BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of	)	
	)	Docket UE-19_____
PUGET SOUND ENERGY	)	
	)	
	)	
for a Declaratory Order Approving the Avoided Cost Rate Methodology for Power Purchases from Schedule 92 Large Qualified Facilities per WAC 480-106-050(5)	)	PETITION OF PUGET SOUND ENERGY

I. INTRODUCTION

1 In accordance with Revised Code of Washington ("RCW") 34.05.240 and Washington Administrative Code ("WAC") 480-07-370(3), WAC 480-07-930, and WAC 480-106-050(5), Puget Sound Energy ("PSE") submits this petition ("Petition") requesting that the Washington Utilities and Transportation Commission ("Commission") issue, on or before April 1, 2020, a declaratory order approving PSE's Avoided Cost Rate Methodology for PSE's Schedule 92[1] power purchases from large qualified facilities ("QF") of greater than five megawatts as described in Exhibit A of this Petition.

[1] PSE electric Schedule 092, Purchases from Qualifying Facilities of Greater Than Five Megawatts, effective December 7, 2019: https://www.pse.com/-/media/Project/PSE/Portal/Rate-documents/Electric/elec_sch_092.pdf

2 PSE is engaged in the business of providing electric and natural gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its retail rates, service, facilities and practices.

3 All correspondence related to this Petition should be directed as follows:

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4 The following statutes and rules may be brought into issue by this Petition, including RCW 34.05.240, RCW 80.28.090, RCW 19.280.020, RCW 19.280.030, RCW 19.280.040, WAC 480-07-370(3), WAC 480-07-930, WAC 480-100-238, and WAC 480-106.

II. SUMMARY OF PETITION

5 PSE is requesting the Commission approval of Exhibit A to this Petition which describes PSE's Avoided Cost Rate Methodology for PSE's Schedule 92 power purchases from large qualified facilities of greater than five megawatts ("Methodology"). The Methodology is similar to the approach that PSE set its standard fixed rates for power purchase under Schedule 91[2] from small QFs of five megawatts or less.

[2] PSE electric Schedule 091, Purchases from Qualifying Facilities of Five Megawatts or Less, effective December 7, 2019: https://www.pse.com/-/media/Project/PSE/Portal/Rate-documents/Electric/elec_sch_091.pdf

6 In this Petition, PSE discusses its Schedule 91 Schedules of Estimated Avoided Costs and its Schedule 91 power purchase pricing approach[3], input, and adjustments to provide context on how the Methodology would be applied to set the negotiated rates for power purchase from qualifying facilities with capacities greater than five megawatts under PSE Schedule 92.

7 Because Schedule 91 Schedules of Estimated Avoided Costs are based upon the results of PSE's 2017 Integrated Resource Plan[4] ("IRP") and 2019 IRP Progress Report[5], PSE provides a high-level overview in this Petition of its IRP and the energy pricing changes between the forecasts in PSE's 2017 IRP and 2019 IRP Progress Report.

III. BACKGROUND

8 **2017 Integrated Resource Plan (Dockets UE-160918 and UG-160919)** – On July 14, 2016, PSE filed with the Commission its 2017 Integrated Resource Plan work plan in compliance with WAC 480-100-238(4) which requires an investor-owned utility to submit a IRP work plan with specific elements for informal Commission review prior to the development its IRP. After

[3]Schedule 91 Standard Fixed Rates for QF delivering to PSE's distribution system: https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=66&year=2019&docketNumber=190665
Schedule 91 Standard Fixed Rates for QF delivering to PSE's transmission system: https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=67&year=2019&docketNumber=190665

[4] https://pse-irp.participate.online/#irp-2017

[5] https://pse-irp.participate.online/#irp-2019

almost two years[6] of effort by the Commission staff, the stakeholders[7] who participated in the numerous meetings, and PSE; the Commission issued an acknowledgement letter[8] on May 7, 2018 ("Letter"). The Letter recognized that PSE's 2017 IRP met the requirements of RCW 19.280.030 and WAC 480-100-238. The attachment [9] to the Letter summarized the Commission's assessment of PSE's 2017 IRP.

9 **2019 Integrated Resource Plan Progress Report (Dockets UE-180607 and UG-180608)** - On July 13, 2018, PSE filed with the Commission its 2019 IRP work plan per WAC 480-100-238(4). On November 15, 2019, PSE filed a progress report[10] on its 2019 IRP pursuant to Order 2 of Dockets UE-180607 and UG-180608 ("Order 2"). Order 2 exempts PSE from the bi-annual IRP filing requirements in order to properly consider new statutory requirements under Washington State's Clean Electricity Transformation Act[11] ("CETA") which became law

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6 https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/CaseItemList.aspx?item=documents&year=2016&docketNumber=160918&resultSource=&page=1&query=160918&refiners=&isModal=false&omItem=false&doItem=false

7 https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=1746&year=2016&docketNumber=160918

8 https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=1744&year=2016&docketNumber=160918

9 https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=1743&year=2016&docketNumber=160918

10 https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=102&year=2018&docketNumber=180607

11 https://www.commerce.wa.gov/growing-the-economy/energy/ceta/

on May 7, 2019. On December 10, 2019, PSE filed with the Commission some minor changes to its IRP progress report and clarified the title of the report as its 2019 IRP Progress Report.[12]

10 **Commission Rulemaking (Docket U-161024)** [13] - The Commission revamped its implementation of the federal Public Utility Regulatory Policies Act[14] ("PURPA") in Docket U-161024 and issued General Order R-597[15] on June 12, 2019 ("Order R-597"). Order R-597 adopted new rules under WAC 480-106 pertaining to purchases of power from QFs and independent power producers. Order R-597 also repealed and changed the legacy rules regarding small and large QFs under WAC 480-107. The new WAC 480-106 chapter includes the following two specific sections on setting the rates for purchases from QFs: WAC 480-106-040, Schedules of Estimated Avoided Costs, and WAC 480-106-050, Rates for Purchases from Qualifying Facilities.

11 **Schedules 91 and 92 (Docket UE-190665)**[16] – In compliance with Order R-597, within 60 days of the date of this order, on August 9, 2019, PSE filed its proposed updates and additions to its tariff language in Schedule 91 and a new tariff Schedule 92 for purchases from QFs of generation capacity over five megawatts. Following the review of the Commission staff, the

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[12] https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/CaseItemList.aspx?item=documents&year=2018&docketNumber=180607&resultSource=&page=1&query=180607&refiners=&isModal=false&omItem=false&doItem=false

[13] https://www.utc.wa.gov/docs/Pages/DocketLookup.aspx?FilingID=161024

[14] The Public Utility Regulatory Policies Act, U.S. Code Title 16—Conservation, Chapter 46, is a United States Act passed as part of the National Energy Act on November 9, 1978: https://uscode.house.gov/view.xhtml?path=/prelim@title16/chapter46&edition=prelim.

[15] https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=551&year=2016&docketNumber=161024

[16] https://www.utc.wa.gov/docs/Pages/DocketLookup.aspx?FilingID=190665

Northwest and Intermountain Power Producers Coalition, and the Renewable Energy Coalition; PSE filed on November 22, 2019, substitute tariff sheets that reflected the results of stakeholder review and the discussions between the stakeholders and PSE since the initial filing. The Commission approved on December 5, 2019, the substitute filing which included 1) the revised Schedule 91 with new power purchase offerings and the Schedule 91 Schedules of Avoided Costs for small QFs and 2) the new Schedule 92 for power purchase from large QFs. The work paper[17] that PSE used to determine its standard fixed rates for power purchase offering under Schedule 91 is attached to this Petition as Exhibit B Schedule 91 Pricing Model. It is an open and functional model that details the input and calculations of all the standard fixed rates for power purchase offerings in Schedule 91.

IV. INTEGRATED RESOURCE PLAN

12 Every two years, PSE is required per RCW 19.280.040 and WAC 480-100-238 to submit a report to the Commission which provides a 20-year outlook of how anticipated future changes in energy supply and demand may impact the ways PSE serves its customers.

13 The process of developing an IRP report and the analyses associated with the report are subject to the definitions and the criteria of RCW 19.280.020, RCW 19.280.030, and WAC 480-100-238. PSE's 2017 IRP report Appendix B: Legal Requirements and Other Reports[18], summaries these legal requirements and the regulatory reporting to other state agencies for their

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[17] https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=66&year=2019&docketNumber=190665

[18] https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP17_AppB.pdf

assessment of regional and state energy need. For example, Washington State Department of Commerce reports[19] aggregated load and resource estimates to the legislature each reporting year based upon the IRP results of the utilities in Washington.

14 PSE's IRP report examines the many available energy-resource options, including the maximum amount of new energy "supply" PSE can acquire through energy efficiency and makes a thorough, objective assessment of the benefits, costs and risks associated with each energy-supply option. This comprises analyses of the region's population and economic trends, including a forecast of PSE customers' natural gas and electricity needs two decades into the future and the evaluation of political and economic policies and trends, and their potential impact on energy production, usage, and availability.

15 PSE also establishes in its IRP the avoided capacity costs and avoided energy costs that are consistent with the definition of "least reasonable costs" per RCW 19.280.020(11):

> *"Lowest reasonable cost" means the lowest cost mix of generating resources and conservation and efficiency resources determined through a detailed and consistent analysis of a wide range of commercially available resources. At a minimum, this analysis must consider resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, the risks imposed on the utility and its ratepayers, public policies regarding resource preference adopted by Washington state or the federal government, and the cost of risks associated with environmental effects including emissions of carbon dioxide.*

16 **Avoided Costs in IRP** - These avoided costs represent the incremental costs to PSE of electric energy, electric capacity, or both, that PSE would generate itself or purchase from another source. PSE has only one set of IRP avoided costs. These estimated avoided capacity and

[19] http://www.commerce.wa.gov/wp-content/uploads/2019/02/Commerce-Electric-Utility-Resource-Planning.pdf

energy values are differentiated by characteristic of QF resources but not by the generation capacity of QF resources.

17 **Avoided Capacity Costs in IRP** - The avoided capacity costs in PSE's IRP includes avoided resource costs and avoided supply-related costs. These avoided capacity costs are discussed throughout the 2017 IRP and in detail in Section 4, Outputs: Avoided Costs of Appendix N: Electric Analysis[20] to the 2017 IRP. Avoided resource costs are directly related to avoiding acquisition of new capacity resources. The timing and cost of avoided capacity resources are tied directly to the resource plan. This represents the average cost of capacity additions (or average incremental costs), not marginal costs. Avoided capacity costs are differentiated by peak capacity contribution. In the 2017 IRP, the Effective Load Carrying Capability ("ELCC") for a baseload resource is 100 % and for the non-baseload resources of wind and solar, the ELCC are 16% and 2%, respectively. The estimated capacity value for 2019-2022 in the IRP 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, which is different from the Schedule 91 Schedules of Estimated Avoided Costs per WAC 480-106-040(1)(b)(ii).

18 **Avoided Energy Costs in IRP** - PSE's projected wholesale power price in the IRP is the proxy for the avoided energy costs, which represents the price to PSE of purchasing (or selling) one megawatt ("MW") of power on the wholesale market. The avoided energy costs represent the variable cost or dispatch cost of resources into the wholesale market and do not include any

[20] Pages N-65 through N-83 Appendix N: https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP17_AppN.pdf

fixed costs associated with building new resources. The "Base" or "Mid" scenario in PSE's 2019 IRP Progress Report is PSE's most recent market power price projection, which was presented at the eighth IRP Technical Advisory Group meeting on September 19, 2019[21]. The base scenario, which PSE believes is the most relevant to QFs, is a set of assumptions that is used as a reference point against which other sets of assumptions can be compared. These assumptions are:

A. Demand – For electric power price modeling, the Northwest Power & Conservation Council ("NPCC") Seventh Power Plan[22] regional mid demand forecast is applied to the Western Electricity Coordinating Council[23] ("WECC") region.

B. Natural gas prices – Mid natural gas prices are applied. The prices consist of a combination of forward natural gas market prices and Wood Mackenzie's fundamental long-term base forecast.

C. Carbon dioxide (CO2) price/regulations – The social cost of carbon is expressed as a cost adder for resources in Washington or delivered to Washington. For natural gas generation fuel, upstream CO2 emissions are added to the emission rate of natural gas plants in PSE's portfolio model. The CO2 prices for California and British Columbia are also included in the base scenario.

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[21]: https://oohpseirp.blob.core.windows.net/media/Default/19_Sept_TAG_8/02_IRP_TAG_Meeting_8_Slide_Deck_FINAL.pdf

[22] https://www.nwcouncil.org/reports/seventh-power-plan

[23] https://www.nerc.com/pa/Stand/Pages/RRSUD_WECC.aspx

D. Clean energy/renewable portfolio standards regulations – For Washington, at least 80% of electric sales (i.e., delivered load) are met with non-emitting/renewable resources by 2030 (per CETA) and 100% by 2045; plus, all other renewable portfolio standards and clean energy regulations in the WECC are applied.

V. SCHEDULES OF ESTIMATED AVOIDED COSTS PER WAC 480-106-040

19 PSE's Schedules of Estimated Avoided Costs as prescribed in WAC 480-106-040 provides the general information about PSE's avoided energy and capacity costs. It contains estimated avoided capacity and energy values differentiated by characteristic of QF resources. PSE has been making available the Schedules of Estimated Avoided Costs information to public since 2006. Initially, PSE filed the information through the compliance filings with the Commission per WAC 480-107-055. Currently, the Schedules of Estimated Avoided Costs per WAC 480-106-040 is part of PSE's Schedule 91 in compliance with WAC 480-106-030(3). The basis of the past and current avoided costs is always PSE's IRP.

20 **Identification of avoided capacity costs** - The source of the current avoided capacity cost is PSE's most recently acknowledged IRP pursuant to WAC 480-106-040(1)(b)(i). The ELCC for a baseload resource is 100% and for the non-baseload resources of wind and solar, the ELCC are estimated at 16% and 2%, respectively. Schedule 91 avoided capacity value calculation for years 2019 through 2022 takes into consideration the projected fixed costs of a simple-cycle combustion turbine as identified in the integrated resource plan as the avoided capacity cost of the market purchases per WAC 480-106-040(b)(ii), i.e., the Schedule 91 Schedules of Avoided Capacity Costs are higher than that of the 2017 IRP avoided capacity costs.

21 **Identification of avoided energy costs** - As provided for in WAC 480-106-040(a), the estimated avoided cost of energy in the Schedule 91 Schedules of Estimated Avoided Costs is based on PSE's most current forecast of market prices for electricity at the Mid-Columbia spot power market in PSE's 2019 IRP Progress Report. These avoided energy costs in PSE's Schedule 91 are the same as the avoided energy costs in the IRP, which reflects the following input:

A. Levelized long-term natural gas price forecast at $3.56/MMBtu.

B. Renewable portfolio standards/clean electricity standards from Oregon Senate Bill ("SB") 1547 that was signed into law in March 2016; California SB 100 that was signed into law in September 2018; New Mexico SB 489 that was signed into law on March 22, 2019; Nevada SB 358 that was signed into law on April 22, 2019; and Washington SB 5116 that was signed into law on May 7, 2019.

C. Social cost of carbon starting at $86/US ton (nominal) in 2020 and growing to $184/US Ton (nominal) in 2039 as a planning adder in Washington.

The energy cost modeling scenarios, carbon prices, natural gas prices, power prices, portfolio sensitivities, natural gas resource alternatives, electric and gas portfolio modeling, scenario power prices, and flexibility analysis results have been presented to IRP stakeholders and reviewers: The IRP Advisory Group[24] and the Technical Advisory Group[25]. These public

[24] https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP_2019_IRPAG_Charter_Final.pdf
[25] https://www.pse.com/-/media/PDFs/001-Energy-Supply/001-Resource-Planning/IRP_2019_TAG_Charter_Final.pdf

participations and interactions are documented at PSE's website: https://pse-irp.participate.online/#irp-2019 along with the final 2019 IRP Progress Report.

22 **Changes in forecasted avoided energy costs between the 2017 IRP and the current Schedule 91 Schedules of Estimated Avoided Costs** - The 2017 IRP AURORA[26] modelling starts with default inputs and assumptions from the Aurora version 13.1 default modeling database for US and Canada in 2016. PSE then includes updates such as regional demand, natural gas prices, resource assumptions, CO_2 prices, renewable portfolio standard need, and resource retirements and builds. Details of the inputs and assumptions for the AURORA database are included in Chapter 4, Key Assumptions, and Appendix N, Electric Analysis.

23 For comparison purposes, PSE starts with $40.48/MWh which is the levelized 20-year avoided energy costs for 2016-2037 from the 2017 IRP "Base + No CO_2" scenario that was the source data for PSE's prior estimated avoided energy costs. These 2017 IRP avoided energy costs results were filed with the Commission on January 16, 2018, in compliance with the WAC 480-107-055 that was in effect at the time. This scenario includes the mid demand forecast and mid natural gas prices from the 2017 IRP, but no federal CO_2 price assumptions. The levelized 20-year avoided energy costs for 2020-2039 based upon the current Schedules of Estimated Avoided Costs is $23.81/MWh.

[26] AURORA is one of the models PSE uses for integrated resource planning. AURORA uses the western power market to produce hourly electricity price forecasts of potential future market conditions.

24 Table No. 1 below increments through the updates to the estimated avoided costs of energy between the 2017 and 2019 projections based upon the levelized 20-year avoided energy costs.

Table No. 1: 2017 and 2019 Estimated Avoided Energy Costs				
	Nominal ($/MWh)	**Levelized 20 Year Avoided Energy Costs**	**Incremental Difference**	**Cumulative Difference from 2017 IRP**
2017 IRP Base + No CO_2 Scenario		$40.48		
1	Aurora version 13.1 with default modeling database for US and Canada, update fuel adders, variable O&M costs, Fall 2017 natural gas price, regional load from 7th power plan of NPCC	$39.51	($0.96)	($0.96)
2	Oregon and California renewable resource requirements increased to 50% by 2030	$36.15	($3.36)	($4.33)
3	Update to Spring 2018 natural gas Prices (Draft 2019 IRP Case 1 Base + No CO_2 from October 11, 2018 IRP TAG	$34.06	($2.09)	($6.42)
4	Update to Fall 2018 natural gas Prices	$32.82	($1.24)	($7.66)
5	Modeled California renewable resource increase requirements of 50% to 60% renewable resources by 2030 and 100% by 2045	$28.75	($4.06)	($11.73)
6	Nevada renewable requirements increased from 25% to 50% by 2030 and 100% by 2050, and New Mexico increased from 20% RPS to 100% zero carbon by 2045	$27.79	($0.96)	($12.69)
7	Washington renewable resource requirements increased from 15% renewable requirements to 80% renewable resources by 2030 and 100% by 2045	$23.81	($3.99)	($16.67)
2019 IRP progress report Mid Scenario		$23.81		

VI. SCHEDULE 91 PRICING MODEL

25 PSE's Schedule 91 Schedules of Estimated Avoided Costs is the base input of PSE's Schedule 91 Pricing Model ("Model")[27], Exhibit B to this petition. The Model applies standard adjustments to the costs in the Schedule 91 Schedules of Estimated Avoided Costs to determine the standard fixed rates that PSE will pay for power purchased from small QFs. It calculates the current standard fixed rates for power purchases from small QFs of baseload, solar, wind, or other PURPA resources. As shown in the Model and summarized below in Table No. 2, these explicit standardized adjustments are included to reflect different supply characteristics and different technologies of qualifying facilities.

Table No. 2: Schedule 91 Price Model Summary	
Inputs	• Avoided Energy Cost • Avoided Capacity Cost • PSE Current Cost of Capital • Deferred Transmission and Distribution ("T&D") Cost Credit • Effective Load Carrying Capacity • Net Capacity Factor ("NCF")
Input: Avoided Energy Cost	Source: Most current forecast for Mid-C power prices for IRP base scenario.
Input: Avoided Capacity Cost	Source: Last acknowledge IRP.
Input: PSE's Authorized Cost of Capital	Source: Last approved general rate case filing.

[27]Schedule 91 Standard Fixed Rates for QF delivering to PSE's distribution system: https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=66&year=2019&docketNumber=190665
Schedule 91 Standard Fixed Rates for QF delivering to PSE's transmission system: https://www.utc.wa.gov/_layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=67&year=2019&docketNumber=190665

Table No. 2: Schedule 91 Price Model Summary (Continued)	
Inputs	• Avoided Energy Cost • Avoided Capacity Cost • PSE Current Cost of Capital • Deferred Transmission and Distribution ("T&D") Cost Credit • Effective Load Carrying Capacity • Net Capacity Factor ("NCF")
Input: Deferred T&D Cost Credit	Source: Last Northwest Power Plan produced by the Northwest Power and Conservation Council. The 7th Northwest Power Plan used monetary values of avoided transmission and distribution capacity which were recommended by the Regional Technical Forum. The values of transmission and distribution in the seventh Northwest Power Plan are in 2012 prices. To obtain a current year value, the price in 2012 was inflated using 2.5% per year, consistent with PSE's evaluation of the energy efficiency measurement effectiveness methodology.
Input: Effective Load Carrying Capacity	Source: Output from PSE's internal resource adequacy modelling, as described in the last acknowledged IRP. Generic resource values are used as proxy for Baseload (100%), Generic Washington Wind (16%), and Solar (2%). Quantifies the relative capacity contribution of intermittent supply-side resources that are subject to random production patterns and to express those contributions in equivalent terms. ELCC is a measure of a resources capacity relative to that of a gas-fired peaking plant that would yield the same level of reliability.
Input: Net Capacity Factor	Source: Last acknowledge IRP and using generic resource values as a proxy for baseload (100%), generic Washington Wind (30%), and Solar (26%).
Input: Inflation Rate	Source: Derived by PSE and assumed to be 2.5%.
Input: T&D Line Loss Reduction	Source: Derived by PSE and posted to Oasis under Real Power Losses. Currently it is assumed to be 2.7%.
Input: Contingency Reserves	Source: Based on a WECC wide contingency reserve margin. Currently it is assumed to be 3.0%.

Table No. 2: Schedule 91 Pricing Model Summary (Continued)	
Calculations	• Avoided Energy Benefit • Avoided Capacity Benefit • Avoided T&D Benefit • Avoided Cost Contract Rates
Avoided Energy Benefit	The avoided energy benefit is based on the avoided energy cost ($/MWh), which is adjusted up to account for assumed T&D line loss reductions that would otherwise be incurred with the purchase of market energy.
Avoided Capacity Benefit	The avoided capacity benefit is based on the avoided capacity cost ($/kW-year) which is adjusted for the generic resource ELCC, and then converted into $/MWh based on the resources available hours as derived by the resources NCF (for example, assumed for generic WA Wind: 8760 total hours in a year for a non-leap year * 30% NCF = 2628 available hours in a year).
Avoided T&D Benefit	The avoided T&D benefit is based on an assumed deferred T&D cost credit ($/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 (8760 in a non-leap year). 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.
Outputs	• Baseload QF: 5-Year, 10-Year, or 15-Year Contract Schedule 91 Standard Fixed Rates • Wind QF: 10-Year, or 15-Year Contract Schedule 91 Standard Fixed Rates • Solar QF: 10-Year, or 15-Year Contract 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 Commission 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.

VII. REQUEST FOR A DECLARATORY ORDER APPROVING THE AVOIDED COST RATE METHODOLOGY FOR POWER PURCHASES FROM SCHEDULE 92 LARGE QUALIFIED FACILITIES

26 Exhibit A details PSE's proposed Avoided Cost Rate Methodology per WAC 480-106-040 for the power purchase from any large QF under a Schedule 92 negotiated agreement. The discussions above regarding PSE's Schedule 91 Pricing Model demonstrates how various adjustments would be incorporated with the avoided costs identified in PSE's most current Schedules Estimated Avoided Costs to determine the standard fixed power purchase rates for QFs of different technology at various terms. For a negotiated Schedule 92 agreement, PSE uses the same Schedules Estimated Avoided Costs as the basis for the negotiation. The factors outlined in Schedule 92 section 2 for negotiated power purchase rates per WAC 480-106-050(5) and PSE's proposed Methodology illustrates the process and consideration when it sets the individualized rate and term for a Schedule 92 QF at the time of the QF's inquiry.

VIII. APPROPRIATENESS OF DECLARATORY ORDER

27 By authority of WAC 480-07-930 and RCW 34.05.240(1), the Commission may enter a declaratory order upon a showing:

1. That uncertainty necessitating resolution exists;
2. That there is actual controversy arising from the uncertainty such that a declaratory order will not be merely an advisory opinion;
3. That the uncertainty affects the petitioner;
4. That the adverse effect of uncertainty on the petitioner outweighs any adverse effects on others or on the general public that may likely arise from the order requested; and
5. That the petition complies with any additional requirements established by the Commission under subsection (2) of RCW 34.05.240.

28 The declaratory order requested by PSE meets these requirements because of the following considerations:

1. WAC 480-106-050(5) prescribes that "Each utility shall file and obtain commission approval of its avoided cost rate methodology for qualifying facilities with capacity greater than five megawatts."

2. The basis of PSE's Avoided Cost Rate Methodology is PSE's Schedule 91 Schedules of Estimated Avoided Costs. As discussed above, PSE has only one set of Schedules of Estimated Avoided costs based upon its IRP, which is applicable to all sizes of QF resources of less or equal or greater than five megawatts. Although the standard fixed rates and the Schedules of Estimated Avoided Costs have been approved for small QFs of five megawatts or less under Schedule 91, PSE is seeking explicitly approval from the Commission that PSE's Schedule 91 Schedules of Estimated Avoided Costs is the basis for Schedule 92 Avoided Cost Rate Methodology.

IX. REQUESTED ORDER

29 PSE requests per WAC 480-106-050(5) a declaratory order approving PSE's Avoided Cost rate Methodology for power purchases from Schedule 92 large qualified facilities as describe in Exhibit A of this petition.

DATED this 31st day of December 2019.

Puget Sound Energy

By /s/ Jon Piliaris

Jon Piliaris
Director, Regulatory Affairs
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Bellevue, WA 98009-9734
425-456-2142
Jon.Piliaris@pse.com

VERIFICATION

STATE OF WASHINGTON)
)
County of King)

Jon A. Piliaris, being first duly sworn on oath, deposes and says: That he is a Director, Regulatory Affairs, for PSE and makes this verification for and on behalf of said corporation, being thereto duly authorized;

That he has read the foregoing Petition, knows the contents thereof, and believes the same to be true.

Jon A. Piliaris

SIGNED AND SWORN to before me on this 31st day of December 2019

MONICA PARK
Commission Expires 12-20-2022
NOTARY PUBLIC
License Number 132335
STATE OF WASHINGTON

Print Name: MONICA PARK

Notary Public in and for the State of Washington,

Residing at FEDERAL WAY

My commission expires: 12/20/22