman testimony pages 7-16 for the PDDRR explanation.</li> <li>• 05/22/2015 PAC Phase II testimony – See Dickman testimony pages 16-29 for the PDDRR explanation.</li> <li>• 09/02/2015 PAC Pre hearing brief – see pages 30-36.</li> <li>• 10/13/2015 PAC Post hearing brief – see pages 13-18.</li> </ul> <p><b>Wyoming</b> The Wyoming first approved the PDDRR methodology a while back. The documents from the initial proceeding do not appear to be available on the web, but here is some information from later proceedings that may be helpful.</p>	<p>PSE will file and obtain Commission approval of its avoided cost rate methodology for qualifying facilities with capacity greater than five megawatts.</p>
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PSE’S RESPONSES TO THIRD-PARTY QUESTIONS, COMMENTS AND REQUESTS

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				<ul style="list-style-type: none"> <li>• 01/10/2011 Record No. 12750 Avoided Cost application – See Duvall testimony and accompanying exhibit describing a settlement to use the PDDRR method and explaining it.</li> <li>• 11/02/2018 Record no 15133 QF Application – PacifiCorp’s most recent filing in Wyoming to change the PDDRR methodology (among other things). See MacNiel testimony pages 5-16.</li> </ul> <p>[NIPPC/REC’s] hope would be that each of the utilities would provide similar summaries and descriptions of their large QF avoided cost price methodology so that Staff and stakeholders can better understand it.</p>	