

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

DOCKET NO. UE-180271

In the Matter of

Opportunity to Comment on Puget Sound
Energy's 2018 RFP for All Generation
Sources, March 29, 2018 Draft

COLUMBIA BASIN HYDROPOWER
COMMENTS

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Introduction

Columbia Basin Hydropower (CBHP) respectfully submits to the Washington State Utilities and Transportation Commission (the Commission) the following comments regarding Puget Sound Energy's (PSE's) draft 2018 RFP for All Generation Sources (Draft 2018 RFP) that it filed with the Commission on March 29, 2018 in Docket No. UE-180271

Background on CBHP

CBHP is the agent and representative of the three Columbia Basin Irrigation Districts (the Districts) located in central Washington State. CBHP provides administration, operations, and maintenance functions for seven irrigation conduit hydroelectric projects owned by the Districts with a combined total maximum generating capacity of 145 MW. CBHP is also currently pursuing the development of the Banks Lake Project,¹ which is a 500 MW hydroelectric pumped storage facility that will be located near Grand Coulee Dam. The Banks Lake Project is a carbon-free resource that will be capable of providing firm capacity, flexible balancing capacity, and other valuable ancillary services to the region's electric utilities. Furthermore, the Banks Lake Project will utilize two existing reservoirs (Lake Roosevelt and Banks Lake) and it will provide significant economic benefits to the citizens of Washington State and the local communities near the Project, both during the construction phase and after the plant is placed into operation in approximately 2026.

The Banks Lake Project will utilize state-of-the-art variable speed pump/turbines that will allow the Project to provide flexible balancing capacity and other ancillary services in both pumping and generating modes. This capability can be used by regional utilities to reduce the number of instances when they are forced to reduce renewable, carbon-free generation (such as wind or solar resources) due to operational limitations on their existing fleets of hydro and thermal resources. Also, the service life of the Banks Lake Project is conservatively estimated to be fifty years, which is much longer than other generation technologies such as gas-fired combustion turbines or grid-scale

¹ FERC Preliminary Permit No. P-14329.

batteries; this long service life ensures that the Banks Lake Project can continue to provide value for decades to come while also helping to reduce the region's carbon footprint.

New Resource Timing Requirement in PSE's Draft 2018 RFP

PSE's Draft 2018 RFP states that "Existing and yet-to-be constructed resources with commercial operation dates through September 31 [sic], 2022 for capacity resources and December 31, 2022 for renewable resources are eligible to participate".² The Draft 2018 RFP also states that "Any proposal for a power purchase agreement ("PPA") must specify the generation asset(s) underlying the agreement, and provide assurances of its commercial availability on or before September 31 [sic], 2022 for capacity resources and December 31, 2022 for renewable resources."³ Given the Filing Schedule currently shown on PSE's RFP website,⁴ PSE does not expect to develop a final short list of resource bids until "Late Q1 2019"; therefore, any newly constructed capacity resources would need to have development cycles of approximately 42 months or less in order to meet the timing requirements contained in the 2018 Draft RFP.

PSE's requirement that any capacity resources bid in response to the 2018 RFP must be capable of delivering capacity and energy to PSE on or before September 30, 2022 unduly discriminates against resources that have longer-term development cycles *even though such resources may be least-cost alternatives to meeting the future needs of PSE's electric customers*. In particular, this timing restriction will prevent virtually *any* hydroelectric pumped storage facility from being able to submit bids pursuant to PSE's 2018 RFP even though: 1) such facilities are one of only a handful of carbon-free resource technologies capable of providing firm capacity for long-term peak load planning purposes, and 2) the Draft 2018 RFP specifically mentions that "pumped hydro" is one of the resources being requested by PSE under the RFP.⁵ Furthermore, hydroelectric pumped storage is a proven technology that is capable of providing not only firm capacity for meeting peak electric utility loads but can also be utilized to provide short-term regulation and balancing capacity services that will allow regional utilities such as PSE to continue to add additional amounts of renewable resources (such as wind and solar) to their electric system portfolios while maintaining system reliability.

CBHP has assumed that the Draft 2018 RFP's September 30, 2022 timing requirement for new capacity resources is primarily being driven by PSE's need to acquire new sources of firm capacity by that date in order for it to meet its long-term peak load planning criteria. However, the Draft 2018 RFP *also identifies that PSE has a second incremental need to acquire an additional 312 MW of firm capacity resources in 2026*.⁶ While the Draft 2018 RFP does not discuss the reasons behind PSE's identified need for additional firm capacity beginning in 2026, CBHP is aware via other publicly available documents that this condition is primarily driven by the termination of a long-term power purchase agreement between PSE and TransAlta that will expire under its own terms on December 31, 2025. At this point in time, PSE will need to replace the 280 MW of firm capacity

² Draft 2018 RFP, page 4.

³ Draft 2018 RFP, page 7.

⁴ <http://www.pse.com/RFP>.

⁵ Draft 2018 RFP, Table 5.

⁶ Draft PSE 2018 RFP, Tables 2 and 3.

and energy that it had previously been purchasing from TransAlta.⁷

New Resource Acquisitions by Washington State Investor-Owned Utilities

CBHP notes that across roughly the last fifteen-year period, the Investor-Owned Utilities that serve customers in Washington State and the Commission have tended to favor the development and/or acquisition of new generating resources that could be brought on-line in roughly 48 months or less. While this policy has generally allowed PSE and other the IOUs to remain flexible with regard and to changes in the long-term resource planning environment, CBHP is nevertheless concerned that PSE and the Commission (through its existing new resource prudency review policies) may inadvertently be disregarding viable new electric resources that, in the long run, might be the least-cost resources for PSE to meet its future capacity and energy needs while also addressing other important public policy goals such as reducing carbon emissions.

CBHP recognizes that new electric resources that have relatively long development timelines (such as hydro pumped storage) may pose a different set of costs and benefits for PSE, the Commission and other stakeholders to consider as compared to resources that can be developed in shorter time frames (i.e. 48 months or less). However, CBHP strongly believes that it is of paramount importance for PSE's customers and other regional stakeholders that ALL viable new electric resources - regardless of their development timelines - be considered under the Commission's established RFP and prudency review processes.

This is an especially timely issue given the fact that PSE will have a large increased need for new sources of firm capacity following the expiration of its long-term power purchase agreement with TransAlta on December 31, 2025 *and that this need might be met on a least-cost basis by resources that have development cycles longer than approximately 48 months*. Furthermore, it is important to note that a new resource that is capable of providing firm capacity beginning in 2026 would also contribute towards meeting PSE's capacity need that begins in 2023 once it comes on-line. For example, PSE could enter into a three-year "bridge" power purchase agreement that would cover its capacity needs in years 2023-2025 at which point in time it could begin receiving capacity and energy from a new resource addition in 2026.⁸

Recommended Commission Actions

For the reasons previously stated, CBHP strongly encourages the Commission to take the following actions:

1. The Commission should instruct PSE to modify its Draft 2018 RFP to remove the requirement that only capacity resources that can begin delivering capacity and energy to PSE on or before September 30, 2022 are eligible to submit bids under the RFP.

⁷ The 280 MW that PSE will be purchasing from TransAlta in 2025 is tied to the early retirement of Centralia Unit No. 2, which will take place on or around December 31, 2025.

⁸ In March 2018, Portland General Electric announced that it had entered into two five-year bridge agreements to purchase 200 MW firm capacity and energy from the Bonneville Power Administration beginning in 2021. This very recent arrangement demonstrates that a three-year bridge PPA/longer-in-development new resource addition strategy is a viable alternative for PSE and the Commission to take under consideration.

2. The Commission should review its existing procedures regarding the new resource prudency review process for the Washington State IOUs and, if needed, make the appropriate modifications to its policies so that new electric resource acquisitions with development timelines longer than approximately 48 months can be submitted by the IOUs to the Commission for a prudency review and be treated on an equivalent footing with new resource acquisitions that have shorter development timelines.

CBHP appreciates the opportunity to submit these comments to the Commission regarding PSE's Draft 2018 RFP and it looks forward to continuing discussions on the topics raised in these comments with the Commission, PSE, and other regional stakeholders.

Sincerely,



Tim Culbertson
Secretary Manager, Columbia Basin Hydropower

Date: May 23, 2018