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December 2, 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: Dockets UE-190837: Comments on the CR-102 Draft in the Purchase of Electricity (PoE) Rulemaking

Dear Mr. Johnson:

Puget Sound Energy (“PSE”) respectfully submits these comments in response to the Washington Utilities and Transportation Commission’s (“Commission”) November 3, 2020 Notice of Opportunity to Provide Written Comments (“Notice”) in this Purchase of Electricity (“PoE”) rulemaking.

Overall, PSE appreciates the Commission’s work over the past several months to refine the rules. PSE appreciates the Commission eliminating the requirement to pursue an all-source RFP in response to a two-year IRP update, as well as the clarifications made around the use of a targeted RFP.

At this late stage in the rulemaking process, PSE is reasonably comfortable with the overall direction and scope of the proposed rules, with the exception of the repowering provisions. Specifically, PSE remains concerned with the definition of repowering as well as the definition of major maintenance. The breadth and application of these definitions should be narrowed, or, in the alternative, some additional guidance should be provided through the adoption order or other means. Such guidance should indicate that certain types of predictive and corrective maintenance of power generation equipment may be conducted by a utility without constituting a “repowering” under the rules.

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PSE addresses its concerns with each definition below.

Repowering Definition

With respect to the definition of repowering, the proposed rule states that a rebuild or refurbishment “...*does not constitute Repowering if it is part of routing [sic] major maintenance, existing hydroelectric licensing obligations, or replacement of equipment that does not materially affect the physical or economical longevity of the generator or generation facility.*”

This definition of repowering suggests that any major predictive or corrective equipment maintenance that preserves the physical or economic longevity of a generation facility is by definition repowering. Please note that predictive (condition-based) and corrective maintenance of power generation equipment is not uncommon to address performance deterioration, and its restoration ensures that a generating resource continues to operate safely and reliably, and meet its expected useful or economic life.

It is also important to note that hydroelectric facilities in particular have extremely long lifecycles making predictive and corrective major maintenance events much more likely over time. Specific maintenance activities may not be specific hydropower license obligations, but license holders are obligated to comply with license articles related to dam safety, environmental preservation and enhancement, recreation, cultural preservation, etc. While not necessarily required to meet license obligations, non-routine major maintenance activities for hydropower facilities do affect the physical and economic longevity of the facility within those obligations. If those activities are deemed to be a “repowering” event under these rules, it would be impractical to submit rebuilds and refurbishments for equipment subject to a 50-year federal operating license through an RFP for comparison to other resources. The delay in performing these maintenance activities while preparing an RFP submittal, waiting for the evaluation process to conclude, and finalizing a decision to proceed may impact production and/or lead to a prolonged forced outage at the facility. Such a delay would likely require FERC notification (and possibly approval) to postpone necessary major maintenance while an RFP process is completed. Due to this schedule uncertainty and its potential operational impact, PSE strongly recommends that major maintenance activities within the term of a federal hydropower license be specifically exempted from the definition of repowering, even if the activity materially affects the physical and economic longevity of the facility within the license period. To accomplish this, PSE recommends the rule language be modified one of two ways:

One approach would be to limit the definition of “repowering” to the first sentence, and eliminate the second sentence that attempts to describe what does not constitute repowering, which only introduces ambiguity. PSE strongly prefers this approach:

“Repowering means a rebuild or refurbishment, including fuel source changes, of a utility-owned generator or generation facility that is required due to the generator or facility reaching the end of its useful life or useful reasonable economic life. ~~The rebuild or refurbishment does not constitute repowering if it is part of routine major maintenance, existing hydroelectric licensing obligations, federal or state regulatory requirements, or replacement of equipment that does not materially affect the physical or economic longevity of the generator or the generation facility.~~”

A second approach would be to expand upon the definition of what does not constitute repowering to specifically cover the types of major maintenance conducted within the terms of an existing federal hydropower license:

“**“Repowering”** means a rebuild or refurbishment, including fuel source changes, of a utility-owned generator or generation facility that is required due to the generator or facility reaching the end of its useful life or useful reasonable economic life. The rebuild or refurbishment does not constitute repowering if it is part of ~~routine~~ routine major maintenance, major maintenance within the terms of an existing federal hydropower license, ~~existing hydroelectric licensing obligations~~, or the maintenance of or replacement of equipment that does not materially ~~affect~~ increase the expected physical or economical longevity of the generator or generation facility.”

Major Maintenance Definition:

With respect to the definition of major maintenance, Staff noted in its response to NIPPC in the November 3, 2020 comment matrix that routine major maintenance is considered “that which is recommended by an equipment manufacturer or otherwise expected to be performed over the life of the equipment.” This is a broad definition that could be prone to future misinterpretation by utilities, staff, and other stakeholders. As described in PSE’s repowering comments above, hydropower equipment typically has a very long lifecycle, exists within the confines and obligations of a federal hydropower license, and the original generating equipment manufacturers may not be in business any longer. Unlike gas-fired generators, hydroelectric generators may not have a routine maintenance manual or reference some 50-100 years after its original installation. PSE recommends that the Commission clarify that routine major maintenance may also include corrective or restorative work.

Staff further notes in the November 3, 2020 comment matrix that major maintenance “...*resulting from plant monitoring that detects a deterioration in the plant that threatens the plant’s future reliability would not be considered routine major maintenance.*” This response from Staff is contrary to current maintenance best practices throughout the utility and manufacturing industries. Detection of equipment deterioration in advance of failure is widely regarded as a least-cost approach to maintenance resulting in fewer forced outages, reduced

maintenance scope and cost, and longer equipment economic life. PSE recommends that the Commission clarify that predictive or condition-based maintenance is included in the definition of “routine” major maintenance.

The breadth of these proposed definitions is problematic because it may require that many different types of efficiency and maintenance activities be either: (1) bid through an RFP process; or (2) specifically exempted from the rule upon request by the utility on a case by case basis with the Commission’s approval. In either case, this will result in additional administrative burden. For the utility, this expanded PoE scope may confound the administration of the new resource acquisition requirements by comingling them with existing resource maintenance decisions. For the Commission, it likely will result in additional workload in the form of reviewing exemption or waiver requests from utilities for these types of projects. Traditionally, the prudence determination for efficiency or maintenance activities for existing resources has occurred as part of a rate proceeding after the investments have been made. PSE does not read the Clean Energy Transformation Act (“CETA”) as intending to change this settled practice. For the purposes of this rulemaking, PSE would strongly prefer the Commission set aside the repowering provisions for further discussion and development in a subsequent rulemaking, or, in the alternative, narrow the repowering definition to avoid casting such a wide net.

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PSE appreciates the opportunity to provide comments in this rulemaking. Please contact 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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