



Puget Sound Energy
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January 16, 2018

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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

VIA ELECTRONIC FILING

Mr. Steven V. King, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Compliance Filing - WAC 480-107-055 - Schedule of Estimated Avoided Cost

Dear Mr. King:

In compliance with WAC 480-107-055, attached is Puget Sound Energy's ("PSE") Schedule of Estimated Avoided Cost. The Schedule of Estimated Avoided Cost is based upon the estimates included in PSE's most current Integrated Resource Plan ("2017 IRP") that was filed originally on November 14, 2017, and was corrected subsequently on January 12, 2018, under Dockets UE-160918 and UG-160919, pursuant to WAC 480-100-238.

The January 12th correction that pertains to this filing is the correction to the IRP Figure N-37: Indicative Avoided Capacity Resource Costs for Resources Delivered to PSE (Base + CAR Only Scenario). This correction changes of the peak capacity value that is assigned to a solar resource from 1% to 2% of Effective Load Carrying Capability ("ELCC"). The other correction to the 2017 IRP Figure D-20: Generic Renewable Resource Cost Assumptions does not have any effect on the Schedule of Estimated Avoided Cost or PSE's compliance with WAC 480-107-055.

This Schedule of Estimated Avoided Cost for 2018-2037 includes two types of estimated avoided costs, avoided energy costs and avoided capacity costs. Both types of costs are discussed throughout the 2017 IRP and in detail in Section 4 of Appendix N: Electric Analysis.

This Schedule of Estimated Avoided Cost does not provide a guaranteed contract price for electricity. As indicated in WAC 480-107-055(4), the Schedule of Estimated Avoided Cost provides only general information to potential bidders about the costs of new power supplies.

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Estimated Avoided Energy Costs

As provided for in WAC 480-107-055(2)(b), the avoided energy costs in this Schedule of Estimated Avoided Cost are based upon estimates of currently projected market prices for power used in PSE's 2017 IRP. All of the resources in PSE's IRP are capacity resources, not energy resources. The value of these capacity resources (e.g., redirected transmission, batteries, and peakers) relies on market energy purchases. Therefore, PSE's avoided energy costs would be the avoiding of Mid-Columbia ("Mid-C") power trading market purchases.

The table of avoided energy costs in the Schedule of Estimated Avoided Cost includes PSE's current forecast of the average monthly power prices and the average annual market power prices at Mid-C market for the "Base + CAR Only" scenario in the 2017 IRP. This scenario removes federal clean power plan compliance for the electric portfolio in the context of the base scenario assumptions but incorporating the compliance of Washington State's Clean Air Rule ("CAR"). This is the set of estimated avoided energy costs that would be the most informative for potential bidders.

When developing these estimates of projected market prices for power, PSE also considered the most recent project proposals received from the last request for proposals, and the results of the most recent bidding process.

Estimated Avoided Capacity Costs

Consistent with RCW 19.280.070(2), this Schedule of Estimated Avoided Cost also contains an estimated capacity value for combined heat and power systems that are dispatchable by PSE. The estimated capacity value is not a guaranteed price but just to provide general information to potential bidders.

The table of avoided capacity costs specifies the annual costs expressed in \$/kW-year with indicative adjustments to peak capacity value from the ELCC analysis in the 2017 IRP as corrected on January 12, 2018. Avoided capacity costs shown in the table have been adjusted to deduct the energy value the resource may create, because avoided energy costs are shown separately. The energy values were derived from the "Base + CAR Only" scenario, consistent with the avoided energy cost table. Different kinds of resources would have different peak capacity contributions. The ELCC for a firm resource would be 100 percent and for the non-firm resources of wind and solar, the ELCC would be at 16% and 2%, respectively.

The estimated capacity value for 2018-2022 is based on PSE's avoided capacity costs associated with firming up short-term market purchases during the time period before PSE's need to add capacity resources in 2023.

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If you have any questions about the information contained in this filing, please contact Mei Cass at (425) 462-3800. Any other questions about this filing may be directed to me at (425) 456-2110.

Sincerely,

/s/ Kenneth S. Johnson

Ken Johnson

Director, State Regulatory Affairs

Puget Sound Energy

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Attachment:

PSE-2018-Schedule-of-Estimated-Avoided-Cost-(1-16-18).docx