

Exhibit A

PSE Schedule 92 Avoided Cost Rate Methodology for Power Purchases from Large Qualified Facilities of Greater than Five Megawatts

This document describes Puget Sound Energy's ("PSE") Avoided Cost Rate Methodology ("Methodology") for the determination of the power purchase price that PSE would be paying to a qualified facility ("QF") of greater than five megawatts under a Schedule 92 negotiated power purchase agreement. The adjustments described in the Methodology below for PSE's Schedule 92 power purchase will be established individually for each large QF at the time of the QF's inquiry. These adjustments will be applied to PSE's avoided energy and capacity costs to determine the price/rates that PSE would pay for power purchased from a QF.

1. PSE will provide its Schedules of Estimated Avoided Costs as prescribed in WAC 480-106-040 as the general information about PSE's avoided energy and capacity costs and as the basis for the Schedule 92 power purchase price determination. Currently, the Schedules of Estimated Avoided Costs per WAC 480-106-040 are included as part of PSE's Schedule 91.
2. PSE will consider the factors outlined in its Schedule 92 section 2 for negotiated power purchase rates per WAC 480-106-050(5).
 - A. Specifically, the factors outlined in Schedule 92 section 2.B will affect the negotiated power purchase rate based on the availability of energy, capacity,

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and ancillary services from the QF during the system daily and seasonal peak periods:

- i. The ability to dispatch a QF based on system daily and/or seasonal peak needs will impact the avoided capacity benefit valuation afforded the QF. If a QF's dispatchability is constrained due to the technology, operational considerations and/or fuel availability the avoided capacity benefit may be reduced to reflect those constraints.
- ii. A QF's expected or demonstrated reliability may affect its ability to meet system daily and/or seasonal peak needs, thereby impacting the avoided capacity benefit valuation afforded the QF. Generally, higher expected or demonstrated reliability will positively impact the QF's calculated avoided capacity benefit. Conversely, a lower expected or demonstrated reliability for a given QF will negatively impact the calculated avoided capacity benefit offered to that QF.
- iii. To the extent that contractual terms proposed by a QF impact the availability of energy, capacity, and ancillary services from the QF during the system daily and seasonal peak periods, those terms will be considered in the Schedule 92 rate offered to the QF.
- iv. If a QF and PSE are able to usefully coordinate respective scheduled outages, the avoided capacity benefit offered to the QF may be positively impacted.
- v. Generally, the avoided energy benefit offered to a QF would be unaffected by timing of delivery and/or the QF's availability during

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system emergencies, including the ability to separate QF load from generation. However, a QF's availability during system emergencies, including the ability to separate QF's load from generation, may impact the avoided capacity benefit calculation.

- vi. The individual and aggregate value of energy and capacity from a QF will be assessed for the QF's avoided cost valuation. For example, a QF adjacent to existing facilities may receive a reduced Effective Load Carrying Capability ("ELCC") due to any coincidence of intermittency with the existing facility, as ELCC compares the relative capacity contribution of intermittent supply-side resources that are subject to random production patterns. Conversely, a QF that has random production patterns with little relative coincidence to existing resources may receive an increased ELCC due the additional and additive benefit provided by the QF.
- vii. The capacity increments and lead times available from a QF may impact the avoided capacity benefit calculation for a QF. The ELCC calculation will take into account the duration of capacity offered and the lead time required to call on that capacity.

3. PSE will also consider the following potential adjustments in the section 4 below to reflect different supply characteristics and different technologies of qualifying facilities.

4. Potential adjustments:

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- A. **Effective Load Carrying Capability** - PSE will utilize a project specific ELCC that takes into account the technology mix and location that are unique to the project.
- i. ELCC refers to the peak capacity contribution of a resource relative to that of a gas-fired peaking plant and is measured as a percentage of the project nameplate capacity.
 - ii. For example, the ELCC for a project with co-located storage (i.e. wind plus storage, or solar plus storage) will likely have an ELCC entirely contingent upon the unique configuration and interaction between the generation (e.g., solar) and storage (e.g., battery energy storage systems) of the project.
- B. **Transmission & Distribution (T&D) Deferral Cost Credit** - The T&D Deferral Cost Credit (measured in \$/kW-year) is derived from regional sources like the Northwest Power and Conservation Council's Northwest Power Plan as well as from internal metrics developed and vetted through PSE's Integrated Resource Planning process.
- i. A QF project may provide value to PSE's system through the deferral of investment in PSE's T&D assets that would have otherwise occurred if not for the project generating on PSE's system and at the location specific to the project.
 - ii. For a project located on PSE's distribution system and adjacent to customer load, there is likely to both be a deferred transmission investment value as well as a deferred distribution investment value, i.e.

PSE would theoretically defer investments in both the transmission system and distribution system because of the project.

- iii. A project located on PSE's transmission system, may defer transmission system investments (and therefore accrue a transmission deferral value) however would not likely defer investments in PSE's distribution system (therefore be unlikely to accrue a distribution deferral cost credit).
- iv. A project located off of PSE's system would be unlikely to defer either transmission or distribution investments (therefore would not accrue either a transmission or distribution deferral value).

C. T&D Losses – PSE transmission losses and distribution losses

- i. Losses on the T&D system are calculated PSE system wide, and may be avoided (therefore a benefit) when a project is located on PSE's distribution system and adjacent to customer load.
- ii. Losses on the T&D system may be accrued by the project (therefore a decrement) if located on PSE's transmission system or off of PSE's system entirely.

D. T&D Available Transfer Capability (“ATC”)

- i. Some locations on PSE's system are more appropriate than others when assessing the ability to transmit energy from a generation QF project to serve PSE customer load.
- ii. The capacity of a given PSE transmission line and/or operational considerations may affect the ability to connect the project to PSE's system.

- iii. Some existing PSE contractual considerations may affect the ATC of a given line on PSE's system.
- iv. PSE will consider multiple paths to accommodate a project, however while some paths may deliver the energy to customer load (thereby netting avoided energy costs), this may negate another value stream that otherwise would have been assessed to the project.

E. T&D Lost Revenues Associated with Operational Flexibility

- i. Operational Flexibility refers to the ability of the QF to adequately meet various operational conditions that may affect PSE system reliability. Operational Flexibility includes, but is not limited to, integration, shaping, balancing, frequency regulation, and contingency reserves.
- ii. An intermittent resource project that may cause load fluctuations necessitates the integration of the intermittent resource by PSE within its balancing authority. Balancing authorities also require flexibility for maintaining contingency reserves to assist other balancing authorities that may have sudden needs for assistance in balancing loads.
- iii. For a project with a co-located storage system, there may be additional benefits to the PSE's system depending on the ancillary benefits able to be generated by the project.

F. T&D Lost Revenues Associated with Curtailment of New or Existing Resource

- i. Depending on a project location in relation to existing PSE generation resources, curtailment of the QF project and/or the existing PSE

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generation resource may be required in order to deliver power safely to customers.

- ii. In these cases the lost value of energy, capacity and environmental attributes may be decremented against the project.