



Puget Sound Energy
PO. Box 97034
Bellevue, WA 98009-9734
PSE.com

December 30, 2016

VIA ELECTRONIC FILING AND OVERNIGHT COURIER

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:

Pursuant to WAC 480-107-055, please find Puget Sound Energy's ("PSE") Schedule of Estimated Avoided Cost. An electronic copy of the same has been submitted through the Commission's Records Center web portal.

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

As provided for in WAC 480-107-055(2), this Schedule is based upon estimates of currently projected market prices for power used in PSE's 2015 Integrated Resource Plan ("IRP") process except that the long-term forecast for natural gas prices has been updated. 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.

Consistent with RCW 19.280.070(2), this Schedule also contains an estimated capacity value for combined heat and power systems that are dispatchable by PSE, it does not provide a guaranteed price, it only provides general information to bidders. The estimated capacity value for 2017-2021 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 2022. This estimate was derived from data used to set rates in PSE's 2014 PCORC Compliance Filing (UE-141141), and thus reflects costs currently in rates. For the time period 2022-2032 the estimated capacity value is based on PSE's levelized cost of a peaking plant from PSE's 2015 IRP with firm pipeline costs removed.

Mr. Steven V. King

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If you have any questions about the information contained in this filing, please contact Mei Cass at (425) 462-3800 or Julie Waltari at (425) 456-2945. Any other questions about this filing may be directed to me at (425) 456-2110.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Johnson", with a long horizontal flourish extending to the right.

Ken Johnson

Director, State Regulatory Affairs

Enclosure