

Sheep Creek Hydro Inc.
4522 Mitchell Road

November 19, 2018

Steven King, Executive Director and Secretary, WUTC

RE: Public Utility Regulatory Policies Act, Obligations of the Utility to Qualifying Facilities
WAC 480-107 Docket U-161024

Dear Mr. King:

Sheep Creek Hydro Inc. (SCHI) owns and operates a 1.4 MW and 20KW Qualifying Facility's in Northport, WA. This family operation was constructed in the 1980's by members of the Phillips Ranch. SCHI has reliably supplied clean, renewable electricity to Avista since startup. SCHI currently has two employees for maintenance and operation.

While we agree with the language in draft rule 480-106-040 paragraph 2 "differentiating among qualifying utilities", it does not completely address our concerns. A utility's avoided cost of capacity must also differentiate between QFs whose generation was used to calculate projected load-resource balance.

For years our power generation has been included in Avista's resource planning. Our power contributes to the current load-resource balance which shows Avista long on capacity through 2026. As such, avoided capacity cost will be 0.00 \$/KW per year until 2026. Our existing contract expires 6/2021. We are currently receiving capacity payments. Under the draft rules and a new standard contract, we will no longer receive these payments until 2026 (or when Avista's capacity need arises) even though our past power generation is one of the reasons why Avista is capacity sufficient. As a legacy project with our power generation included in Avista's resource planning, we should be compensated accordingly. To overlook the existence of this contribution would cause loss of revenue and economic hardship.

Regards

Mike Phillips
Owner/Partner, Sheep Creek Hydro Inc.
(509) 675-1891 mpp036@gmail.com

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