



Puget Sound Energy  
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Kathy Hunter, Acting Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

**RE: Advice No. 2023-48  
Puget Sound Energy's Electric Tariff Revision**

Dear Executive Director Hunter:

Pursuant to RCW 80.28.060 and WAC 480-80-101 and WAC 480-80-105(1)(c), please find enclosed for filing the following proposed revisions to the WN U-60, Tariff G for electric service of Puget Sound Energy ("PSE"):

15<sup>th</sup> Revision of Sheet No. 91-A, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
9<sup>th</sup> Revision of Sheet No. 91-B, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
7<sup>th</sup> Revision of Sheet No. 91-C, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
5<sup>th</sup> Revision of Sheet No. 91-D, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
4<sup>th</sup> Revision Sheet No. 91-H, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
4<sup>th</sup> Revision Sheet No. 91-I, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)

These revisions include the proposed standard rates for purchases from Qualifying Facilities ("QF") of five megawatts or less and an updated schedule of PSE's Estimated Avoided Costs of Energy and Capacity.

The filing is submitted on October 26, 2023, in compliance with WAC 480-106-040(1) that a utility must file by November 1<sup>st</sup> of each year. The proposed revisions to Schedule 91 are consistent with Chapter WAC 480-106, Electric Companies—Purchases of Electricity from Qualifying Facilities, and with WAC 480-80-102, Tariff Content. Specifically, these proposed changes meet the requirements outlined in WAC 480-106-030, Tariff for purchases from qualifying facilities.

In this filing, PSE is also seeking an exemption from WAC 480-106-040(1)(b) which requires a utility to identify its estimated avoided cost of capacity based on the projected fixed cost of the next planned capacity addition identified in the utility's most recent integrated resource plan acknowledged by the Washington Utilities and Transportation Commission ("Commission" or "UTC"). Pursuant to WAC 480-100-620 and WAC 480-100-625, on April 4, 2021, under Dockets UE-200304 and UG-200305, PSE filed its final 2021 Integrated Resource Plan ("IRP") with the Commission, but the Commission has not acknowledged PSE's 2021 IRP as of the

filing date of this Schedule 91 tariff update. PSE respectfully requests a waiver of WAC 480-106-040(1)(b) so that PSE is allowed to use the most current estimated avoided cost of capacity information from its 2023 IRP electric Plan Progress Report (“2023 Electric Progress Report”), which was filed with the Commission on March 31, 2023, in this Schedule 91 tariff update.

Furthermore, PSE also proposes an additional tariff statement for an extended exemption to December 31, 2030, from WAC 480-106-040(1)(b) to incorporate the IRP process changes in the Commission’s July 25, 2023 notice to interested persons (“Notice”). In the Notice, the Commission announced that the UTC are discontinuing the Commission’s practice of issuing acknowledgment letters for electric IRPs in all cases because the passage of the Washington State Clean Energy Transformation Act which requires the Commission to evaluate Clean Energy Implementation Plans of the UTC-regulated energy utilities, which includes the review of IRPs.

PSE’s IRP process and results have been made available for review by all interested parties at this website: <https://pse-irp.participate.online/> prior to PSE filings of its 2023 Electric Progress Report.

#### **Schedule of Estimated Avoided Costs per WAC 480-106-040**

Consistent also with RCW 19.280.070(2), this Schedule of Estimated Avoided Costs contains an estimated capacity value for combined heat and power systems that are dispatchable by PSE. The Schedule of Estimated Avoided Costs shows the levelized Avoided Costs differentiated by characteristics of qualifying facilities under the following assumptions:

1. Identification of Avoided Energy: As provided for in WAC 480-106-040(1)(a), the estimated Avoided Energy Costs on the proposed Sheet No. 91-H is based upon PSE's most current forecast of market prices for electricity in its 2023 Electric Progress Report in accordance with WAC 480-100-625(4). Table No. 1 of the Schedule of Estimated Avoided Costs shows these estimated Avoided Energy Costs (“Table No. 1”). The proposed Schedule of Estimated Avoided Energy Costs is consistent with the corresponding cost used in PSE’s prior-year Schedule 91 filing under Docket UE-220786.<sup>1</sup>
2. Identification of Avoided Capacity and associated Capacity Costs: The estimated Avoided Capacity Costs on the proposed Sheet No. 91-I (i.e., Table No. 2 of the Schedule of Estimated Avoided Costs) (“Table No. 2”) is estimated based on PSE’s 2023 Electric Progress Report, in which the first resource PSE would be added to the portfolio for capacity needs is a biodiesel peaker in 2024 at \$135.69/kW-year. This Avoided Capacity Cost assumption is a change from the corresponding cost used in PSE’s prior-year Schedule 91 filing under Docket UE-220786. The 2021 IRP has the assumptions in accordance with WAC 480-106-040(1)(b)(ii) that the frame peaker would be the capacity resource addition for 2023-2043 at the Avoided Capacity Costs of \$95.27/kW per year.

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<sup>1</sup> Link to PSE’s 2022 Schedule 91 filing: <https://www.utc.wa.gov/casedocket/2022/220786>

**Standard Rates for Purchases from Qualifying Facilities of Five Megawatts or Less Per WAC 480-106-050 (4)**

The current proposed Table Nos. 1 and 2 of the Schedule of Estimated Avoided Costs, are the base inputs to PSE’s Schedule 91 Price Models (“Models”), attached to this filing as Model A-Standard Schedule 91 Rates for Delivery to PSE’s Distribution System and Model B-Standard Schedule 91 Rates for Delivery to PSE’s Transmission System. These two Models apply standard adjustments to the costs in the Schedule 91 Schedules of Estimated Avoided Costs to determine the standard rates that PSE will pay for power purchased from a small QF. It calculates the various standard fixed rates for power purchase from small QFs of baseload, solar, wind, or other PURPA resources. As shown in the Models and summarized below, these explicit standardized adjustments are included to reflect different supply characteristics and different technologies of qualifying facilities. Except the update to the Avoided Energy Costs, to reflect the most current electric price forecast per WAC 480-106-040(1)(a), the rest of the inputs and assumptions are consistent with the corresponding costs used in PSE’s prior-year Schedule 91 filing.

Inputs	Avoided Energy Cost Avoided Capacity Cost PSE Authorized Cost of Capital Deferred Transmission and Distribution (“T&D”) Cost Credit Effective Load Carrying Capacity (“ELCC”) Capacity Factor
Input: Avoided Energy Cost	Source: Pursuant to WAC 480-106-040(1)(a), the 2023-2043 Avoided Energy Costs are based on PSE’s most current forecast of market prices for the Mid-C Market forecast in its 2023 Electric Progress Report . The levelized nominal power price for the 2023 Electric Progress Report is \$42.90/MWh.
Input: Avoided Capacity Cost	Source: 2023 Electric Progress Report with assumption that the capacity resource addition is a biodiesel peaker at Avoided Capacity Costs of \$135.69/ kW per year for 2024-2044.
Input: PSE’s Authorized Cost of Capital	Source: PSE’s 2022 General Rate Case Filing (Docket Nos. UE-220066 and UG-220067). The cost of capital is before the federal income tax cost of capital of 7.16%.
Input: Deferred T&D Cost Credit (Applicable only to the PPAs that delivery to PSE’s distribution system)	Source: The Deferred T&D Cost Credit of \$78.48 per kW per year for 2024 (i.e., \$74.70/kW per year levelized 2022 dollar) is based on the T&D benefit of \$74.70/kW-year for DER batteries in PSE’s 2023 Electric Progress Report of its IRP. The \$74.70/kW-year T&D benefit is PSE’s forward-looking estimate of T&D system costs under a scenario where electrification requirements and electric vehicles drive substantial electric load growth. Whereas the \$12.61/kW per year value used in the 2022 Schedule 91 annual

	filing was PSE’s own backward looking estimate of its T&D system costs based upon PSE’s T&D upgrade projects from 2010 to 2020.
Inputs	Avoided Energy Cost Avoided Capacity Cost PSE Authorized Cost of Capital Deferred Transmission and Distribution (“T&D”) Cost Credit Effective Load Carrying Capacity (“ELCC”) Capacity Factor
Input: Effective Load Carrying Capacity	Source: 2023 Electric Progress Report. Generic resource values are used as proxy for Baseload (100%), Generic Washington Wind (13.0%), and Solar (4%).
Input: Capacity Factor	Source: 2023 Electric Progress Report using generic resource values as a proxy for Baseload (100%), Generic Washington Wind (37.0%), and Solar (25.0%).
Input: Inflation Rate	Source: Derived by PSE and assumed to be 2.5%.
Input: Line Loss Reduction	Source: Derived by PSE and posted to its Open Access Same-Time Information System under Real Power Losses. Currently assumed to be 2.7%.
Input: Contingency Reserves	Source: Based on a WECC <sup>2</sup> -wide contingency reserve margin. Currently assumed to be 3%.

Calculations	Avoided Energy Benefit Avoided Capacity Benefit Avoided T&D Benefit Schedule 91 Standard Fixed Rates
Avoided Energy Benefit	The Avoided Energy Benefit is based on the Avoided Energy Cost (\$/MWh), which is adjusted up to account for assumed Line Loss Reductions that would otherwise be incurred with the purchase of market energy.
Avoided Capacity Benefit	The Avoided Capacity Benefit is based on the Avoided Capacity Cost (\$/kW-year) which is adjusted for the generic resource ELCC, and then converted into \$/MWh based on the resources available hours as derived by the resources Capacity Factor (e.g., 8,760 total hours in a year * 36.7% Capacity Factor = 3,215 available hours in a year for the Wind Resource).
Avoided T&D Benefit <b>(Applicable only to the PPAs that delivery to PSE’s distribution system)</b>	The Avoided T&D Benefit is based on an assumed Deferred T&D Cost Credit (\$/kW-year) escalated to a given year using an assumed inflation rate, which is converted into \$/MWh based on the total number of hours in a year (8,760 in a non-leap year).

<sup>2</sup> WECC- Western Electricity Coordinating Council, which is the regional entity responsible for compliance monitoring and enforcement and oversees reliability planning and assessments. In addition, WECC provides an environment for the development of reliability standards and the coordination of the operating and planning activities of its members as set forth in the WECC bylaws. PSE is a member of the WECC.

	If a project is not located on PSE’s system, there is no Avoided T&D Benefit because PSE’s T&D system will be used to deliver energy to load.
Calculations	Avoided Energy Benefit Avoided Capacity Benefit Avoided T&D Benefit Schedule 91 Standard Fixed Rates
Schedule 91 Standard Fixed Rates	To calculate the Schedule 91 Standard Fixed Rates for a given contract length (5-years, 10-years, or 15-years) the corresponding Net Present Value (“NPV”) (using PSE’s approved Authorized Cost of Capital) of the Avoided Energy Benefit, Avoided Capacity Benefit and Avoided T&D Benefit are aggregated in \$/MWh, and then decremented to account for the assumed contingency reserve required. In order to smooth out the year-to-year rate variability inherent in the inputs, the NPV value is levelized over the appropriate contract length, and then the levelized rate is indexed and adjusted using the assumed inflation rate, ensuring an offered contract rate that predictably increases year-over-year at the assumed inflation rate.

To facilitate the Commission’s review of the two Models, PSE added, within each model, a read-me tab that provides descriptions of the model input and a summary tab that shows the comparison of the results from the current Schedule 91 filing and the prior approved Schedule 91 filing.

The tariff sheets described herein reflect an issue date of October 26, 2023, and an effective date of January 1, 2024. Notice and posting of proposed tariff changes, as required by law and the Commission’s rules and regulations, is being completed in accordance with WAC 480-100-193(1). The tariff changes proposed in the filing do not increase recurring charges nor restrict access to the optional services under Schedule 91. No notice is required under the provisions of WAC 480-100-194 or -195.

In addition, per WAC 480-106-030(5), PSE has been posting at its web site at <https://www.pse.com/green-options/Renewable-Energy-Programs/distributed-renewables> the information on how to obtain draft and executable contracts and the nonbinding term sheets with limited contract provisions for qualifying facilities with capacities of greater than five megawatts.

Please contact Mei Cass at (425) 462-3800 for additional information about this filing. If you have any other questions, please contact me at (425) 462-3946.

Kathy Hunter, Acting Executive Director and Secretary  
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Sincerely,

*/s/ Birud D. Jhaveri*

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cc: Lisa Gafken, Public Counsel  
Sheree Carson, Perkins Coie

Attachments:

Electric Tariff Sheets, listed above

Model A-Standard Schedule 91 Rates for Delivery to PSE's Distribution System

Model B-Standard Schedule 91 Rates for Delivery to PSE's Transmission System