



UE-210816

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October 29, 2021

Filed Via Web Portal

Ms. Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

**Re: Advice No. 2021-38
PSE’s Electric Tariff Filing – Filed Electronically**

Dear Ms. Maxwell:

Pursuant to RCW 80.28.060 and WAC 480-80-101 and WAC 480-80-105(1)(c), please find enclosed for filing the following proposed revisions to the WN U-60, Tariff G for electric service of Puget Sound Energy (“PSE”):

- 29th Revision of Sheet No. 91, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less
- 7th Revision of Sheet No. 91-B, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)
- 5th Revision of Sheet No. 91-C, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)
- 3rd Revision of Sheet No. 91-D, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)
- 2nd Revision Sheet No. 91-H, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)
- 2nd Revision Sheet No. 91-I, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)

These revisions include the proposed standard rates for purchases from Qualifying Facilities (“QFs”) of five megawatts or less and an updated schedule of PSE’s Estimated Avoided Costs of Energy and Capacity. In addition, this filing also includes a housekeeping reference update for WAC 480-107-05 to WAC chapter 480-106.

The filing is submitted on October 29, 2021, in compliance with WAC 480-106-040(1) that a utility must file by November 1st of each year. The proposed revisions to Schedule 91 are consistent with Chapter WAC 480-106, Electric Companies—Purchases of Electricity from Qualifying Facilities, and with WAC 480-80-102, Tariff Content. Specifically, these proposed changes meet the requirements outlined in WAC 480-106-030, Tariff for purchases from qualifying facilities.

In this filing, PSE is also seeking an exemption from WAC 480-106-040(1)(b) which requires a utility to identify its estimated avoided cost of capacity based on the projected fixed cost of the next planned capacity addition identified in the utility’s most recently integrated resource plan acknowledged by the Washington Utilities and Transportation Commission (“Commission”). Pursuant to WAC 480-100-238, on April 4, 2021, under Dockets UE-200304 and UG-200305,

PSE filed its final 2021 Integrated Resource Plan (“2021 IRP”) with Commission, but the Commission has not acknowledged PSE’s 2021 IRP as of the filing date of this Schedule 91 tariff update. Therefore, PSE respectfully requests a waiver of WAC 480-106-040(1)(b) so that PSE is allowed to use the most current information from the 2021 IRP in this tariff update.

PSE’s IRP process and results have been made available for review by all interested parties at this website: <https://pse-irp.participate.online/> prior to PSE’s initial filing of 2021 IRP on April 1, 2020.

Schedule of Estimated Avoided Costs per WAC 480-106-040

Consistent also with RCW 19.280.070(2), this Schedule of Estimated Avoided Costs contains an estimated capacity value for combined heat and power systems that are dispatchable by PSE. The Schedule of Estimated Avoided Costs shows the levelized Avoided Costs differentiated by characteristic of qualifying facilities under the following assumptions:

1. Identification of Avoided Energy: The estimated Avoided Energy Costs on the proposed Sheet No. 91-H is based upon PSE's most current forecast of market prices for electricity in PSE's final 2021 IRP as provided for in WAC 480-106-040(a).

These estimated Avoided Costs are consistent with the Mid-C prices for the “Base” scenario in PSE's 2021 IRP using the 2021 electricity price forecast generated using PSE’s Aurora power dispatch model without system integration, shaping, or transmission related costs.

2. Identification of Avoided Capacity and associated Capacity Costs: The estimated Avoided Capacity Costs on the proposed Sheet No. 91-I (i.e., Table No. 2 of the Schedule of Estimated Avoided Costs) (“Table No. 2”) is estimated also based on PSE’s 2021 IRP with the assumptions pursuant to WAC 480-106-040(b)(ii) that the frame peaker be the capacity resource addition for 2021-2042 at the Avoided Capacity Costs of \$95.27/kW-yr .

Standard Rates for Purchases from Qualifying Facilities of Five Megawatts or Less Per WAC 480-106-050 (4)

The current proposed Table Nos. 1 and 2 of the Schedule of Estimated Avoided Costs, are the base inputs to PSE’s Schedule 91 Price Models (“Models”), attached to this filing as Model A-Standard Schedule 91 Rates for Delivery to PSE’s Distribution System and Model B-Standard Schedule 91 Rates for Delivery to PSE’s Transmission System. These two Models apply standard adjustments to the costs in the Schedule 91 Schedules of Estimated Avoided Costs to determine the standard rates that PSE will pay for power purchased from a small QF. It calculates the various standard fixed rates for power purchase from small QFs of baseload, solar, wind, or other PURPA resources. As shown in the Models and summarized below, these explicit

standardized adjustments are included to reflect different supply characteristics and different technologies of qualifying facilities.

Inputs	Avoided Energy Cost Avoided Capacity Cost PSE Current Cost of Capital Deferred Transmission and Distribution (“T&D”) Cost Credit Effective Load Carrying Capacity Net Capacity Factor (“NCF”)
Input: Avoided Energy Cost	Source: 2021 IRP forecast for Mid-C Power Prices for Base Scenario.
Input: Avoided Capacity Cost	Source: 2021 IRP with assumption that the capacity resource addition is a frame peaker at Avoided Capacity Costs of \$95.27/ kW per year for 2021-2041
Input: PSE’s Authorized Cost of Capital	Source: PSE’s 2019 General Rate Case Filing (Docket No. UE-190529).
Input: Deferred T&D Cost Credit (Applicable only to the PPAs that delivery to PSE’s distribution system)	Source: The \$12.93/kW-yr (or \$12.61/kW-yr levelized 2020 dollar) value is PSE’s own estimated total T&D capacity deferral costs. The costs are determined based upon PSE’s T&D upgrade projects from 2010 to 2020. PSE submitted to the Northwest Power and Conservation Council for its development of the 2021 Northwest Power Plan the same capacity deferral costs: \$5.219/kW-yr for transmission and \$7.396/kW-yr for distribution. As part of its preparation for the 2021 Power Plan, the Council released on 3/12/2019 its preliminary results of weighted average values of T&D capacity deferral costs: transmission, \$3.08/kW-yr; and distribution, \$6.85/kW-yr (levelized 2016 dollar). For the prior updates of Schedule 91 standard fixed rates, PSE had used the values recommended by the Regional Technical Forum of the 7th Northwest Power Plan. The total monetary values of avoided transmission and distribution capacity were \$27.33/kW-yr (levelized 2012 dollar).

Inputs	Avoided Energy Cost Avoided Capacity Cost PSE Current Cost of Capital Deferred Transmission and Distribution (“T&D”) Cost Credit Effective Load Carrying Capacity Net Capacity Factor (“NCF”)
Input: Effective Load Carrying Capacity	Source: 2021 IRP. Generic resource values are used as proxy for Baseload (100%), Generic Washington Wind (17.8%), and Solar (4%).
Input: Net Capacity Factor	Source: 2021 IRP using generic resource values as a proxy for Baseload (100%), Generic Washington Wind (36.7%), and Solar (24.2%).
Input: Inflation Rate	Source: Derived by PSE and assumed to be 2.5%.
Input: Line Loss Reduction	Source: Derived by PSE and posted to the Open Access Same-Time Information System (OASIS) under Real Power Losses. Currently assumed to be 2.7%.
Input: Contingency Reserves	Source: Based on a WECC-wide contingency reserve margin. Currently assumed to be 3%.

Calculations	Avoided Energy Benefit Avoided Capacity Benefit Avoided T&D Benefit Avoided Cost Contract Rates
Avoided Energy Benefit	The Avoided Energy Benefit is based on the Avoided Energy Cost (\$/MWh), which is adjusted up to account for assumed Line Loss Reductions that would otherwise be incurred with the purchase of market energy.
Avoided Capacity Benefit	The Avoided Capacity Benefit is based on the Avoided Capacity Cost (\$/kW-year) which is adjusted for the generic resource ELCC, and then converted into \$/MWh based on the resources available hours as derived by the resources NCF (e.g., 8,760 total hours in a year * 36.7% NCF = 3,215 available hours in a year for the Wind Resource).
Avoided T&D Benefit (Applicable only to the PPAs that delivery to PSE’s distribution system)	The Avoided T&D Benefit is based on an assumed Deferred T&D Cost Credit (\$/kW-year) escalated to a given year using an assumed inflation rate, which is converted into \$/MWh based on the total number of hours in a year (8,760 in a non-leap year). If a project is not located on PSE’s system, there is no Avoided T&D Benefit because PSE’s T&D system will be used to deliver energy to load.

Calculations	Avoided Energy Benefit Avoided Capacity Benefit Avoided T&D Benefit Avoided Cost Contract Rates
Schedule 91 Standard Fixed Rates	To calculate the Schedule 91 Standard Fixed Rates for a given contract length (5-years, 10-years, or 15-years) the corresponding Net Present Value (“NPV”) (using PSE’s approved Authorized Cost of Capital) of the Avoided Energy Benefit, Avoided Capacity Benefit and Avoided T&D Benefit are aggregated in \$/MWh, and then decremented to account for the assumed contingency reserve required. In order to smooth out the year-to-year rate variability inherent in the inputs, the NPV value is levelized over the appropriate contract length, and then the levelized rate is indexed and adjusted using the assumed inflation rate, ensuring an offered contract rate that predictably increases year-over-year at the assumed inflation rate.

The tariff sheets described herein reflect an issue date of October 29, 2021, and an effective date of December 1, 2021. Notice and posting of proposed tariff changes, as required by law and the Commission’s rules and regulations, is being completed in accordance with WAC 480-100-193(1). The tariff changes proposed in the filing do not increase recurring charges nor restrict access to the optional services under Schedule 91. No notice is required under the provisions of WAC 480-100-194 or -195.

In addition, per WAC 480-106-030(5), PSE has been posting at its web site at <https://www.pse.com/green-options/Renewable-Energy-Programs/distributed-renewables> the information on how to obtain draft and executable contracts and the nonbinding term sheets with limited contract provisions for qualifying facilities with capacities of greater than five megawatts.

Please contact Mei Cass at (425) 462-3800 for additional information about this filing. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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Ms. Amanda Maxwell
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cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie

Attachments:

Electric Tariff Sheets, listed above

Model A-Standard Schedule 91 Rates for Delivery to PSE's Distribution System

Model B-Standard Schedule 91 Rates for Delivery to PSE's Transmission System