

Agenda Date: October 15, 2020
Item Numbers: A2 and A3

Dockets: UE-200413 and UE-200414
Company Name: Puget Sound Energy

Staff: Kathi Scanlan, Senior Resource Planning Manager

Recommendation

Issue orders in Dockets UE-200413 and UE-200414 approving Puget Sound Energy's September 8, 2020, Motion for Withdrawal of its Draft Requests for Proposals, and extend the temporary exemptions granted in Order 03 for supply-side resources and demand response resources to March 31, 2021, subject to the following conditions:

1. Direct Puget Sound Energy to work collaboratively with staff and other stakeholders in the first quarter of 2021, addressing comments submitted in these dockets, particularly the use of an independent evaluator, and revising the RFPs, as appropriate.
2. Direct Puget Sound Energy to submit for approval, in new dockets, proposed all-source and system wide electric demand response program delivery RFPs and accompanying documentation no later than April 1, 2021.

Background

On May 4, 2020, Puget Sound Energy (PSE or company), filed for approval with the Washington Utilities and Transportation Commission (commission) Draft Requests for Proposals (RFPs) regarding Demand Response Programs in Docket UE-200413, and All Generation Sources (All-Source) in Docket UE-200414 based on expressed resource need.

Commission staff (staff) submitted comments on July 6, 2020, discussing issues with both draft RFPs. The commission received a total of 14 written comments. On August 5, 2020, PSE filed a petition explaining that as part of PSE's 2021 Integrated Resource Plan (or IRP) process, the company recently developed an updated F2020 load forecast (the "Updated Load Forecast") that reflects the projected effects on PSE loads of the ongoing global pandemic of coronavirus (COVID-19). On August 26, 2020, PSE filed an informational filing in both dockets seeking comments from interested parties regarding the potential withdrawal of its Draft Demand Response and All-Source RFPs, where PSE received eight additional comments from stakeholders directly.

On September 8, 2020, PSE filed its Motion for Withdrawal of Draft Requests for Proposals and Petition for Waiver of Certain Requirements Related to Requests for Proposals Contained in WAC 480-107 (Motion for Withdrawal). PSE requests permission to withdraw its Draft All-

Source and Demand Response RFPs and seeks an exemption from WAC 480-107-015(3)(b), with respect to the issuance of a request for proposals for supply-side resources.

In early October 2020, staff reached out to the company's acquisitions and market solutions group regarding PSE's plans for outreach to bidders, stakeholders, and specific timing regarding Clean Energy Transformation Act (CETA)-related RFPs and awaits more information from the company.

Discussion

Temporal considerations: The enactment of CETA instituted a fundamental shift in the paradigm for resource planning and implementation, including acquisition, by electric utilities, as shown in Figure 1. In order to transition and transform the state's energy supply, modernize the electricity system, and ensure the benefits of this transition are broadly shared throughout the state, the commission may periodically adjust or expedite timelines so that a utility can achieve CETA objectives through its Clean Energy Implementation Plan (CEIP).¹ Thus, because RFPs and the CETA planning processes are inextricably linked, staff asserts RFP timing also matters.

Figure 1: Transformation and Modernization of Washington's Clean Energy Economy



RFP trigger: The IRP and Clean Energy Action Plan (CEAP) are the first steps in utility resource planning, describing a mix of generating resources, conservation and efficiency resources, methods, technologies, and other resources that will reliably meet current and projected deficits at the lowest reasonable cost to the utility and its ratepayers. An electric utility RFP can be triggered by an identification of resource need in the IRP.³

Each cycle, PSE's IRP identifies conservation and efficiency resources and changes to the portfolio; further, roughly 25 percent of PSE's total resource stack, 1500 megawatts, is firm transmission to the Mid-Columbia market hub, with no specific resources associated. Staff

¹ RCW 19.405.060(1)(c).

² Consolidated Dockets UE-191023 and UE-190968, second draft rules (August 13, 2020).

³ See Chapter 480-107 WAC, see also Docket UE-190837, Purchases of Electricity Rulemaking, second draft rules (August 31, 2020).

agrees with PSE that its revised and updated load forecast incorporating COVID-19 impacts changes the company's resource need, including timing. However, the company's Motion for Withdrawal characterizes this update as an effective elimination of its need until 2026.⁴ Staff disagrees. As a result of CETA, PSE has material need related to cost-effective conservation and demand response as well as market resources, identified year-over-year.⁵

WAC 480-07-110(1) outlines that the commission may grant an exemption from the provisions of any rule if doing so is consistent with the public interest. Staff supports granting PSE's Motion for Withdrawal of both draft RFPs and a waiver of 480-107-015(3)(b) until March 31, 2021. This delay will provide greater clarity and certainty regarding current and prospective resource needs for the company, stakeholders, and prospective bidders, because it will allow for review of the company's 2021 IRP analyses. Staff views an approximate six-month delay for CETA-related RFPs in this context as acceptable. In preparation for future CETA-related acquisition proposals, PSE can use this interim time to reach out to the numerous stakeholders that commented on the RFP in these dockets and revise the RFPs, as appropriate. Staff is not comfortable with PSE waiting for summer 2021 or beyond to issue new system wide demand response and all source RFPs. To achieve CETA directives, especially considering the Clean Energy Implementation Plan (CEIP) and interim target requirements, acting quickly once all the relevant information is available is crucial.

RFP benefit to ratepayers: Staff believes that RFP data is needed by summer 2021 for use in the CEIP and recommends PSE submit an all generation source and system wide demand response RFP by April 1, 2021, for approval. The purpose of a CEIP is to *identify how* the utility's current and projected mix of resources will be clean, safe, reliable, affordable, and equitably distributed at the lowest reasonable cost for ratepayers. The final draft of PSE's first CEIP, due Fall 2021, must present specific (not generic, or generalized) actions, including the estimated cost of each action and remaining resource need. The utility must explain how it intends to achieve CETA directives, including equity provisions outlined in RCW 19.405.040(8). In sum, if PSE does not have the RFP data in-hand regarding potential market solutions and costs, it cannot properly consider these in an alternative solutions analysis. This is the definition of an opportunity cost for ratepayers—or loss of potential gain from other alternatives when one alternative path is chosen.

Staff also identifies another potential opportunity cost of not pursuing RFPs in the near-term: price discovery related to longer lead time projects or programs like pumped storage or demand response. CETA requires PSE to pursue all cost-effective demand response. If the company plans to meet its resource need with system-wide demand response, it must begin to acquire demand response in incremental blocks soon. Staff reiterates its concerns that the company's *targeted* demand response strategy described in the Motion for Withdrawal (as pilots) will fail to

⁴ Dockets UE-200413 and UE-200414; Puget Sound Energy's *Motion for Withdrawal of Draft Requests for Proposals and (ii) Petition for Waiver of Certain Requirements Related to Requests for Proposals Contained in WAC 480-107*, p.7 (Sept. 8, 2020).

⁵ In the years 2011 through 2020, PSE issued approximately 15+ conservation and energy efficiency and *targeted* demand response RFPs, excluding evaluation and marketing. Staff data request (Sept. 23, 2020).

deliver adequate, timely, and scaled program-level demand response due to its long history of pilots. For example, PSE began testing demand response in 2008 with a C&I demand response pilot, which ran from 2008 – 2010; PSE’s Bainbridge Island residential demand response pilot ran 2009 – 2011, and the BPA demand response pilot ran from 2015 - 2018, where PSE was one of many regional participants. The strategy described in the Motion to Withdrawal appears to have the same scale, which is troublesome in the context of CETA demand response specific target requirements. Finally, unanswered questions remain regarding the timing related to investment and production tax credits and consideration of renewable energy or capacity solutions. Combined, these are issues of timeliness that point to RFP issuance sooner rather than later.

As compared with its peer utilities, PSE remains the outlier regarding issuing a CETA-related RFP in 2020. Avista Corporation voluntarily issued a renewables RFP on June 26, 2020; likewise, PacifiCorp issued an all-source RFP on July 31, 2020. Currently, staff recommends the company align its system wide demand response and all generation source RFPs with the 2021 IRP. This timeline adjustment will ensure PSE properly identifies all competitive RFP solutions for its resource need, including fresh resource cost data for consideration in the CEIP.

Conclusion

Staff reviewed the petition and is generally supportive of PSE’s request for withdrawal and waiver of rule, provided that PSE: 1) work collaboratively with staff and other stakeholders through the first quarter of 2021, addressing comments submitted in these dockets, particularly the use of an independent evaluator, and revise both RFPs, as appropriate, and 2) submit for approval, in new dockets, proposed all-source and demand response RFPs and accompanying documentation no later than April 1, 2021.