



Puget Sound Energy
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PSE.com

December 20, 2018

Filed Via Web Portal

Mr. Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

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

Dear Mr. Johnson:

In compliance with WAC 480-107-055, attached is Puget Sound Energy's ("PSE") Schedule of Estimated Avoided Cost ("Schedule"). 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 provides only general information to potential bidders about the costs of new power supplies. The Schedule includes two tables:

- Table No. 1: 2019-2038 Avoided Energy Costs as Projected as the Estimated Monthly Prices for Mid-C Market in PSE's 2019 Integrated Resource Plan that IRP will be filed on July 15, 2019.
- Table No. 2: 2019-2038 Avoided Capacity Costs as Estimated in PSE's 2017 Integrated Resource Plan by Resource Type with the January 12, 2018 Correction Filed with the Washington Utilities and Transportation Commission under Docket Nos. UE-160918 and UG-160919

Estimated Avoided Energy Costs

As provided for in WAC 480-107-055(2)(b), the avoided energy costs in this Schedule are based upon the estimates of PSE's most recent market power price projection that is consistent with PSE's 2019 Integrated Resource Plan ("IRP") under the "Base + No CO2 price" scenario. PSE presented its 2019 IRP power price forecasts to the IRP Technical Advisory Group on October 11, 2018.

All of the resources in PSE's 2017 IRP are capacity resources, not energy resources. The energy value of these capacity resources (e.g., redirected transmission, batteries, and peakers) relies on avoided market energy purchases. Therefore, PSE's avoided energy costs would be the avoiding of Mid-Columbia ("Mid C") power trading market purchases. 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), the attached 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 only provides general information to potential bidders.

The table of avoided capacity costs specifies the annual costs expressed in dollars per kilowatt-year (“\$/kW-year”) with indicative adjustments to peak capacity value from the of Effective Load Carrying Capability (“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 of 2017 IRP. 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 2019-2022 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.

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.

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 please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

Jon Piliaris
Director, Regulatory Affairs
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Attachment:
Schedule of Estimated Avoided Cost