



Puget Sound Energy
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PSE.com

October 1, 2020

Filed Via Web Portal

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Docket UE-190837: Response to Small Business Economic Impact Statement Questionnaire

Dear Mr. Johnson:

Puget Sound Energy (“PSE”) appreciates the opportunity to respond to the Small Business Economic Impact Statement (“SBEIS”) questionnaire issued on August 31, 2020 with respect to Purchase of Electricity (“PoE”) rulemaking.

PSE recognizes that many of the changes proposed in the PoE rulemaking will help to bring the existing request for proposals (“RFP”) process in Washington in line with the processes of other states. These changes, however, add complexity and additional steps to an already complicated and often cumbersome process. Managing the new process envisioned in the proposed PoE rules will likely result in additional administrative and consultant costs, some of which are described below by applicable rule section.

WAC 480-107-010

This proposed rule would create additional administrative burden and costs by requiring a utility to conduct more frequent All-Source RFPs, as well as introducing the need for new and complex analyses due to the requirement to compare all resource options from concurrent All-Source RFPs and Single-Source RFPs in a combined analysis. This could potentially require a utility to complete this analysis twice in a four-year period and also conduct analysis for resource types such as demand response and renewable generation that are difficult to compare with similar metrics. Such additional costs include administrative, personnel and other services costs typically associated with the RFP process (including an Independent Evaluator, discussed below). The challenge of fairly comparing in a combined analysis all resource options from All-Source and Single-Source RFPs, which by their nature are typically distinct from each other, will also likely require new and innovative analytical tools and

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resources. Altogether, PSE estimates that the effect of this rule would likely create additional costs in the range of hundreds of thousands of dollars.

WAC 480-107-023

This proposed rule requires utilities to use an Independent Evaluator (IE) under specified circumstances, and it represents one of the largest additional costs introduced by the draft PoE rules. PSE is unable to provide an estimate of this cost based on historical expenses because it has not used an IE in the context of an All-Source RFP. That said, PSE anticipates the cost of an IE could be substantial, particularly given the complexity of the RFP requirements detailed in the proposed rules.

PSE recently conducted a comparative study of practices in other jurisdictions and notes that many utilities that use an IE charge a bid fee to help recover costs. The market benchmark for this fee, with some variations, is \$10,000 per bid. PSE is exploring a similar bid fee for its next RFP process. The bid fee would be used to cover costs incurred by PSE in analyzing the proposals, including the costs of the IEs, technical consultants, and legal advisors. PSE also may consider charging a success fee to winning bids in an amount up to \$350,000 to cover any incremental costs of the IE and other external subject matter experts PSE used in bid evaluations or contract development.

PSE appreciates the opportunity to provide responses to the questions identified in the Commission's Notice of Opportunity to File Written Comments. Please contact Nate Moore at 425-456-2622 or Kara Durbin at 425-456-2377 for additional information about these comments. If you have any other questions please contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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