

Agenda Date: December 5, 2019
Item Numbers: A2

Dockets: UE-190665
Company: Puget Sound Energy

Staff: Kyle Frankiewicz, Regulatory Analyst

Recommendation

Staff recommends taking no action, allowing the tariff revisions implementing the new Chapter 480-106 WAC to go into effect by operation of law.

Background

On June 12, 2019, the Washington Utilities and Transportation Commission (commission) concluded its rulemaking under Docket U-161024 with an order amending, adopting, and repealing parts of the Washington Administrative Code (WAC). Among other changes, the commission added a new Chapter 480-106 WAC revamping the implementation of the Public Utilities Regulatory Policies Act (PURPA), which requires utilities to purchase energy and capacity from small power producers, also called qualifying facilities (QFs). The three electric utilities regulated by the commission filed tariff revisions updating their tariffs implementing the requirements of the new rules on August 9, 2019. Discussions with the utilities and interested stakeholders prompted commission staff (staff) to bring these tariff revisions to the open meeting on September 12, 2019, for commission discussion and stakeholder input.

Staff brought this docket to the commission for discussion during the open meeting on September 12, 2019. During and after that open meeting, Puget Sound Energy (PSE), the other two electric utilities, interested stakeholders and staff agreed to build a record for the many moving pieces of these tariff revisions implementing the new rule. The parties also agreed to an informal workshop to identify key issues and develop a plan for processing the dockets. The workshop was held on October 2, 2019. Since the workshop, PSE and other stakeholders have worked together to further hone the company's filing.

Discussion

Staff's memo for the September 12 open meeting included an attachment delineating staff's understanding of the many components required of the three electric utilities' PURPA tariffs by the new Chapter 480-106 WAC. This memo provides an overview of progress made since then. Through continued conversation and collaboration with staff and other interested parties, PSE has resolved many of the identified issues in the replacement pages filed on November 22, 2019.

Attachment A itemizes the requirements of the new rule and assesses whether PSE has, in staff's view, satisfied each requirement. Staff has included the assessment of PSE's original filing to highlight the amount of progress that has been made. Areas of concern and topics that require more context are discussed below.

Staff's priorities in vetting PSE's implementation of the new PURPA rule have not changed since the September 12 open meeting:

- *Accuracy*: Rates in tariff are fairly considered to be a utility's true avoided costs.
- *Transparency*: Members of the public can access and assess a utility's avoided cost inputs and calculation methodology to form their own opinions on a utility's outputs.
- *Simplicity*: Avoided cost calculation methodologies are simple to use and understand.
- *Consistency*: To the extent feasible, the utilities' PURPA filings implement the new WAC 480-106 in a similar way. Any variances in approach are identified and justified.

Many of the issues raised for Avista's (UE-190663) and Pacific Power's (UE-190666) PURPA updates were related to the companies' proposed contracting procedures as well as the terms and conditions found in the companies' power purchase agreements (PPAs). This is no longer the case for PSE, as the company worked diligently with interested stakeholders to find a mutually agreeable approach to handling these components of the PURPA filing. Staff commends PSE for its hard work and positive results. Staff also recognizes the Northwestern and Intermountain Power Producers Coalition (NIPPC) and the Renewable Energy Coalition (REC) for their engagement and collaboration.

Topic requiring more context: Avoided cost methodology for large QFs

WAC 480-106-050(5) states, "Each utility shall file and obtain commission approval of its avoided cost rate methodology for qualifying facilities with capacity greater than five megawatts." Staff has interpreted this rule to mean that PSE should file a petition for approval of its large QF methodology, filed to a new docket, to be reviewed and approved with an order from the commission. Accordingly, the language in PSE's Schedule 92 references this future filing, stating that the methodology "will be filed by the Company on or before December 31, 2019, for consideration and approval by the Commission, consistent with WAC 480-106-050(5)."¹ Staff supports the company's handling of this WAC requirement.

Topic requiring more context: Avoided cost of energy

PSE's most recent market forecast was generated as a part of its 2019 IRP process, and using the company's IRP tools and data inputs. The forecast projects significantly lower market prices; relatedly, 2019 IRP contemplated the impacts of the Clean Energy Transformation Act (CETA). Staff agrees with other stakeholders that CETA's impact to market prices – including the possible shutdown of coal assets in the near term – is hard to ascertain. Still, in the absence of better information, staff does not at this time dispute the reasonableness of PSE's forecast. Staff commends the company for offering more information within this docket by filing a more substantial explanation of the inputs and analysis that went into its market forecast.²

¹ Docket UE-190665, Schedule 92, Sheet 92-D, filed November 22, 2019.

² Docket UE-190665, Cover letter to replacement pages filed November 22, 2019, Attachments A, B, and C.

Topic requiring more context: Implementation of “next planned capacity resource”

As noted in the September 12 staff memo, PSE interpreted WAC 380-106-040(1)(b) as a direction to take a levelized average cost of all “next planned capacity additions identified in the succeeding twenty years” from its IRP. In staff’s view, this is not a plain reading of the rule, but the material difference between these differing perspectives appears minimal at this time. That may change in a future IRP.

Stakeholder comments

Staff has worked in collaboration with PSE and third-party stakeholders, primarily representatives from NIPPC and REC, to hone the utility’s filing. These organizations also filed joint comments on November 14 and 15. The November 14 explored PSE’s avoided cost calculations. The main issues identified by NIPPC/REC are as follows:

- Energy, Market Forecast: PSE’s market forecast departs dramatically from its prior IRP forecasts. The filing lacks an explanation for this departure and it is not clear whether supply resource adequacy (e.g., coal retirements) has been accounted for.
- Energy, Shaping Factors: These factors are confusing for smaller unsophisticated QFs, given the negative factors. NIPPC and REC believe that it should simply be an average annual price or there should be some alternative option such as allowing the QF to not deliver during months with negative factors or deliver to a third party.
- Capacity contribution: PSE’s low contribution values for wind and solar do not appear to be well supported. NIPPC/REC proposes higher capacity contributions.

NIPPC/REC filed another set of comments on November 15 focusing on contracting procedures. NIPPC/REC did not file material comments regarding PSE’s contracting procedures; PSE was able to agree to the tariff language, as well as the terms and conditions of the form PPAs attached to the tariff. Staff understands that NIPPC/REC may file additional comments clarifying some components of PSE’s filing, though these comments were not filed at the time of writing.

Conclusion

Staff recommends taking no action, allowing PSE’s Schedules 91 and 92 to go into effect by operation of law.