



## LES Avoided Costs<sup>1</sup>

### Introduction

In accordance with the Public Utilities Regulatory Policies Act (PURPA), the Federal Energy Regulatory Commission (FERC) requires electric utilities to provide a utility's estimated avoided energy and capacity cost data for public inspection. These estimated avoided costs are intended to represent an estimation of the associated average cost of an additional unit of energy or additional unit of capacity as well as an estimate of the rate LES would pay for energy from a Qualifying Facility (QF).

In 2014 LES entered into the Southwest Power Pool (SPP) integrated market (IM). Since the majority of energy purchases made by LES are transacted through the IM, the average SPP IM price will be used to estimate avoided energy costs. These estimated avoided costs are provided to assist PURPA determined Qualifying Facilities with the evaluation of the feasibility of projects. Estimated costs within this document are not intended to be an actual rate to be paid for energy purchases. Actual avoided costs (energy purchase rates) would be determined at the time of execution of an agreement with a QF.

### Estimated Energy Avoided Cost

The estimated avoided costs for energy are based on the average SPP IM price for the last recorded full calendar year. Projections are then developed by calculating the future value of the average market price. The EIA projected wholesale annual growth rate (3.0%) for 2018-2050<sup>2</sup> is used for the growth rate. Details of the calculation can be found below.

$$\text{Estimated Avoided Cost} = x \cdot (1 + z)^n$$

Where:

$x$  = 2019 Average Real Time SPP Locational Market Price at Lincoln, NE

$z$  = EIA Projected Wholesale Annual Growth Rate (3.0%)

$n$  = Projected Year – 2019

LES Estimated Market Based Avoided Cost 2019-2024 \$/MWh <sup>3</sup>						
Year	Winter Non Peak Cost	Winter Peak Cost	Summer Non Peak Cost	Summer Peak Cost	Growth Rate (z)	Number of Periods (n)
<b>2019 Average SPP Market Price (x)</b>	\$20.84	\$23.37	\$15.96	\$32.09	0.00%	0
<b>2020</b>	\$21.46	\$24.07	\$16.43	\$33.05	3.00%	1
<b>2021</b>	\$22.11	\$24.80	\$16.93	\$34.04	3.00%	2
<b>2022</b>	\$22.77	\$25.54	\$17.44	\$35.06	3.00%	3
<b>2023</b>	\$23.45	\$26.31	\$17.96	\$36.12	3.00%	4
<b>2024</b>	\$24.16	\$27.10	\$18.50	\$37.20	3.00%	5
<b>2025</b>	\$24.88	\$27.91	\$19.05	\$38.32	3.00%	6

<sup>1</sup> Prepared by the Rates and Analytics Department

<sup>2</sup> EIA projected wholesale annual growth rate is taken from EIA 2019 Energy Outlook

<sup>3</sup> Per LES Rate Schedules: Winter is October 1<sup>st</sup> through May 31<sup>st</sup>, Summer is June 1<sup>st</sup> through September 30<sup>th</sup>, Peak is 2 pm to 8 pm, and Non Peak is 8 pm to 2 pm



## Estimated Avoided Capacity Costs

As part of the regulations, FERC requires the availability of capacity plans for the next 10 years. LES does not currently project a requirement for additional generating capacity until beyond 2030. LES may add generating resources within this time frame, however these additions would most likely be added based on a strategic objective and not on the necessity of generating capacity. The need for future generating capacity is reviewed on an ongoing basis and every 5 years during development of LES' integrated resource plan.