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By Web Portal

May 5, 2023

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Informational Filing of Puget Sound Energy’s 2023 Voluntary Targeted Lower Snake River Wind Facility Expansion Request for Proposals

Dear Ms. Maxwell:

Puget Sound Energy (“PSE”) hereby submits to the Washington Utilities and Transportation Commission (the “Commission”) the enclosed 2023 Lower Snake River Wind Facility Expansion Request for Proposals (the “2023 LSR Expansion RFP”). The 2023 LSR Expansion RFP is a “targeted” and “voluntary” request for proposals, as defined in Washington Administrative Code (“WAC”) 480-107-109(3). Accordingly, pursuant to WAC 480-107-021(1), PSE is submitting the 2023 LSR Expansion RFP to the Commission for informational purposes only.

I. RESOURCE NEED

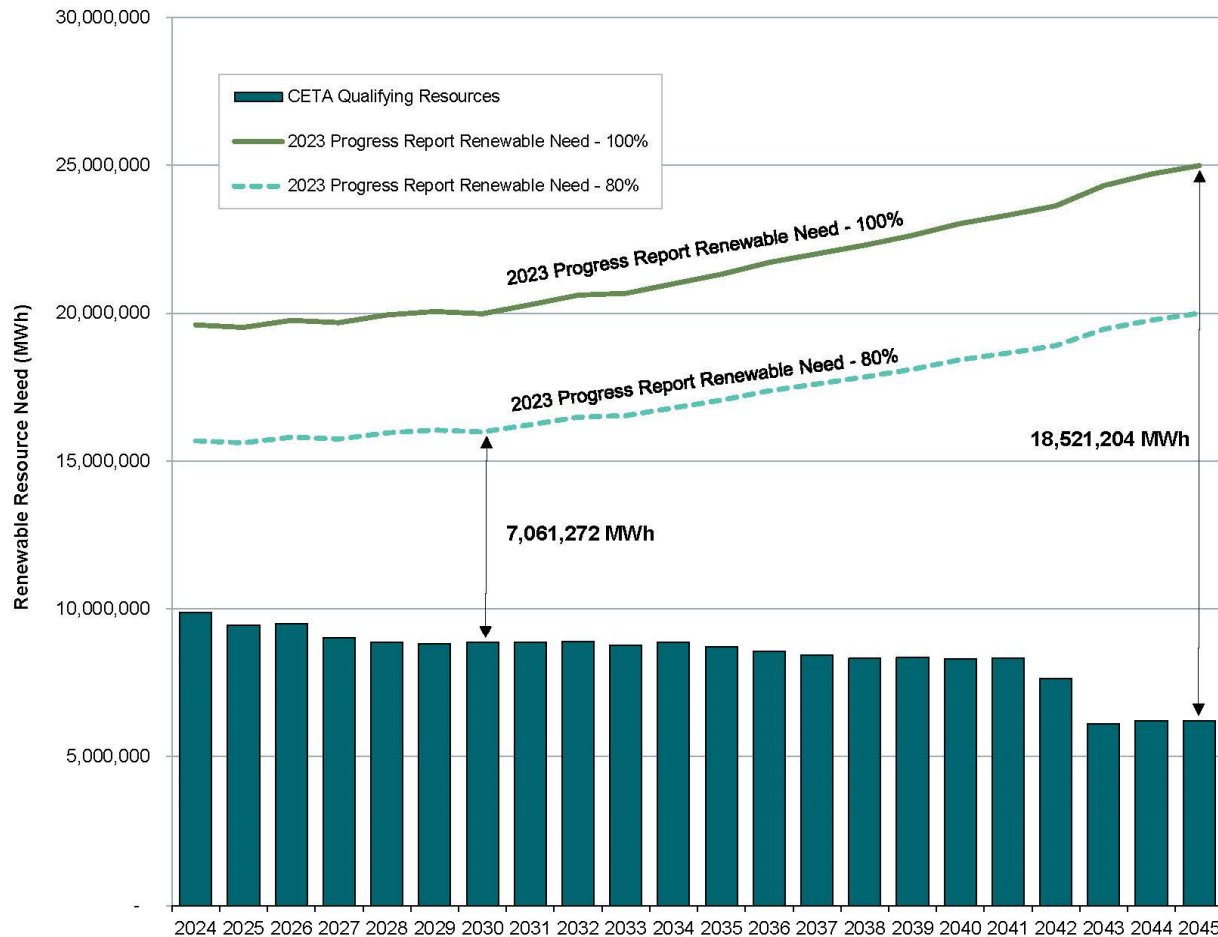
PSE’s integrated resource planning analysis, which evaluates and establishes PSE’s capacity (physical reliability) and renewable energy (policy driven) needs, guides the electric resource acquisition process. PSE filed the 2021 Integrated Resource Plan (the “2021 IRP”), the most recent planning analysis, with the Commission on April 1, 2021. The 2021 IRP includes a discussion of the electric planning standard and describes the methodology for analyzing PSE’s resource needs.¹ On March 23, 2023, PSE filed a 2023 Electric Progress Report (the “2023 Progress Report”) on the 2021 Electric IRP. PSE developed the Progress Report with input from interested parties over a fifteen-month period, resulting in substantive changes and improvements. The feedback informed a diverse portfolio of resources that considers equity, grows PSE’s distributed energy resources, incorporates climate change, addresses the risks of reliance on alternative fuels such as hydrogen and biodiesel, and keeps PSE on a path to meeting its obligations under the Clean Energy Transformation Act.²

¹ The 2021 IRP can be found on PSE’s website at the following link: <http://www.pse.com/irp>. See also Dockets UE-200304 (electric) and UG-200305 (natural gas).

² Clean Energy Transformation Act, codified at Chapter 19.405 RCW (“CETA”).

CETA requires that at least 80 percent of PSE’s electric sales in Washington be met by non-emitting or renewable resources by 2030, and 100 percent by 2045. Figure 1 below illustrates PSE’s renewable and non-emitting energy need to meet CETA requirements from the 2023 Progress Report.

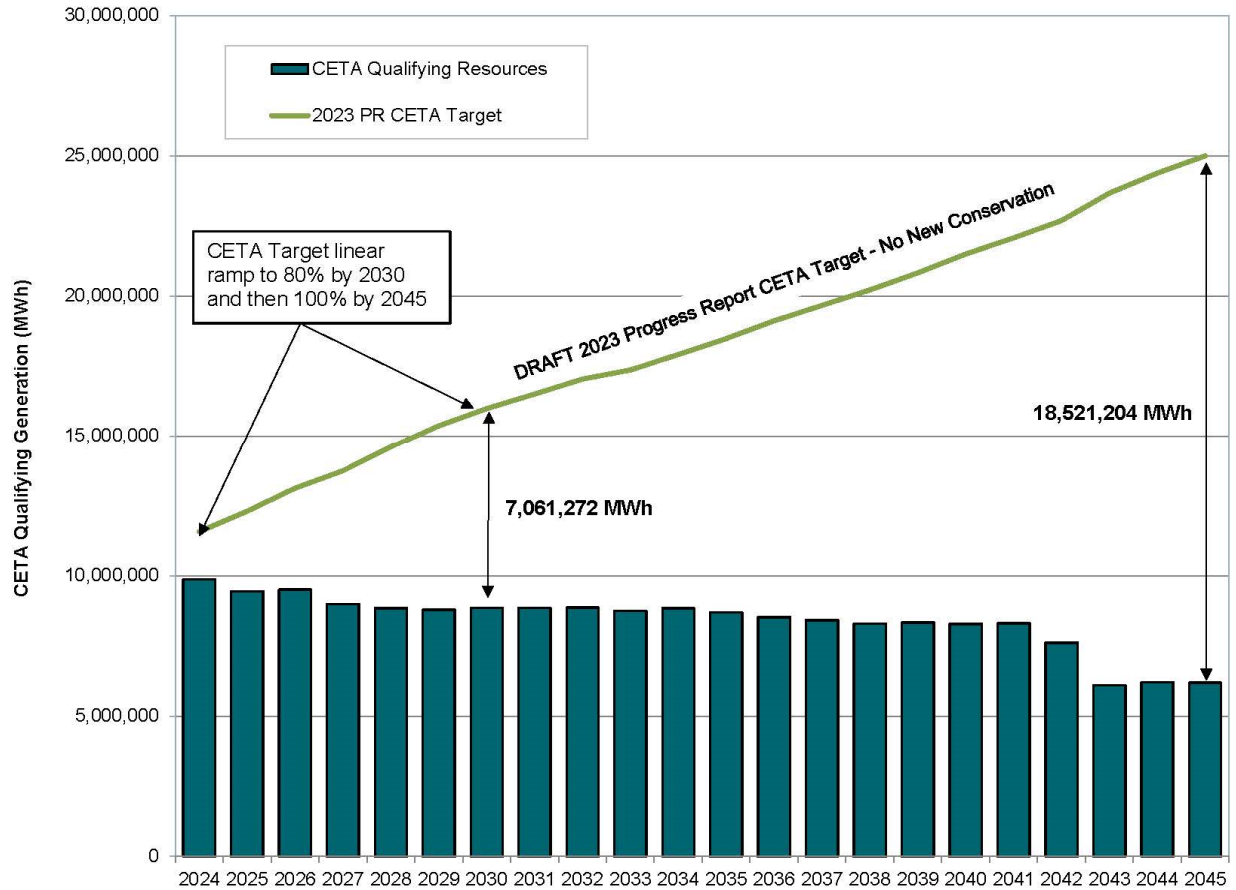
**Figure 1. Qualifying Energy Need to Meet CETA Requirements
(Before Demand-side Resources)**



For the long-term IRP analysis, PSE assumed a linear ramp to achieve the Clean Energy Transformation Standards Act standards in 2030 and 2045 described in RCW 19.405.040;7 however, actual resource acquisitions through implementation of the CEIP will likely produce a less linear pathway than shown in Figure 1 above. Before any conservation, the renewable energy need is over 7 million MWh in 2030 to meet the 80 percent clean energy standard.

Figure 2 below assumes a linear ramp to reach the 80 percent clean energy standard in 2030 and the 100 percent clean energy standard in 2045.

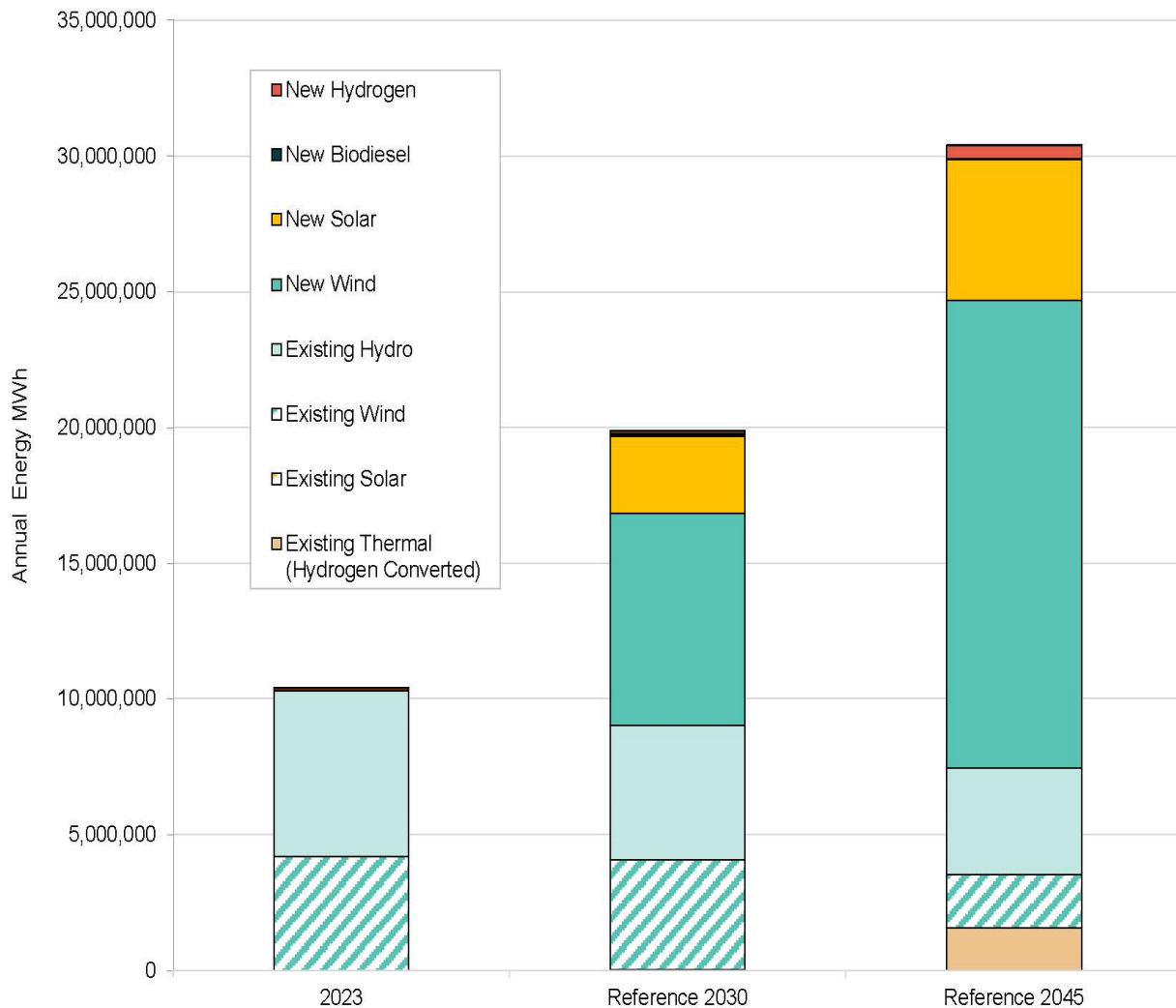
**Figure 2. Renewable Need and Linear Ramp for CETA
 (Before Demand-side Resources)**



PSE uses the linear ramp to ensure the portfolio model gradually adds resources to meet clean energy standards rather than waiting until the goal’s final target year to add them.

Figure 3 shows the energy breakdown from CETA-qualifying resources¹¹ for select years through 2045. Energy contribution from CETA-qualifying resources doubles by 2030 (from over 10 million MWhs in 2023 to 20 million MWhs in 2030) and triples by 2045 (from over 10 million MWhs in 2023 to 20 million MWhs in 2045). PSE projects addition of new resources to the portfolio starting in 2024. By 2030, PSE will see a mix of hydroelectric, wind, solar, and hybrid resources (the renewable portion) eligible to meet CETA added to the portfolio. By 2045, energy from wind resources will make up most of the energy produced from CETA-qualifying resources.

Figure 3. Projected Energy from CETA-Qualifying Resources



As shown in Figure 3 above, PSE counts energy from hydrogen and biodiesel peakers toward achievement of CETA requirements; however, those resources have a limited capacity factor and are mostly available to meet peak needs in high demand hours.

Puget Sound Energy meets its CETA, energy, and reliability requirements through a combination of conservation, demand response, distributed energy and clean energy resources, energy storage, and CETA-qualifying peaking new capacity resources. Table 1 below provides PSE’s current projections for the portfolio’s incremental nameplate capacity for select years and the cumulative nameplate capacity.

Table 1. Projected Incremental Resource Additions (MW)

Resource Type	2024–2025 Incremental	2026–2030 Incremental	2030 Cumulative	2031–2045 Incremental	2045 Cumulative
Demand-side Resources	184	369	553	547	1,100
Conservation	51	175	226	469	695
Demand Response	133	194	327	78	405
Distributed Energy Resources	182	252	434	1,177	1,612
DER Solar	142	230	372	1,122	1,494
Net Metered Solar	59	225	284	1,109	1,393
CEIP Solar	79	-	79	0	79
New DER Solar	4	5	9	13	22
DER Storage	40	22	62	55	117
Supply-side Resources	1,761	4,227	5988	5,587	11,575
CETA Qualifying Peaking Capacity	711	128	839	949	1,788
Wind	600	800	1400	2,650	4,050
Solar	0	1,100	1100	1,290	2,390
Green Direct	0	100	100	0	100
Hybrid (Total Nameplate)	250	1,300	1550	0	1,550
Hybrid Wind	100	800	900	0	900
Hybrid Solar	100	100	200	0	200
Hybrid Storage	50	400	450	0	450
Biomass	0	0	0	0	0
Advanced Nuclear SMR	0	0	0	0	0
Standalone Storage	200	800	1000	700	1,700
Total	2,127	4,849	6976	7,311	14,287

As shown in Table 1 above, PSE’s current projections for overall cumulative capacity builds is 4,849 MW through 2030 and 14,287 MW through 2045.

II. OVERVIEW OF THE 2023 LSR EXPANSION RFP

A. PSE’s Priorities

The 2023 LSR Expansion RFP seeks a development partner to help PSE in the development, engineering, procurement, construction, and commissioning of a wind generation facility near Pomeroy, Washington (the “Project”). Existing land leases and easements and electrical interconnection agreements constrain the Project’s capacity to 640 MW. PSE seeks to develop, fund, build, own (or co-own), and operate the Project within the Lower Snake River wind resource area. The Project will help PSE meet its future clean energy demand by utilizing existing development rights, infrastructure, land leases, and easements to produce reliable energy at the lowest reasonable cost for customers.

The objectives of the 2023 LSR Expansion RFP are as follows:

- Secure a cost-competitive and CETA-compliant proposal to expand the operational Lower Snake River wind facility by adding 640 MW of additional wind capacity.
- Leverage existing Lower Snake River resource area infrastructure, interconnection and transmission rights, land leases, easements, permits, and operations personnel to minimize the cost and reduce the operational risk of the Project.
- Use subject matter experts from PSE and a qualified third party to propose, plan, develop, design, permit, build, and operate the Project.
- Partner with regulators and local community members and organizations to generate public support, deliver economic and environmental benefits, and ensure fair treatment and meaningful involvement of all people (regardless of race, color, national origin, or income) in the development, implementation, and enforcement of environmental laws, regulations, and policies.
- Conduct a resource procurement process that is accessible and fair for all prospective bidders and encourages participation by all prospective bidders that meet the requirements of the 2023 LSR Expansion RFP, including those representing minority-, women-, disabled-, and veteran-owned businesses.
- Conduct a resource procurement process that encourages prospective bidders that support supplier diversity through inclusive, competitive procurement processes.

B. Schedule and Process

1. 2023 LSR Expansion RFP Schedule

Table 2 below outlines the schedule and process for conducting the 2023 LSR Expansion RFP. This schedule is subject to adjustment based on the pace of the evaluation process. PSE will post updates online at <https://www.pse.com/en/pages/energysupply/acquiring-energy>.

Table 2. 2023 LSR Expansion RFP Schedule

PSE issues 2023 LSR Expansion RFP	May 8, 2023
Bidders Technical Conference	June 1, 2023
Proposal Due Date	July 12, 2023
PSE posts compliance report to its RFP website, consistent with the requirements of WAC 480-107-035(5)	August 11, 2023
Final Project Selection and Start Negotiation	September 15, 2023
Execute Definitive Agreements	December 15, 2023
Notice to Proceed	After definitive agreement execution
Final Commercial Operation Date ³	September 30, 2027

2. Evaluation Process

Similar to the 2021 All-Source RFP, the 2022 Distributed Energy Resource RFP, and the 2023 Distributed Solar and Storage Resources RFP, PSE will follow an evaluation process for proposals based on a review of project costs, risks, and benefits of the Project. These include, without limitation, minimizing busbar cost, controlling project risks, project dispatchability, effects on system operation, credit and financial risks to PSE, risks to PSE's customers, public policy, and Washington state and federal government requirements. PSE will consider a number of quantitative and qualitative factors to compare proposals with diverse attributes.

³ PSE is open proposals for a phased approach to project development and execution. PSE will have interconnection and transmission rights for 140 MW of capacity available in 2024, with interconnection and transmission rights for the remaining 500 MW available in 2027. Prospective bidders may submit proposals that complete a first phase with a maximum capacity of 140 MW and a second phase with a maximum capacity of 500 MW. PSE will entertain any phasing proposal that results in lower costs to PSE's customers.

a. Proposal Eligibility Requirements

PSE will undertake a preliminary screening of each proposal to determine if the proposal is eligible to proceed. Prospective bidders and associated proposals must satisfy the following eligibility requirements:

- A minimum nameplate rating of 640 MW for the Project. PSE will evaluate higher nameplate ratings for improved project benefit, controllability, and overall cost impacts to project and energy cost.
- Proposals must demonstrate experience of prospective bidders and a successful record of project development, construction, financing, commissioning, and operations of at least 2,000 MW (in the aggregate) of similar-sized wind facilities in the United States or Canada.
- Proposals must provide clear and sufficient detail on the prospective bidder's approach and indicative pricing to allow for efficient evaluation by PSE and/or its consultants, provide a clear path toward constructability (milestone schedule, equipment procurement, points of coordination with PSE, tax strategy, etc.) and be capable of achieving commercial operation by the Commercial Operation Date.
- Proposals must comply with all applicable laws, regulations and executive orders, including, without limitation, CETA and environmental laws.
- Proposals must interconnect the Project to the Central Ferry substation owned and operated by Bonneville Power Administration via existing or new generation tie lines from the Project substation(s). PSE will be responsible for securing any required LGIA and/or transmission rights, construction easements, or land leases, and the prospective bidder shall be responsible for the construction cost of required interconnection facilities.
- Major equipment must be manufactured by a top-tier "bankable" supplier (for wind technology, GE, Siemens-Gamesa, Vestas or similar), and include a cold weather package due to expected low ambient temperature in the winter months.
- Proposals must have a minimum design life of at least 30 years.
- PSE will negotiate acceptable credit requirements based on the credit rating and history of the successful bidder.
- PSE will not accept credit requirements or triggers imposed on PSE by the successful bidder.

- PSE reserves the right to reject any proposal that PSE determines does not satisfy the eligibility requirements.

b. Proposal Evaluation

PSE will perform a preliminary eligibility screening to verify that all proposals meet the minimum bid requirements and eligibility requirements. If PSE determines that a proposal is ineligible, PSE will notify the prospective bidder and give the prospective bidder five business days to remedy the ineligible proposal (the “cure period”).

Proposals meeting the eligibility requirements will receive additional quantitative and qualitative analysis, as discussed below. The quantitative analysis will constitute approximately 70 percent of the overall evaluated benefit of each proposal, and the qualitative analysis will constitute approximately 30 percent of the overall evaluated benefit of each proposal.

PSE will select proposals with favorable impacts on PSE’s energy portfolio analysis for a more thorough due diligence evaluation. This due diligence evaluation process may require further interaction with prospective bidders and requests for additional information. PSE will place those proposals that meet PSE’s resource need at the lowest reasonable cost and least risk to PSE and its customers on a short list for further discussion with the prospective bidders. Such discussions may lead to negotiations of the terms and conditions of definitive agreements.

i. Quantitative Evaluation

PSE will conduct a preliminary quantitative analysis using its Excel-based portfolio screening model and the Aurora model. The quantitative review will include an assessment of the risks, benefits, and viability factors common to renewable energy projects. The quantitative evaluation will integrate the prospective bidder’s proposed capital cost, operations cost, use of available tax credits, annual energy production, and proposed ownership structure and result in a portfolio impact (either positive or negative) for the proposal by calculating the difference between (1) PSE’s current modeled supply portfolio cost and (2) a projected portfolio cost modeled with the addition of the proposal. Preferred proposals will be those that offer the greatest portfolio benefit and least risk to PSE’s customers.

ii. Qualitative Evaluation

The qualitative evaluation will be comprised of the following factors:

- proposed project schedule and Commercial Operation Date;
- overall proposal risk evaluation for the prospective bidder’s experience, technology, proposed ownership structure, exceptions to the form power purchase agreement and ownership term sheets, safety culture, regulatory, financial strength, permitting risks, and fit with PSE as a development partner.

c. Final Project Selection

Based upon the results of the quantitative and the qualitative analyses discussed above, PSE will determine which proposal(s) that it will select for negotiation. PSE will then notify prospective bidders of PSE's decision to select (or not) a proposal for further discussions. Negotiation of definitive agreements will commence only with prospective bidders for those proposals selected by PSE for negotiation.

3. Role of the Independent Evaluator

Bates & White will serve as the independent evaluator for the 2023 LSR Expansion RFP. In February 2021, after receiving approval from the Commission in Docket UE-210037, PSE hired Bates & White to provide independent evaluator services for the 2021 All-Source RFP. To leverage the knowledge gained in PSE's internal processes and priorities through its work on the 2021 All-Source RFP, PSE also subsequently hired Bates & White as the independent evaluator for the 2022 Distributed Energy Resources RFP and the 2023 Distributed Solar and Storage Resources RFP.

In Docket UE-220725, PSE petitioned the Commission to approve PSE's recommendation that Bates & White again serve as the independent evaluator for the 2023 Distributed Solar and Storage Resources RFP. In that petition, PSE also requested that the Commission approve Bates & White as the independent evaluator for any other targeted voluntary requests for proposals that PSE may issue on or before September 30, 2023, to procure resources to meet targets identified in the 2021 Clean Energy Implementation Plan. On October 13, 2022, the Commission approved PSE's petition, subject to the condition that PSE consult with interested persons, including Commission staff and Public Counsel, to determine if there are concerns with the use of Bates & White prior to issuing other targeted voluntary RFPs—other than the 2023 DSS RFP—in the allotted period.⁴

Similar to the 2021 All-Source RFP, the 2022 Distributed Energy Resource RFP, and the 2023 Distributed Solar and Storage Resources RFP, the function of the independent evaluator is to consult with PSE, as needed, on the activities in the 2023 LSR Expansion RFP and to ensure that PSE conducts the process fairly, transparently, and properly. To that end, Bates & White has participated in the design of the 2023 LSR Expansion RFP.

C. Negotiation and Contracts

PSE may elect to negotiate price and non-price factors with any respondent whose proposal has been shortlisted. During negotiations, PSE will continue to update its economic and risk analysis on an as-needed basis to reflect any additional or revised factors that may influence the total cost of a proposed resource.

⁴ See *In the Matter of the Petition of Puget Sound Energy for an Order Approving Its Recommended Independent Evaluator*, Docket UE-220725, Order 01 Granting Exemption From Rule (Oct. 13, 2022).

III. OUTREACH, ENGAGEMENT, AND NOTICE OF THE 2023 LSR EXPANSION RFP

To broaden awareness of the 2023 LSR Expansion RFP among persons who may be interested, PSE will provide notice of its filing to entities involved in the development of wind energy resources, including representatives of interested persons who participated in PSEs 2021 IRP and 2021 All-Source RFP. PSE will also provide notice of the filing to a variety of trade publications, with an emphasis on encouraging participation in the 2023 LSR Expansion RFP from diverse types of respondents. PSE will be reaching out to potential bidders to notify them of the upcoming 2023 LSR Expansion RFP and seek their interest in providing a proposal. PSE does not intend for these outreach activities to show preference or limit applicants to those who PSE contacts but to proactively build engagement for the 2023 LSR Expansion.

IV. CONCLUSION

PSE intends to issue the 2023 LSR Expansion RFP on May 8, 2023. Questions regarding this filing should be directed to the undersigned. Questions regarding the 2023 LSR Expansion RFP should be addressed to Steve St. Clair, Manager Resource Development, at steven.stclair@pse.com or (425) 462-3057.

Thank you for your assistance

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