

**ELECTRIC COMPANIES--PURCHASES OF ELECTRICITY FROM QUALIFYING FACILITIES AND INDEPENDENT POWER PRODUCERS, AND PURCHASES OF ELECTRICAL SAVINGS FROM CONSERVATION SUPPLIERS**

**Stakeholders’ comments to Supplemental CR-102 proposed language**

<b>Utility Benchmark (WACs 480-107-015(2) and 480-107-035(2))</b>	
<b>Stakeholder</b>	<b>Comment</b>
PacifiCorp	PacifiCorp’s states that it is inappropriate to view the utility as a bidder. PacifiCorp interprets these provisions to <u>not apply</u> to the situation in which the utility intended to utilize a cost-based alternative as a comparison benchmark.
<b>Avoided Costs/Debt Equivalence (WAC 480-107-035)</b>	
<b>Stakeholder</b>	<b>Comment</b>
Northwest CHP Advocates	<p>Northwest CHP Advocates claims that the avoided cost language continues to give an option to purchaser not to acquire cogeneration by using their “least cost alternative” criterion. Without strong avoided cost language that will raise avoided costs which recognize the triple benefits of cogeneration (1/3 more energy efficient, ½ less emissions, and no transmission costs), the likely impact of these new rules will be minimal.</p> <p>The Advocates believe that imputed debt should not be included in a utility's cost calculations and recommends that a rigorous investigation on this credit risk issue be completed before including these costs. They support commencing an investigation as to why Washington State is 31st among states in cogeneration capacity and why no significant cogeneration has been built in many years in the state.</p>

<p>Cogeneration Coalition of Washington</p>	<p>The proposed rule (WAC 480-107-035) Project ranking procedure, allows the utility to evaluate and rank project proposals based on, among other items, “<i>credit and financial risks to the utility.</i>” (WAC 480-107-035). While this is a generic reference to any financial risk, it can easily include imputing additional costs to long-term purchase power agreements on the basis of debt equivalence. It remains uncertain whether the rating agencies’ consideration of debt equivalence actually affects a utility’s costs. The CCW argues that given the guarantee that procurement costs related to QF contracts should be fully recoverable, it is not clear that entering into a QF contract should produce any increased credit risk.</p> <p>For the CCW, allowing the consideration of debt equivalence in these regulations allows a utility broad discretion in how the factor is employed, without any effective review of this Commission. While draft RFPs and their proposed ranking criteria are filed for Commission review, that Commission review may simply determine that some “consideration” of imputed debt is permissible. There would be no direct and final determination of how imputed debt should be applied or quantified, or that it is justified in any particular circumstance. The utility’s evaluation of the RFP responses may never be filed at the Commission, and there may be no opportunity for Commission review of how the utility applied the criteria of financial risk. And if the evaluations are filed with the Commission, it would likely be under seal so that none of the suppliers could review and question the treatment of imputed debt.</p> <p>CCW recommends that the Commission initiate a rulemaking into how debt equivalence will be considered in the procurement process.</p>
<p><b>Courtesy Comments</b></p>	
<p>Avista Utilities PSE</p>	<p>Both utilities submitted courtesy comments.</p>