

Chapter 480-106 WAC
ELECTRIC COMPANIES—PURCHASES OF ELECTRICITY FROM QUALIFYING FACILITIES

NEW SECTION

WAC 480-106-001 Purpose. The purpose of this chapter is to implement the Public Utility Regulatory Policies Act of 1978 (PURPA), Title II, sections 201 and 210, and related regulations promulgated by the Federal Energy Regulatory Commission (FERC) in 18 C.F.R. Part 292 Subparts A and C. If there is any conflict between these rules and PURPA, or the related rules promulgated by FERC in 18 C.F.R. Part 292, PURPA and those related FERC rules control. Purchase of electric power under these rules satisfies a utility's obligation to purchase power from qualifying facilities under section 210 of PURPA.

NEW SECTION

WAC 480-106-002 Application of rules. (1) Except as otherwise provided in this chapter, the rules in this chapter apply to any utility that is subject to the commission's jurisdiction under RCW 80.01.040, 80.04.010, and chapter 80.28 RCW, and qualifying facilities as defined herein. The rules in this chapter do not supersede contracts existing before the effective date of this rule. At the expiration of such an existing contract between a utility and a qualifying facility, the provisions of this chapter shall apply to rates and terms offered under any contract extension or new contract.

(2) Nothing in this chapter prohibits a utility or a qualifying facility from agreeing to voluntary contracts with rates, terms, or conditions that differ from the provisions in this chapter.

NEW SECTION

WAC 480-106-003 Exemptions from rules in chapter 480-106 WAC. The commission, in response to a request or on its own initiative, may grant an exemption from, or modify the application of, any rule in this chapter consistent with the standards and according to the procedures set forth in WAC 480-07-110 Exemptions from and modifications to commission rules; conflicts with other rules.

NEW SECTION

WAC 480-106-007 Definitions. "**Avoided costs**" means the incremental costs to a utility of electric energy, capacity, or both that, but for the purchase from the qualifying facility or qualifying facilities, the utility would generate itself or purchase from another source.

"**Back-up power**" means electric energy or capacity supplied by a utility to replace energy ordinarily generated by a qualifying facility's own generation equipment during an unscheduled outage of the qualifying facility.

"**Capacity**" means the capability to produce or avoid the need to produce electric energy and ancillary electrical services, measured in kilowatts (kW) including, but not limited to, the criteria described in WAC 480-106-050 (5) (b).

"**Commission**" means the Washington utilities and transportation commission.

"**Energy**" means electric energy, measured in kilowatt-hours (kWh) or megawatt-hours (MWh).

"**Integrated resource plan**" or "**IRP**" means the filing made every two years by a utility in accordance with WAC 480-100-238 Integrated resource planning.

"**Interconnection costs**" means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions, and administration incurred by the utility directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with a qualifying facility that are in excess of the corresponding costs the utility would have incurred if it had not engaged in interconnected operations. Interconnection costs do not include any costs included in the calculation of avoided costs.

"**Interruptible power**" means electric energy or capacity supplied by a utility subject to interruption by the utility under specified conditions.

"**Legally enforceable obligation**" means the binding commitment of a qualifying facility to sell, and of a utility to purchase, the energy, capacity, or both provided by the qualifying facility over a specified term in accordance with these rules.

"**Maintenance power**" means electric energy or capacity supplied by a utility during scheduled outages of a qualifying facility.

"**Qualifying facility**" means a cogeneration facility or a small power production facility that is a qualifying facility under 18 C.F.R. Part 292 Subpart B.

"**Request for proposals**" or "**RFPs**" means the documents describing a utility's solicitation of bids for delivering electric capacity, energy, or both, or conservation that was issued consistent with chapter 480-107 WAC.

"**Supplementary power**" means electric energy or capacity supplied by a utility that a qualifying facility regularly uses in addition to the energy or capacity that the qualifying facility generates itself.

"**System emergency**" means a condition on a utility's system that is likely to result in an imminent, significant disruption of service to customers or is imminently likely to endanger life or property.

"**Utility**" means an electrical company as defined in RCW 80.04.010 that is subject to the commission's jurisdiction under RCW 80.01.040, 80.04.010, and chapter 80.28 RCW.

NEW SECTION

WAC 480-106-010 Obligations of qualifying facilities to the utility. (1) The owner or operator of a qualifying facility purchasing or selling electricity under this chapter must execute a written agreement with the utility stating at a minimum that:

(a) The owner or operator of the qualifying facility will construct and operate all interconnected qualifying facilities within its control in accordance with all applicable federal, state, and local laws and regulations to ensure system safety and reliability of interconnected operations;

(b) The qualifying facility will furnish, install, operate, and maintain in good order and repair, and without cost to the utility, such switching equipment, relays, locks and seals, breakers, automatic synchronizers, and other control and protective apparatus determined by the utility to be reasonably necessary for the safe and reliable operation of the qualifying facility in parallel with the utility's system, or the qualifying facility may contract for the utility to do so at the qualifying facility's expense; the qualifying facility's delivery of electricity to the utility must be at a voltage, phase, power factor, and frequency as reasonably specified by the utility; and

(c) The utility at all times must have access to all switching equipment capable of isolating the qualifying facility from the utility's system.

(2) To the extent that the qualifying facility will assume responsibility for the safe operation of the interconnection facilities, the qualifying facility is not required to assume responsibility for negligent acts of the utility.

(3) The utility may operate the switching equipment described in subsection (1)(c) of this section if, in the sole opinion of the utility, continued operation of the qualifying facility in connection with the utility's system may create or contribute to a system emergency. Such a decision by the utility is subject to commission verification in accordance with WAC 480-106-070 System emergencies. The utility must endeavor to minimize any adverse effects of such operation on the owner or operator of a qualifying facility.

NEW SECTION

WAC 480-106-020 Obligations of the utility to qualifying facilities. (1) **Obligation to purchase from qualifying facilities:** A utility must purchase, in accordance with WAC 480-106-050 Rates for purchases from qualifying facilities, any energy and capacity that is made available from a qualifying facility:

(a) Directly to the utility; or

(b) Indirectly to the utility in accordance with subsection (4) of this section.

(2) **Obligation to sell to qualifying facilities:** A utility must sell to any qualifying facility, in accordance with WAC 480-106-060 Rates for sales to qualifying facilities, any energy and capacity requested by the qualifying facility at the same rates, terms, and conditions that are available to other customers of the utility in the same customer class who do not generate electricity.

(3) **Obligation to interconnect:** A utility must make all the necessary interconnections with any qualifying facility to accomplish purchases or sales under this section. The qualifying facility must pay for interconnection costs to the extent required under WAC 480-106-080 Interconnection costs.

(4) **Transmission to other electrical companies:** If a qualifying facility agrees, a utility that would otherwise be obligated to purchase energy, capacity, or both, from such qualifying facility must transmit energy, capacity, or both, to any other electric service provider at the expense of the qualifying facility. The qualifying facility's use of a utility's transmission facilities shall be pursuant to the utility's open access transmission tariff. Any utility to which energy or capacity generated by a qualifying facility and transmitted to such utility over the facilities of another utility shall purchase the energy or capacity under this subpart as if the qualifying facility were supplying energy or capacity directly to the purchasing utility. The rate the purchasing utility pays the qualifying facility shall be adjusted to reflect line losses and shall not include any charges for transmission.

(5) **Parallel operation:** Each utility must offer to operate in parallel with a qualifying facility if the qualifying facility complies with all applicable standards established in this section.

NEW SECTION

WAC 480-106-030 Tariff for purchases from qualifying facilities.

(1) **Tariff for purchases from qualifying facilities required:** Each utility must file a tariff consistent with this chapter and with WAC 480-80-102 Tariff content.

(2) Contracting procedures:

(a) In the tariff required in subsection (1) of this section, each utility must file contracting procedures that sets forth the obligations of the utility and the qualifying facility entering into contracts for the purchase and sale of qualifying facility output. Such contracting procedures shall provide that a legally enforceable obligation must be memorialized in an executed written contract between the utility and the qualifying facility prior to commercial operation;

(b) A legally enforceable obligation may exist prior to an executed written contract. If an irreconcilable disagreement arises during the contracting process, the qualifying facility or the purchasing utility may petition the commission to resolve the disagreement, including making a determination about whether the qualifying facility owner is entitled to a legally enforceable obligation and the date that such obligation occurred based on the specific facts and circumstances of each case.

(3) **Schedule of estimated avoided costs offering standard rates for purchases from qualifying facilities of five megawatts or less:** In the tariff required in subsection (1) of this section, all utilities must file a schedule of estimated avoided costs offering standard rates for purchases from qualifying facilities with nameplate capacities of five megawatts or less, as described in WAC 480-106-040 Schedules of estimated avoided costs. Qualifying facility developers proposing projects with a design capacity of five megawatts or less may

choose to receive a purchase price for power that is set forth in such standard tariff.

(4) **Standard contract provisions for purchases from qualifying facilities of five megawatts or less:** In the tariff required in subsection (1) of this section, each utility shall specify the information required for qualifying facilities with nameplate capacities of five megawatts or less to obtain draft executable contracts. All utilities shall file standard contract provisions for purchases from a qualifying facility with a capacity of five megawatts or less. Standard contracts may include commercially reasonable milestone events and cure periods including, but not limited to, the qualifying facility's:

(a) Provision of any necessary credit support, necessary governmental permits and authorizations, evidence of construction financing, and as-built supplements;

(b) Completion of interconnection facilities;

(c) Completion of start-up testing; and

(d) Achievement of mechanical availability of operation.

(5) **Information and term sheets for qualifying facilities with capacities of greater than five megawatts:** In the tariff required in subsection (1) of this section, each utility shall specify the information required for qualifying facilities of greater than five megawatts to obtain draft and executable contracts. All utilities shall post upon the utility's web site nonbinding term sheets with limited contract provisions for qualifying facilities with capacities greater than five megawatts. Such contract provisions need not be the same as the standard contract provisions required pursuant to subsection (3) of this section, but shall be consistent with the commission's rules.

NEW SECTION

WAC 480-106-040 Schedules of estimated avoided costs. (1) **Filing requirement.** A utility must file by November 1st of each year, as a revision to its tariff described in WAC 480-106-030 Tariff for purchases from qualifying facilities, a schedule of estimated avoided costs that identifies, both separately and combined, its avoided cost of energy and its avoided cost of capacity. All schedules of estimated avoided costs must include:

(a) Identification of avoided energy: An estimated avoided cost of energy based on the utility's current forecast of market prices for power stated on a cents per kilowatt-hour or dollars per megawatt-hour basis for the current calendar year and each of the next fifteen years. In determining its avoided cost of energy, the utility may incorporate the daily and seasonal peak and off-peak period prices, by year; and

(b) Identification of avoided capacity: An estimated avoided cost of capacity expressed in dollars per megawatt based on the projected fixed cost of the next planned capacity addition identified in the succeeding ten years in the utility's most recently acknowledged integrated resource plan filed pursuant to WAC 480-100-238 Integrated resource planning, and such identification must include the following:

(i) Identification of capacity cost: A utility must identify the projected fixed costs of its next planned capacity addition based on either the estimates included in its most recently filed integrated resource plan or the most recent project proposals received pursuant

to an RFP issued consistent with chapter 480-107 WAC, whichever is most current; and

(ii) Proxy for planned market purchases: If the utility's most recently acknowledged integrated resource plan identifies the need for capacity in the form of market purchases not yet executed, then the utility shall use the projected fixed costs of a simple-cycle combustion turbine unit as identified in the integrated resource plan as the avoided capacity cost of the market purchases.

(c) Levelized avoided cost pricing: The avoided cost of capacity must account for any differences between the in-service date of the qualifying facility and the date of the next planned generating unit by levelizing the lump sum present value of the avoided cost of capacity discounted by the utility's commission-approved weighted average cost of capital.

(2) **Differentiating among qualifying facilities.** A utility's estimated avoided cost of capacity may differentiate among qualifying facilities based on the supply characteristics of different technologies of qualifying facilities for purposes of calculating the estimated avoided cost of capacity.

(3) **Schedule revisions.** A utility may file to revise its schedule of estimated avoided costs prior to its next annual filing, provided that the commission may not allow such tariff revision to become effective until at least sixty days after such filing. Filing a revised schedule of estimated avoided costs in this subsection does not relieve the utility of its annual obligation to file a schedule in subsection (1) of this section if such filing occurs more than thirty days prior to such annual tariff filings.

NEW SECTION

WAC 480-106-050 Rates for purchases from qualifying facilities.

(1) Rates for purchases by a utility:

(a) Rates must be just and reasonable to the utility's customers and in the public interest;

(b) Rates must not discriminate against qualifying facilities; and

(c) Rates must not exceed the avoided cost to the utility of alternative energy, capacity, or both.

(2) Establishing rates:

(a) A rate for purchase from qualifying facilities satisfies the requirements of subsection (1) of this section if the rate equals the utility's avoided costs after consideration, to the extent practicable, of the factors set forth in WAC 480-106-040 Schedules of estimated avoided costs, and in subsection (5) of this section.

(b) When a utility bases its purchase rates on estimates of avoided costs over a specific term of the contract or other legally enforceable obligation, the rates do not violate these rules if any payment under the obligation differs from avoided costs at the time of delivery.

(3) **Rates for purchases - Time of calculation:** Except for the purchases made under a standard rates tariff pursuant to subsection (4) of this section, each qualifying facility shall have the option to:

(a) Provide energy as the qualifying facility determines such energy to be available for such purchases, in which case the rates for such purchases shall be based on the purchasing utility's avoided cost of energy at the time of delivery; or

(b) Provide energy, capacity, or both, pursuant to a legally enforceable obligation, in which case the rates for purchases shall, at the option of the qualifying facility exercised prior to the beginning of the specified term, be based on:

(i) The avoided costs of energy and capacity calculated at the time of delivery; or

(ii) The avoided costs of energy and capacity projected over the life of the obligation and calculated at the time the parties incur the obligation.

(4) Standard rates for purchases from qualifying facilities with capacities five megawatts or less: A utility shall establish standard rates for its purchases from qualifying facilities with capacities of five megawatts or less as follows:

(a) A utility must file the schedule of estimated avoided costs containing standard rates for purchases pursuant to WAC 480-106-040 Schedules of estimated avoided costs as a revision to its tariff required in WAC 480-106-030 Tariff for purchases from qualifying facilities.

(i) The utility's standard rates for purchases must offer fixed rates to a new qualifying facility for a term of fifteen years beginning on the date of contract execution, but not less than twelve years from the commercial operation date of the qualifying facility.

(ii) The utility's standard rates for purchases must offer fixed rates to an existing qualifying facility entering into a new agreement with the utility for a term of ten years.

(iii) Qualifying facilities that do not meet the greenhouse gas emissions performance standard established under RCW 80.80.040 are limited to contract terms of less than five years.

(b) A utility's standard rates for purchases must provide the qualifying facility the option to either:

(i) Provide energy as the qualifying facility determines such energy to be available for such purchases, in which case the rates for such purchases shall be based on the purchasing utility's avoided cost of energy at the time of delivery; or

(ii) Provide energy, capacity, or both, pursuant to a legally enforceable obligation, in which case the rates for purchases shall, at the option of the qualifying facility exercised prior to the beginning of the specified term, be based on:

(A) The avoided energy and capacity calculated at the time of delivery; or

(B) The avoided costs of energy and capacity identified in the utility's schedule of estimated avoided costs in effect when the parties incur the obligation.

(c) Except where expressly conveyed to the utility for additional consideration, the qualifying facility shall own the renewable energy certificates and any other environmental attributes associated with the production from such qualifying facility unless the standard rates are based on the avoided capacity costs of an eligible renewable resource as defined in RCW 19.285.030. During any period in which the qualifying facility receives standard rates that are based on the avoided capacity costs of an eligible renewable resource, the utility shall receive the renewable energy certificates produced by the qualifying facility at no additional cost to the utility.

(d) The standard rate may account for the integration costs associated with variable technologies, as approved by the commission.

(5) **Negotiated rates for qualifying facilities with capacities greater than five megawatts:** Each utility shall file and obtain commission approval of its avoided cost rate methodology for qualifying facilities with capacity greater than five megawatts. When negotiating rates for purchases from qualifying facilities with capacities greater than five megawatts, to the extent practicable, the parties should consider the following factors:

(a) The data the utility provided to the commission pursuant to WAC 480-106-040 Schedules of estimated avoided costs, and the commission's evaluation of the data;

(b) The availability of energy, capacity, and ancillary services from a qualifying facility during the system daily and seasonal peak periods, including:

(i) The utility's ability to dispatch the qualifying facility;

(ii) The qualifying facility's expected or demonstrated reliability;

(iii) The terms of any proposed contract or other legally enforceable obligation;

(iv) The extent to which the parties can usefully coordinate their respective scheduled outages;

(v) The usefulness of energy, capacity, or both, supplied from a qualifying facility during system emergencies, including the qualifying utility's ability to separate its load from its generation;

(vi) The individual and aggregate value of energy and capacity from qualifying facilities on the utility's system; and

(vii) The smaller capacity increments and the shorter lead times available, if any, with additions of capacity from qualifying facilities.

(c) The relationship of the availability of energy, capacity, or both, from the qualifying facility as derived in (b) of this subsection, to the ability of the utility 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.

NEW SECTION

WAC 480-106-060 Rates for sales to qualifying facilities. (1)

General rules:

(a) Rates for sales:

(i) Shall be just and reasonable, and in the public interest; and

(ii) Shall not discriminate against any qualifying facility in comparison to rates for sales to other customers served by the utility.

Utilities may not deny service to a customer for which the customer otherwise qualifies based on the presence of a qualifying facility, including interruptible power service.

(b) Rates for sales that are based on accurate data and consistent system-wide costing principles will not be considered to discriminate against any qualifying facilities if those rates apply to the

utility's other customers with similar load or other cost-related characteristics.

(2) **Additional services to be provided to qualifying facilities:**

(a) Upon request by a qualifying facility, each utility will provide:

- (i) Supplementary power;
- (ii) Back-up power;
- (iii) Maintenance power; and
- (iv) Interruptible power.

(b) The commission may waive any requirement of (a) of this subsection if, after notice in the area served by the utility and after opportunity for public comment, the utility demonstrates and the commission finds that compliance with such requirement will:

- (i) Impair the utility's ability to render adequate service to its customers; or
- (ii) Place an undue burden on the utility.

(3) **The rate for sale of back-up power or maintenance power:**

(a) Shall not be based on an assumption, unless supported by factual data, that forced outages or other reductions in electric output by all qualifying facilities on a utility's system will occur simultaneously, or during the system peak, or both; and

(b) Must take into account the extent to which scheduled outages of the qualifying facilities can be usefully coordinated with scheduled outages of the utility's facilities.

NEW SECTION

WAC 480-106-070 System emergencies. (1) **Qualifying facility obligation to provide power during system emergencies:** A qualifying facility may be required to provide energy or capacity to a utility during a system emergency only to the extent:

- (a) Provided by agreement between the qualifying facility and utility; or
- (b) Ordered under section 202(c) of the Federal Power Act.

(2) **Discontinuance of purchases and sales during system emergencies:** During any system emergency, a utility may, in a nondiscriminatory fashion, discontinue:

- (a) Purchases from a qualifying facility if such purchases would contribute to such emergency; and
- (b) Sales to a qualifying facility provided that such discontinuance is on a nondiscriminatory basis.

(3) System emergencies resulting in utility action under this chapter are subject to verification by the commission upon request by either party to the power contract.

NEW SECTION

WAC 480-106-080 Interconnection costs. (1) Any costs of interconnection are the responsibility of the owner or operator of the qualifying facility entering into a power contract under this chapter. The utility must assess all reasonable interconnection and necessary

system or network upgrade costs the utility incurs against a qualifying facility on a nondiscriminatory basis.

(2) The owner or operator of the qualifying facility must reimburse the utility for any reasonable interconnection costs the utility may incur. Such reimbursement may be made, at the utility's election:

(a) At the time the utility invoices the owner or operator of the qualifying facility for interconnection costs incurred by the utility; or

(b) Over an agreed period not greater than the length of any contract between the utility and the qualifying facility.