



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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March 14, 2018

NOTICE OF WORKSHOP
(Set for 9:30 a.m. on Monday, May 14, 2018)

AND

NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS
(By 5 p.m. on Friday, April 13, 2018)

RE: Public Utility Regulatory Policies Act, Obligations of the Utility to Qualifying Facilities, WAC 480-107-105.
Docket U-161024

TO ALL INTERESTED PERSONS:

On September 1, 2016, the Washington Utilities and Transportation Commission (Commission) filed with the Office of the Code Reviser a Preproposal Statement of Inquiry (CR-101) to examine whether the Commission's rules in WAC 480-90-238, WAC 480-100-238, and WAC 480-107 related to the integrated resource plan (IRP) process and utility bidding processes related to the IRP rules should be revised to keep up with recent trends in the energy industry. On March 20, 2017, the Commission issued a Notice of Workshop and Opportunity to File Written Comments to consider whether additional revisions are necessary to rules in WAC 480-107 that outline a utility's obligation to a Public Utility Regulatory Policies Act (PURPA) qualifying facility. On May 17, 2017, the Commission held a workshop to discuss utility and stakeholder recommendations, and Commission Staff led another workshop on September 5, 2017. The Commission now invites the public to provide feedback on its informal PURPA draft rules by providing written comments and participating in a workshop.

ISSUE DISCUSSION

On February 26, 2018, the Commission received a Joint Recommendation Regarding Implementation of Public Utility Regulatory Policy Act for Utilities and Qualifying

Facilities (Joint Recommendations), outlining areas of common ground signed by one utility and several stakeholders.¹ On March 9, 2018, Avista Utilities filed comments in response to the Joint Recommendations, and on March 13, Pacific Power and Light Company filed response comments.² As the Commission was close to finalizing its informal PURPA draft rules prior to receiving the Joint Recommendations, we release this informal draft without comment on the Joint Recommendations. We invite the public to file comments with the Commission in Docket U-161024 that address the informal PURPA draft rules, the Joint Recommendations, and Avista Utilities' and Pacific Power and Light Company's responses to the Joint Recommendations.

QUESTIONS FOR CONSIDERATION

The Commission requests feedback on its informal draft rules for PURPA, as described below. We also invite additional comment and feedback on issues we have not identified in the following questions.

1. Is the proposed definition of *capacity*, as described in WAC 480-106-DDD, an appropriate definition for the purpose of this rule?
2. WAC 480-106-GGG strengthens the relationship between a utility's integrated resource plan and the avoided cost rates available to qualifying facilities. Consequently, avoided cost rates calculated at the time a legally enforceable obligation is incurred will reflect the utility's own forecasts and plans for meeting anticipated demand through a combination of supply-side and demand-side resources over a specified future period. Please comment on the merits of strengthening the relationship between a utility's integrated resource plan and its avoided cost.
3. WAC 480-106-GGG(1)(a) requires a utility to file an avoided energy cost based on the utility's forecast of market prices. WAC 480-106-GGG(1)(b) requires the utility to determine the avoided capacity cost using the Proxy Unit method. When using the Proxy Unit method, one option is to set the avoided energy price based

¹ Docket U-161024. Puget Sound Energy, Northwest and Intermountain Power Producers Coalition, Renewable Energy Coalition, Renewable Northwest, Northwest Energy Coalition, and Climate Solutions: *Joint Recommendation Regarding Implementation of Public Utility Regulatory Policy Act for Utilities and Qualifying Facilities*, February 26, 2018.

² Docket U-161024. Avista Corporation, *Avista Utilities Response to Joint Recommendations Filed by Puget Sound Energy, Northwest and Intermountain Power Producers Coalition, Renewable Energy Coalition, Renewable Northwest, Northwest Energy Coalition, and Climate Solutions*, March 9, 2018. Pacific Power and Light Company, *Pacific Power and Light Company's Response to Joint Recommendations filed by Puget Sound Energy, Northwest and Intermountain Power Producers Coalition, Renewable Energy Coalition, Renewable Northwest, Northwest Energy Coalition, and Climate Solutions*, March 13, 2018.

- on the energy price of the proxy resource. Should the avoided energy price be based on the market forecast or the price of the energy used for the proxy resource?
4. WAC 480-106-GGG(1)(a) requires utilities to file an avoided energy cost on a cents per kilowatt-hour basis, during daily and seasonal peak and off-peak periods, by year. Should the Commission also require the avoided energy cost to include hourly or blocks of hourly periods?
 5. WAC 480-106-GGG(2)(iii) discusses schedules of estimated avoided cost. Is discounting the capacity payment from the utility's year of need to the present day an appropriate way to represent the avoided costs of a resource the utility has identified a need for in the future? In balance, does it provide the required price signal for capacity? Does this subsection require additional rule language and specificity?
 6. WAC 480-106-GGG(c) is intended to permit utilities to offer standard rates that take into account the differing qualities of various generation types, such as variations in capacity factors. Currently, the informal PURPA draft rules do not specify how a utility might identify these qualities and use them to calculate avoided capacity costs. Does this subsection provide enough specificity or is additional rule language needed?
 - a. No resource, including thermal generation, has a one hundred percent capacity factor. Should the rules require applying a calculation that compares the qualifying facility to the highest capacity factor resource? For example, if the highest capacity factor plant has a capacity factor of 90 percent, and the qualifying facility has a capacity factor of 30 percent, then the capacity credit to the qualifying facility is $30\% \div 90\% = 33\%$.
 7. Joint Recommendations – The discussion draft rules do not include any option or the requirement to transfer any renewable energy credits (RECs) generated by qualifying facilities. The Joint Recommendations propose that RECs should be included in the sale when the avoided costs used to determine a utility's offered standard rate are based on a resource that would also generate RECs. Would this arrangement be satisfactory for all parties? In the instance where standard rates are based on a resource that does not generate RECs, is there reason to permit, or to require, the utility to offer a tariff schedule to qualifying facilities, which include the avoided cost of RECs? This arrangement would enable smaller developers to sell RECs at a set price and avoid the challenge of navigating a

complex market, mirroring the rationale that PURPA uses in compelling utilities to purchase of capacity and energy.

8. Joint Recommendations – If the Commission adopts the recommendation to require the inclusion of limited contract provisions to qualifying facilities of all sizes, should the rule specify contract provisions that utilities must offer?
9. Joint Recommendations – Does the recommendation that each utility file and obtain Commission approval of its avoided cost rate methodology for qualifying facilities above the size threshold for standard rate eligibility impose an unnecessary burden on utilities, stakeholders, and the Commission? Should the avoided cost rate for larger qualifying facilities depend on facts and circumstances that cannot be easily accounted for by rule?

WRITTEN COMMENTS

Written comments in response to this Notice and the questions listed above must be filed with the Commission no later than **5:00 p.m., Friday, April 13, 2018**. The Commission requests that comments be provided in electronic format to enhance public access, for ease of providing comments, to reduce the need for paper copies, and to facilitate quotations from the comments. Comments may be submitted via the Commission's Web portal at www.utc.wa.gov/e-filing or by electronic mail to the Commission's Records Center at records@utc.wa.gov. Please include:

- The docket number of this proceeding (U-161024).
- The commenting party's name.
- The title and date of the comment or comments.

An alternative method for submitting comments may be by mailing or delivering an electronic copy to the Commission's Records Center in .pdf Adobe Acrobat format or in Word 97 or later format on a flash drive or CD. Include all of the information requested above. The Commission will post on its website all comments that are provided in electronic format. The website is located at the following URL address:
<http://www.utc.wa.gov/161024>.

If you are unable to file your comments electronically, the Commission will accept a paper document. Questions may be addressed to Brad Cebulko, at (360) 664-1309 or at bcebulko@utc.wa.gov, or Kyle Frankiewich, at (360) 664-1316 or kfrankie@utc.wa.gov.

STAKEHOLDER WORKSHOP

In addition to filing written comments, interested persons are invited to attend a stakeholder workshop on **May 14, 2018, beginning at 9:30 a.m., in Room 206, Richard Hemstad Building, 1300 S. Evergreen Park Drive S.W., Olympia, Washington.**

The Commission's teleconference bridge line will be available for the workshop. The Commission prefers and recommends that interested persons participate in person and share ideas in a workshop setting. However, if this imposes a hardship, interested persons may participate at the workshop via the Commission's teleconference bridge at **(360) 664-3846**. The conference bridge is limited to 22 access lines.

Stakeholders will have further opportunity for comment. Information about the schedule and other aspects of the rulemaking, including comments, will be posted on the Commission's website as it becomes available. If you wish to receive further information on this rulemaking you may:

- 1) Call the Commission's Records Center at (360) 664-1234.
- 2) E-mail the Commission at records@utc.wa.gov.
- 3) Mail written comments to the address below.

When contacting the Commission, please refer to Docket U-161024 to ensure that you are placed on the appropriate service list(s). The Commission's mailing address is:

Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

NOTICE

If you do not want to comment now, but do want to receive future information about this rulemaking, please notify the Executive Director and Secretary in one of the ways described above and ask to be included on the mailing list for Docket U-161024. If you do not do this, you might not receive further information about this rulemaking.

STEVEN V. KING
Executive Director and Secretary