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SCHEDULE 92
PURCHASES FROM QUALIFYING FACILITIES OF GREATER THAN FIVE MEGAWATTS
(Single Phase or Three Phase)

1. **AVAILABILITY:**
   A. This schedule applies to any person or entity, hereinafter referred to as the Producer, who owns (or leases) and operates a Qualifying Facility ("QF"), the Net Output of which is offered to the Company pursuant to WAC 480-106-020(1) and is of more than five (5) megawatts ("MW").
   B. Producers are required to enter into a negotiated written power purchase agreement ("Negotiated Agreement") for the sale of energy produced by the QF to the Company per the procedures and timelines prescribed in this Schedule.
   C. Producers must comply with all of the Terms and Conditions contained in this Schedule.

2. **NEGOTIATED RATES FOR PURCHASE OF NET OUTPUT:** For the term and the rates of a Negotiated Agreement, the monthly rate per MWh which the Company will pay for Net Output supplied to the Company by a Producer's QF. Producer will be established considering the following factors:
   A. The data the Company provided to the Washington Utilities and Transportation Commission ("UTC") pursuant to WAC 480-106-040 Schedules of estimated avoided costs, and the UTC's evaluation of the data;
   B. The availability of energy, capacity, and ancillary services from the QF during the system daily and seasonal peak periods, including:
      i. The Company's ability to dispatch the QF;
      ii. The QF's expected or demonstrated reliability;
      iii. The terms of any proposed contract or other legally enforceable obligation;
      iv. The extent to which the Company and the Producer can usefully coordinate respective scheduled outages;
      v. The usefulness of energy, capacity, or both, supplied from Producer's QF during system emergencies, including the Producer's ability to separate QF's load from its generation;
      vi. The individual and aggregate value of energy and capacity from qualifying facilities on the Company's system; and
      vii. The smaller capacity increments and the shorter lead times available, if any, with additions of capacity from qualifying facilities.

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2. NEGOTIATED RATES FOR PURCHASE OF NET OUTPUT: (Continued)

C. The relationship of the availability of energy, capacity, or both, from the QF to the ability of the Company to avoid costs, including the deferral of capacity additions and the reduction of fossil fuel use; and

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.

3. CONTRACTING PROCEDURES:

A. The Producer may request indicative negotiated prices. To obtain an indicative pricing proposal for a proposed project, the Producer must provide in writing, general project information reasonably required for the development of indicative pricing, including, but not limited to:

- i. Demonstration of ability to obtain QF status.
- ii. Design capacity, station service requirements, and net amount of Net Output to be delivered to the Company's electric system.
- iii. Generation technology and other related technology applicable to the site.
- iv. Quantity and timing of monthly Net Output deliveries (including project ability to respond to dispatch orders from the Company).
- v. Proposed site location and electrical interconnection point.
- vi. Status of interconnection and transmission arrangements.
- vii. Proposed on-line date and outstanding permitting requirements.
- viii. Motive force or fuel plan consisting of fuel type(s) and source(s).
- ix. Proposed contract term and pricing provisions.

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3. CONTRACTING PROCEDURES: (Continued)

B. The Company will not be obligated to provide an indicative pricing proposal until all the information described above has been received in writing from the Producer. Within 30 business days following receipt of all required information, the Company will provide the Producer with an indicative pricing proposal, which may include other terms and conditions, tailored to the individual characteristics of the proposed project. Such proposal may be used by the Producer to make determinations regarding project planning, financing and feasibility. However, such prices are indicative and are not final and binding. Prices and other terms and conditions are only final and binding to the extent contained in Negotiated Agreement, once executed by both parties. The Company will provide with the indicative prices a description of the methodology used to develop the prices.

C. The specific factors established in the section 3 of this schedule to the extent practicable, will be taken into account.

D. If the Producer desires to proceed with negotiations after reviewing the Company's indicative price proposal, the Producer must request in writing that the Company prepare a draft Negotiated Agreement to serve as the basis for negotiations between the parties. In connection with such request, the Producer must provide the Company with any additional project information that the Company reasonably determines to be necessary for the preparation of the Negotiated Agreement, which may include, but will not be limited to:

   i. Updated information for the project information listed above in section 4.A.
   ii. Evidence of adequate control of proposed site.
   iii. Timelines for obtaining any necessary governmental permits, approvals or authorizations.
   iv. Assurance of fuel supply or motive force.
   v. Anticipated timelines for completion of key project milestones.
   vi. Evidence that any necessary interconnection studies have been completed and assurance that the necessary interconnection arrangements have been executed or are under negotiation.

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3. CONTRACTING PROCEDURES: (Continued)

E. Within 30 days following receipt of updated information required by the Company, the Company will provide the Producer with a draft Negotiated Agreement. The draft agreement will contain proposed terms and conditions in addition to indicative pricing. The draft agreement is not binding; however; it will serve as the basis for subsequent negotiations.

F. After reviewing the draft Negotiated Agreement, the Producer will notify the Company in writing of its intent to proceed with negotiations. The Producer may prepare an initial set of written comments and proposals regarding the agreement and forward them to the Company. The Company will not be obligated to begin negotiations with a Producer until the Company has received an initial set of written comments. After the Company's receipt of comments and proposals, the Producer may contact the Company to schedule contract negotiations at such times and places as are mutually agreeable to the parties. In connection with such negotiations, the Company:

   i. Will not unreasonably delay negotiations and will respond in good faith to any additions, deletions or modifications to the draft Negotiated Agreement that are proposed by the Producer.

   ii. May request to visit the site of the proposed project if such a visit has not previously occurred.

   iii. Will update its pricing proposals at appropriate intervals to accommodate any changes to the Company's avoided-cost calculations, the proposed project or proposed terms of the draft Negotiated Agreement.

   iv. May request any additional information from the Producer necessary to finalize the terms of the Negotiated Agreement and satisfy the Company's due diligence regarding the QF project.

G. When both parties are in full agreement as to all terms and conditions of the draft Negotiated Agreement, the Company will prepare and forward to the Producer a final, executable version of the agreement within 15 business days. Prices and other terms and conditions in the Negotiated Agreement will not be final and binding until the agreement has been executed by both parties.

H. If parties are not in full agreement within 60 days from the date of written notice, the Producer may file a complaint with the Commission asking the Commission to adjudicate the disputed contract terms.

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4. AVOIDED COST RATE METHODOLOGY:

A. The avoided cost rate will be based on the avoided costs not incurred by the Company due to the energy and capacity provided by the QF.

B. The avoided energy cost is the nominal price forecast of monthly prices at the Mid-Columbia ("Mid-C") power trading market on a monthly basis. The forecasted prices are the Company's estimates for Mid-C market prices derived using the Company's AURORA forecast model and do not include system integration, shaping, or transmission costs. System integration, shaping, or transmission costs can be applied to decrement these prices, will be determined on a case-by-case basis, and be specific to the operational specifics and location of the QF.

C. The avoided capacity cost is the capacity value for combined heat and power systems that are dispatchable by the Company consistent with RCW 19.280.070(2). Avoided resource costs are directly related to avoiding acquisition of new capacity resources, and are derived from forecasts from the Company's AURORA forecast model. These costs represent the average costs of capacity additions (or average incremental costs) not marginal costs. System integration, shaping, or transmission costs can be applied to decrement these prices.

5. **DEFINITIONS:**

A. The term "Qualifying Facility" ("QF") as used in this schedule shall have the same meaning as in Chapter 480-106-007 of the Washington Administrative Code.

B. The term "Net Output" means all of the electrical capacity and energy produced by the QF, reduced by (i) any amounts of electrical capacity and energy, if any, used in connection with the operation of the QF (e.g. station and other onsite use), and (ii) any transformation and transmission losses incurred between the QF and the Company's system.

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6. TERMS AND CONDITIONS:

A. The Producer will be required to enter into a written Negotiated Agreement prior to interconnection of Company and Producer's facilities. The term of the Negotiated Agreement for a new Qualifying Facility will be no more than fifteen (15) years; and the term of the Negotiated Agreement for an existing Qualifying facility will be ten (10) years.

B. All costs of interconnection of the Producer's facilities with the Company's system will be borne by the Producer. Such costs will include the initial cost of interconnection and those costs incurred by the Company from time to time with respect to the Producer's facilities and the interconnection with the Company's system. Interconnection shall comply with PSE's standards of interconnection. To the extent that interconnection of the Project is provided for in Schedule 80 of this tariff, the terms and provisions of such Schedule shall govern and control.

C. The Producer shall indemnify and hold harmless the Company from any and all liability arising from the operation and interconnection of the Producer's facilities. The Company will require evidence of insurance to this effect.

D. The Producer shall provide a lockable disconnect switch to isolate the Producer's generation from the Company's system. Such switch shall be accessible to the Company and the Company shall have the right to lock such disconnect switch open whenever necessary to maintain safe electrical operating conditions, or whenever the Producer's facilities adversely affect the Company's system.

E. Except for the metering, the Producer shall own and maintain all facilities on the Producer's side of a single point of delivery as specified in the Negotiated Agreement or parallel operation agreement. The Producer's system, including interconnecting equipment, shall be inspected and approved by the state electrical inspector and any other public authority having jurisdiction before any connection is made to the Company's system.

F. The Company will purchase the entire output from the Producer's facility, or if the Producer wishes to reduce his net delivery and billing from the Company, the Company will purchase the net output from the Producer's facility. The metering configuration to measure such purchases will be specified in the Negotiated Agreement. The Company may apply an adjustment factor to compensate for losses if the metering is installed at the Producer's facility.

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6. **TERMS AND CONDITIONS:** (Continued)
   - G. In the event that the Producer does not provide for separate metering of deliveries to the Company, the Producer will not be compensated for unmetered incidental flows to the Company. The service meter in this instance shall be ratcheted to prevent reverse registration, and no additional monthly basic charge will be applied.
   - H. Individual generator units larger than 7.5 KW shall be three phase unless otherwise agreed to by the Company.
   - I. The Producer shall provide the Company with verification that Producer's facility has secured Qualifying Facility status from the Federal Energy Regulatory Commission.
   - J. Pursuant to the Negotiated Agreement, the Producer shall offer the Company the right to purchase of the Renewable Energy Credits (as defined in Schedule 135 of this tariff) associated with the energy produced by Producer's generating facility.

7. **GENERAL RULES AND PROVISIONS:** Service under this schedule is subject to the General Rules and Provisions contained in this tariff.

8. **INFORMATION AND TERM SHEETS FOR QUALIFYING FACILITIES WITH CAPACITIES GREATER THAN FIVE MEGAWATTS:** The information required to obtain draft and executable Negotiated Agreement is posted on the Company's web site (PSE.com), including nonbinding term sheets with limited provisions.

9. **OFF SYSTEM POWER PURCHASE AGREEMENT:** A QF that interconnects with an electric system other than the Company's electric system may enter into a power purchase agreement with the Company after following the applicable negotiated contract guidelines and making the arrangements necessary for transmission of power to the Company's system.

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