BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of **PUGET SOUND ENERGY,** **For a Declaratory Order Approving the Avoided Cost Rate Methodology for Power Purchases from Schedule 92 Large Qualified Facilities per WAC 480-106-050(5)**	**DOCKET UE-191062**

COMMENTS ON BEHALF OF COMMISSION STAFF

March 13, 2020

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Introduction

On January 30, 2020, the Utilities and Transportation Commission (Commission) issued a Notice of Dates for Entry of Declaratory Order and Filing of Proposed Procedural Schedule (Notice). The Notice in part directed Commission staff (Staff), Puget Sound Energy (“PSE” or “Company”), and any other interested persons to confer and propose a procedural schedule for the Commission’s consideration of PSE’s petition by February 13, 2020.

Staff filed a proposed procedural schedule assented to by all parties on February 13, 2020. The Commission substantively adopted this schedule, allowing Staff and third parties more time to review PSE’s proposed methodology and to build a record to inform the Commission’s decision on whether to approve the Company’s methodology pursuant to WAC 480-106-050(5). Staff is grateful for the additional time to review the Company’s proposal.

Background

On June 12, 2019, the Commission concluded its rulemaking under Docket U-161024 with General Order R-597, amending, adopting, and repealing parts of the Washington Administrative Code (WAC). The order revised and updated Washington State’s implementation of the Public Utility Regulatory Policies Act (PURPA), which requires utilities to purchase energy and capacity from small power producers, also called qualifying facilities (QFs). The present filing was prompted by WAC 480-106-050(5), which describes the many factors that must be considered when deriving PURPA rates for large QFs.

At the October 2, 2019 informal workshop regarding the implementation of the Commission’s new PURPA rules, Staff and interested stakeholders explored what procedural options would satisfy the new rules. After reviewing the rules and consulting with its legal counsel, Staff informed the utilities that they should seek Commission approval of their proposed avoided cost rate methodologies for large QFs through a petition.

During this time, PSE and other parties were also honing the Company's tariff revision filing under Docket UE-190665. The Company's standard rates, contracting procedures, and standard power purchase agreements (PPAs) were considered at the December 5, 2019, Commission open meeting. At that open meeting, the Commission took no action, allowing a heavily updated Schedule 91 as well as a new Schedule 92 to go into effect by operation of law.

In Section 4 of the Company's Schedule 92, PSE references the present filing:

> **4. Avoided Cost Rate Methodology:** The methodology used to calculate avoided cost rates for QFs with capacities of greater than five MWs will be filed by the Company on or before December 31, 2019, for consideration and approval by the Commission, consistent with WAC 480-106-050(5). Interested parties may search for and review the docket on the Commission's website when filed, and the Commission's website will have approval status and other information regarding that proceeding.[1]

Staff appreciates the Company's timely filing of this petition.

Staff assessment of PSE's proposed methodology

Staff tentatively supports approval of PSE's proposed methodology to be used in calculating avoided cost rates for QFs with a capacity greater than five megawatts (MW). While the petition and two exhibits could benefit from a more cohesive structure – some components of the methodology are in the petition, while others are in one or both of the exhibits – Staff finds that the rationale proposed for each adjustment is sound, and the methodology countenances all requirements found in WAC 480-106-050(5). Based on this initial filing, and in the absence of strong concerns voiced by other parties, Staff would support approval of this methodology.

It is difficult to codify a robust methodology without a template to reference. As such, Staff commends the Company in constructing this methodology, the first under the new chapter 480-106 WAC. Table Nos. 1 and 2 of the petition provide a clear, itemized description of the inputs used to generate the avoided cost rates in Schedule 91, and describe how they might be updated for a customized rate offered to large QFs.

In Table 1 below, Staff compares the Company's proposed methodology to the requirements found in WAC 480-106-050(5).

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[1] Puget Sound Energy, Electric Tariff G, Schedule 92, Original Sheet No. 92-D.

Table 1. Staff comparison of PSE's proposed methodology with applicable WAC requirements

WAC 480-106 citation	WAC 480-106 language	Staff assessment of PSE's compliance with requirement
050(5)	Each utility shall file and obtain commission approval of its avoided cost rate methodology for qualifying facilities with capacity greater than five megawatts. When negotiating rates for purchases from qualifying facilities with capacities greater than five megawatts, to the extent practicable, the parties should consider the following factors:	PSE submitted a petition for approval of this methodology, starting this docket.
050(5)(a)	The data the utility provided to the commission pursuant to WAC 480-106-040 Schedules of estimated avoided costs, and the commission's evaluation of the data;	PSE's Exhibit A references the Company's Schedule of Estimated Avoided Cost in Schedule 91 as item 1.
050(5)(b)	The availability of energy, capacity, and ancillary services from a qualifying facility during the system daily and seasonal peak periods, including	PSE's Exhibit A references the WAC in Section 2; Section 4.E specifies that QFs with storage may provide additional benefits "depending on the ancillary benefits able to be generated by the project."
050(5)(b)(i)	The utility's ability to dispatch the qualifying facility;	PSE's Exhibit A references the WAC in Section 2; Section 4.A points to benefits of dispatchability in calculating peak capacity contribution.
050(5)(b)(ii)	The qualifying facility's expected or demonstrated reliability;	PSE's Exhibit A references the WAC in Section 2; Section 4.E discusses a QF's ability "to adequately meet various operational conditions that may affect PSE system reliability."
050(5)(b)(iii)	The terms of any proposed contract or other legally enforceable obligation;	PSE's Exhibit A, Section 2.A.iii. specifies that contract terms which might affect various value streams "will be considered in the Schedule 92 rate offered to the QF."
050(5)(b)(iv)	The extent to which the parties can usefully coordinate their respective scheduled outages;	PSE's Exhibit A, Section 2.A.iv. specifies that coordinated outages could positively impact avoided capacity calculations.
050(5)(b)(v)	The usefulness of energy, capacity, or both, supplied from a qualifying facility during system emergencies, including the qualifying utility's ability to separate its load from its generation;	PSE's Exhibit A, Section 2.A.v. specifies that a QF's availability during system emergencies "may impact the avoided capacity benefit calculation."

050(5)(b)(vi)	The individual and aggregate value of energy and capacity from qualifying facilities on the utility's system; and	PSE’s Exhibit A, Section 2.A.vi. references this item and provides useful examples for how a QF’s location on PSE’s system may add or reduce the valuation of the QF’s benefit to PSE.
050(5)(b)(vii)	The smaller capacity increments and the shorter lead times available, if any, with additions of capacity from qualifying facilities.	PSE’s Exhibit A, Section 2.A.vii states, “The ELCC calculation will take into account the duration of capacity offered and the lead time required to call on that capacity.”
050(5)(c)	The relationship of the availability of energy, capacity, or both, from the qualifying facility as derived in (b) of this subsection, to the ability of the utility to avoid costs, including the deferral of capacity additions and the reduction of fossil fuel use; and	PSE’s Exhibits A and B both explore deferred transmission and distribution, but are silent on deferral of capacity addition. Also discussed in Table No. 2 of PSE’s petition.
050(5)(d)	The costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a qualifying facility.	PSE’s Exhibits A and B both explore deferred transmission and distribution, but are silent on deferral of capacity addition.

Questions to PSE

Table 1 illustrates how, in Staff's view, PSE's proposed methodology meets the standards in WAC 480-106-050(5). However, from Staff's perspective, a key feature of a static, vetted, and approved large QF methodology is that it provides an opportunity to avoid disagreements between prospective QFs and utilities by prescribing a valuation approach that is unambiguous and objective.

In the interest of maximizing that opportunity, Staff offers some questions in pursuit of two goals: (1) to clarify areas of possible ambiguity, and (2) to ensure that the methodology is durable. Staff encourages the Company to answer these questions in its response to comments, due on April 10, 2020, per the Commission's procedural schedule.

1. **Expected or demonstrated reliability:** How will PSE gauge whether expected reliability metrics as represented by QFs are reasonable or feasible? What are these metrics, and how are they included in the overall avoided cost valuation?
2. **IRP inputs – reconciling updated inputs with a static methodology:** Will the Company commit to updating all IRP inputs referenced in Exhibit B and in the petition such that this methodology, if approved, would not be 'stale' in 2024? Is there a way to connect the Schedule 91 rate updates with this methodology? Or is this already done in PSE's view with Section 1 of Exhibit A?
3. **Exhibit B:** Will the Company commit to filing updated versions of Exhibit B to its tariff as part of the updates required under WAC 480-106-040(1)? If not, how does the Company propose to keep these useful resources up-to-date? Staff suggests that these materials could be located with the information and term sheets required under WAC 480-106-030(5).
4. **Exhibit A, Section 4.A. Effective Load Carrying Capability:** Does Staff correctly understand that PSE will run a project-specific effective load carrying capacity (ELCC) analysis for any prospective large QF that begins negotiations?
5. **Discussion of Schedule 91 Pricing Model in Petition:** When and how are transmission and distribution deferral credit calculations updated? Would an updated deferral credit necessitate refiling the large QF methodology?
6. **Exhibit A, Section 4.D.iv.:** Staff is unclear on the intent and meaning behind this item. Please rephrase and include an example to illustrate what is meant.
7. **Carbon pricing and the Clean Energy Transformation Act:** Staff understands that carbon pricing is included in the Company's avoided cost of energy, and is contemplated in the Company's IRP. Staff does not have a clear understanding of how that analysis would flow into this methodology. Does this methodology sufficiently consider the avoided costs associated with carbon reduction? Does the Company believe that this

methodology will need to be revisited after the various rulemakings to implement CETA are completed?

Conclusion

Based on this initial filing, and in the absence of strong concerns voiced by other parties, Staff tentatively supports approval of this methodology. Staff will withhold a final recommendation until after other parties have a chance to comment and respond to questions raised in Staff’s comments.