



**SIERRA
CLUB**

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December 3, 2020

Mark L. Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission 6221 Woodland Square Loop SE
Lacey WA 98503

Re: Comments on Docket UE-190837, Purchases of Electricity

Dear Mr. Johnson:

On behalf of the Sierra Club, we offer these comments on Docket UE-190837, Purchase of Electricity. Our comments only speak to the provisions related to Requests for Proposals (RFP) and Independent Evaluator (IE) for evaluation of potential projects, programs or generations facilities through a utility's RFP.

The Sierra Club strongly recommends that the utilities be required to provide more information about bids than currently required. The absence of any price information is flawed. We understand the need for confidentiality but there are at least two ways to provide price information. First, stakeholders such as the Sierra Club could enter into non-disclosure agreements to ensure confidentiality. Second, utilities could aggregate data to provide price averages or means.

The Sierra Club strongly supports the requirement to engage an IE when a utility, its subsidiary or affiliate participates in an RFP; when the utility retains the option to procure resources or a purchase option in resources considered in an RFP; or when the utility is considering repowering an existing resource to meet needs. It makes sense to require an IE for any bids in which the utility might have a financial self-interest.

It also makes sense to require an IE when the utility has under-performed in the acquisition of non-generation resources and specifically for demand response. Because these DR programs have been chronically under-funded, and because the full suite of benefits for DR have not been sufficiently valued, an IE can help ensure DR proposals receive a full and fair review. The criteria for DR must go beyond just evaluating peak shaving and also should include:

- Peak load reduction system-wide, potentially avoiding generation and transmission upgrades
- Peak load reduction at specific locations, potentially avoiding distribution system upgrades
- Load shifting from on-peak to off-peak, providing a storage function

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- Load shifting from on-peak to off-peak, providing a line loss reduction energy savings benefit (losses are much higher on-peak)
- Ancillary services benefits at the generation level, such as frequency regulation and spinning reserve
- Ancillary services benefits at the distribution level, such as voltage control.

Unless a solicitation for DR seeks to acquire and compensate all of these, then some resources will not be competitive.

To achieve the above stated outcomes, Sierra Club recommends that an IE be required in the upcoming solicitation pursuant to the following criteria:

1. The IE is retained by utilities, selected by and reporting to the UTC. The IE will work in coordination with UTC staff and the utilities.
2. The IE must be independent of the utility and likely, potential bidders.
3. The IE will provide a report to the UTC regarding the results of the solicitation event, including their independent evaluation of the selected resources.
4. The utilities are responsible for preparing the initial RFP draft, including procedures, evaluation factors, credit & security obligations, a pro forma PPA, proxy price, and solicitation schedule.
5. The IE and UTC staff and the public will review the draft RFP and propose changes. The final version is subject to UTC approval.
6. The utilities will conduct the RFP process, score the bids, select the short-list and conduct negotiations with bidders.
7. The IE will oversee the RFP process to ensure it is conducted fairly.
8. The utilities will provide data, information and models necessary for the IE to analyze and verify the models.

The Sierra Club supports the IE in ranking bids and explain in a final report to the commission after reconciling rankings with the utility, why the IE and the utility were or were not able to reconcile any differences. The point of involving an objective and independent third party in an RFP is precisely to provide a non-self-interested evaluation on behalf of ratepayers. This is a major improvement to the current RFP process.

In closing, the Sierra Club wishes to emphasize the importance of an unbiased RFP. Previous draft RFP that have been reviewed through the UTC process have not fully satisfied concerns about the design of RFPs. Too often RFPs appear to be biased toward single generation solutions like new gas plants instead of an array of demand side resources and diversified and integrated generation resources. An IE can only be as good or credible as the method by which the evaluation is conducted.

Thank you for your consideration.

Sincerely,

Doug Howell
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