



Puget Sound Energy  
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PSE.com

October 27, 2020

***Filed Via Web Portal***

Mr. Mark L. Johnson, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

**Re: Advice No. 2020-38  
PSE's Electric Tariff Filing – Filed Electronically**

Dear Mr. Johnson:

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”):

6<sup>th</sup> Revision of Sheet No. 91-B, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
4<sup>th</sup> Revision of Sheet No. 91-C, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
2<sup>nd</sup> Revision of Sheet No. 91-D, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
1<sup>st</sup> Revision Sheet No. 91-H, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
1<sup>st</sup> Revision Sheet No. 91-I, Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less (Continued)  
Attachment “A” to Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less – Existing QF  
Attachment “B” to Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less – New QF  
Attachment “C” to Schedule 91 Purchases from Qualifying Facilities of Five Megawatts or Less – Non RCW 80.80.040 Compliant QF

These revisions include the proposed standard rates for purchases from Qualifying Facilities (“QFs”) of five megawatts or less and an updated schedule of PSE’s Estimated Avoided Costs of Energy and Capacity. In addition, this filing also aligns the labeling and references of exhibits within the three Schedule 91 standard Power Purchase Agreements.

The filing is submitted on October 27, 2020, in compliance with WAC 480-106-040(1) that a utility must file by November 1st 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.

**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.

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The Schedule of Estimated Avoided Costs shows the levelized Avoided Costs differentiated by characteristic of qualifying facilities under the following assumptions:

1. Identification of Avoided Energy: 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 PSE's draft 2021 Integrated Resource Plan ("Draft 2021 IRP") as provided for in WAC 480-106-040(a). PSE filed its work plan for the Draft 2021 IRP with the Commission on April 1, 2020. On August 5, 2020, PSE provided an additional update of its load forecast that reflected the projected effects on PSE loads from the ongoing coronavirus pandemic. PSE's Draft 2021 IRP has been made available for review by all interested parties since the initial filing in April 2020. Future public involvement opportunities and past meeting results can be found at this website: <https://pse-irp.participate.online/get-involved>.

These estimated Avoided Costs are consistent with the Mid-C prices for the "Base" scenario in PSE's Draft 2021 IRP using the 2020 electricity price forecast generated using PSE's Aurora power dispatch model without system integration, shaping, or transmission related costs.

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 2017 Integrated Resource Plan ("2017 IRP") with additional updates of the most current results from PSE's 2018 Requests for Proposals ("2018 RFP") per WAC 480-106-040(b)(i). The subsection of the WAC 480-106-040 requires that "A utility must identify the projected fixed costs of its next planned capacity addition based on either the estimates included in its most recently acknowledged 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".
  - Table No. 2 reflects the following key components from the results and the assumptions used from the Commission-approved 2018 RFP under Docket Nos. UE-180271 and UE-180272 on June 28, 2018:
    - The capacity resource addition of frame peaker and Avoided Capacity Costs of \$89/ kW per year for 2020-2022 to represent the avoided capacity cost from the 2018 RFP results.
    - The Effective Load Carrying Capability ("ELCC") for a baseload resource would be 100% and for the non-baseload resources of wind and solar, the ELCC would be at 6.4% and 1%, respectively, consistent with the assumptions used in the 2018 RFP.

- The inputs for Table No. 2 that are from PSE’s 2017 IRP, which was acknowledged by WUTC on July 8, 2019, under Dockets UE-160918 and UG-160919, includes the following:
  - The estimated indicative Avoided Capacity resources and costs for 2023 through 2037 from the 2017 IRP; Appendix N: Electrical Analysis; Page N-67; Figure N-37: Indicative Avoided Capacity Resource Costs for Resources Delivered to PSE (Base + CAR Only Scenario)
  - 2017 IRP; Appendix N: Electrical Analysis; Page N-67; Figure N-18: New Resource Cost Assumptions provides the generic resource net capacity factor of 30% for the wind resource and that of 26% for the solar resource.

**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.

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: 2021 IRP forecast for Mid-C Power Prices for Base Scenario.
Input: Avoided Capacity Cost	Source: Most recently acknowledged IRP of 2017 IRP and most recent approved RFP.
Input: PSE’s Authorized Cost of Capital	Source: PSE’s 2019 General Rate Case Filing (Docket No. UE-190529).

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 (Applicable only to the PPAs that delivery to PSE’s distribution system)	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 7th 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 EES methodology
Input: Effective Load Carrying Capacity	Source: Latest approved RFP of 2018 RFP under Docket Nos. UE-180271 and UE-180272. Generic resource values are used as proxy for Baseload (100%), Generic Washington Wind (6.4%), and Solar (1%).
Input: Net Capacity Factor	Source: Most recently acknowledged 2017 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 The Open Access Same-Time Information System (OASIS) under Real Power Losses. Currently assumed to be 2.7%.
Input: Contingency Reserves	Source: Based on a WECC wide contingency reserve margin. Currently assumed to be 3.0%
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 (8760 total hours in a year * 30% NCF = 2628 available hours in a year).
Avoided T&D Benefit (Applicable only to the PPAs that delivery to PSE’s distribution system)	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.

Calculations	Avoided Energy Benefit Avoided Capacity Benefit Avoided T&D Benefit Avoided Cost Contract 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.

The tariff sheets described herein reflect an issue date of October 27, 2020, and an effective date of December 12, 2020. 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 or Eric Englert at (425) 456-2312 for additional information about this filing. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

*/s/ Jon Piliaris*

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

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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