

May 25, 2018

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**RE: Comments of Renewable Northwest**  
**Docket U-180271**—*Washington Utilities and Transportation Commission's April 4, 2018, Notice of Opportunity to File Written Comments on Puget Sound Energy's Proposed Request for Proposals Pursuant to WAC 480-107.*

### I. Introduction

Renewable Northwest is grateful to the Washington Utilities and Transportation Commission (“the UTC” or “the Commission”) for the opportunity to file written comments regarding Puget Sound Energy’s (“PSE’s”) proposed 2018 Request for Proposal for All Generation Sources (the “RFP”). Renewable Northwest is a non-profit advocacy organization that works to facilitate the expansion of responsibly developed renewable resources in the Northwest. Our membership includes renewable energy developers and manufacturers, as well as consumer advocates, environmental groups, and academic institutions. The common goal of Renewable Northwest’s membership is to promote the development of a cost-effective, reliable, and clean energy system for the betterment of the Northwest economy and environment. Our efforts to promote a cost-effective and clean energy system include ensuring that resource procurement processes instill market confidence and provide for robust competition that produces the lowest reasonable cost results for customers.

To this end, Renewable Northwest respectfully offers feedback on better aligning the RFP with these principles. Section II focuses on the need for prioritization and quantification of currently subjective and ambiguous evaluation criteria within the RFP. Section III addresses concerns with the proposed redirect of transmission capacity from Garrison to Mid-C, including: a lack of consideration and analysis of the proposal during the IRP process; the uncertainty for bidders due to a potential shift in capacity need from 2022 to 2025; PSE's increased exposure and market reliance; and the potential stranding of the Colstrip Transmission System and Eastern Intertie transmission capacity to the east of Garrison. Section IV requests a small amendment to PSE’s Mutual Confidentiality Agreement to ensure that only required information is disclosed in response to a valid order.

## II. Evaluation Criteria Require Prioritization and Quantification

Exhibit A of the RFP states that “PSE’s evaluation of new long-term electric generation resources will be based on an assessment of five primary criteria” (compatibility with resource need; cost minimization; risk management; public benefits; strategic and financial) that are then “delineated into more detailed criteria elements.”<sup>1</sup> PSE should clarify if there is a hierarchy or any weighting to the five primary assessment criteria. Furthermore, the elements within the criteria are largely characterized in terms of subjective and/or ambiguous preferences, rather than a list of requirements with associated scoring criteria for various degrees of conformance. For example (emphasis added):

- Evaluation Criteria 1—Compatibility with Resource Need
  - 2. Match to need through contract: “PSE *prefers* proposals that provide fixed annual price...”;<sup>2</sup>
  - 5. Operational flexibility: “PSE *prefers* proposals that offer control of project output...PSE *prefers* proposals that provide the ability to carry operating reserves”;<sup>3</sup>
- Evaluation Criteria 2—Cost Minimization
  - 2. Transmission: “PSE *prefers* long-term firm delivery of energy to its service area...Proposals that do not include long-term firm transmission to PSE’s service area, that would produce congestion or increase PSE’s transmission costs will be *compared unfavorably* with other proposals...”;<sup>4</sup>
- Evaluation Criteria 3—Risk Management
  - 2. Price Volatility: “Proposals that provide significant long-term control of fixed and variable costs are *preferred*.”;<sup>5</sup>
  - 4. Resource Technology: “Proposals based on technologies whose output may be controlled are *preferred*.”<sup>6</sup>
  - 6. Project risk: “Proposals that minimize exposure to environmental risk or other potential liability, including expected or potential carbon control or mitigation costs, are *preferred*.”
  - 10. Ability to deliver as proposed: “PSE will use the information provided ... to *evaluate the experience* and qualifications of the project team, an *important consideration* when *judging* a respondent’s ability to deliver ...”;<sup>7</sup>
- Evaluation Criteria 4—Public Benefits

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<sup>1</sup> PSE 2018 RFP, Exhibit A, p. A-1.

<sup>2</sup> PSE 2018 RFP, Exhibit A, p. A-1.

<sup>3</sup> PSE 2018 RFP, Exhibit A, p. A-2.

<sup>4</sup> PSE 2018 RFP, Exhibit A, p. A-3.

<sup>5</sup> PSE 2018 RFP, Exhibit A, p. A-4.

<sup>6</sup> PSE 2018 RFP, Exhibit A, p. A-4.

<sup>7</sup> PSE 2018 RFP, Exhibit A, p. A-5.

- 1. Environmental impacts: “Proposals that minimize environmental impacts are *preferred*.”;<sup>8</sup>
- 2. Resource location: “Proposed resources located within PSE’s service territory are *preferred*.”<sup>9</sup>
- Evaluation Criteria 5—Strategic and Financial
  - 2. Future exposure to environmental regulations and/or taxes: “Proposals for resources with lower potential exposure to future environmental regulations and/or taxes are *preferred*.”

Renewable Northwest understands and respects PSE’s right to express its preferences; however, without some indication of how these preferences will be prioritized and/or scored, the bid selection process seems highly subjective. For example, Evaluation Criterion 3(6) states that “Proposals that minimize exposure to environmental risk or other potential liability, including expected or potential carbon control or mitigation costs, are *preferred*,” while Evaluation Criterion 4(2) states that “Proposed resources located within PSE’s service territory are *preferred*.” This specific example highlights one of the many ambiguities for bidders: it is not clear whether, given these two preferences, PSE would *prefer* a fossil fuel resource in their own service territory, or a renewable resource outside of their service territory, or how two such bids would be compared to each other objectively. Renewable Northwest recommends that PSE provide some sort of scoring quantification to its Evaluation Criteria so that bidders can determine how best to, and the extent to which they can, conform to the utility’s preferences.

### **III. Bidders Should Have Access to the 300 MW Capacity Associated With the Proposed Transmission Redirect From Garrison to Mid-C.**

PSE’s 2017 Integrated Resource Plan (“IRP”) determined that a transmission redirect of 188 MW from Hopkins Ridge and Lower Snake River wind farms to Mid-C would enable the utility to “expand its access to short term bilateral markets on a firm basis, while still allowing us to deliver that wind energy to our customers.”<sup>10</sup> PSE stated that this 188 MW transmission redirect would be a “low risk long-term decision from a deterministic perspective.”<sup>11</sup> The IRP was the appropriate place to explore the costs and benefits of the 188 MW transmission redirect with stakeholders.

Renewable Northwest was surprised to discover a further transmission redirect proposal in PSE’s 2018 RFP. PSE states that after the retirement of Colstrip Units 1 & 2, the utility will have “... the opportunity to request that BPA redirect the transmission capacity from Garrison to Mid-

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<sup>8</sup> PSE 2018 RFP, Exhibit A, p. A-7.

<sup>9</sup> PSE 2018 RFP, Exhibit A, p. A-7.

<sup>10</sup> PSE 2017 IRP, Chapter 1, p 1-3.

<sup>11</sup> PSE 2017 IRP, Chapter 1, p 1-3.

C.”<sup>12</sup> According to the 2018 RFP this potential 300 MW redirect of transmission rights from Colstrip Units 1 & 2<sup>13</sup> could shift the utility’s capacity need from 272 MW in 2022 to 253 MW in 2025.<sup>14</sup> Figure 1 shows the 2018 RFP proposed 300 MW transmission redirect in the context of the regional transmission system.

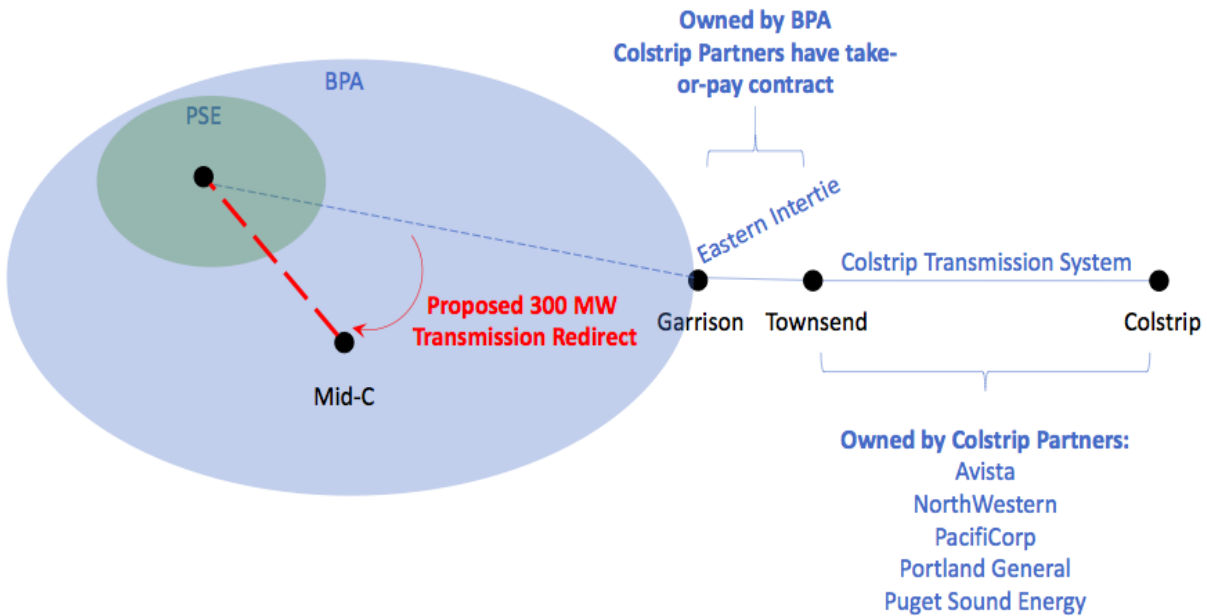


Figure 1—PSE’s 2018 RFP Proposed 300 MW Transmission Capacity Redirect from Garrison to Mid-C.

The 2018 RFP’s proposed 300 MW transmission capacity redirect from Garrison to Mid-C is concerning for four reasons:

- first, the most appropriate place to explore the costs and benefits of such a significant resource decision is the IRP, not the RFP;
- second, the proposed redirect potentially shifts the RFP’s capacity need from 2022 to 2025, creating uncertainty for bidders as to what is being requested by PSE;
- third, the proposed 300 MW capacity redirect to Mid-C could increase PSE’s exposure and reliance on the market, which the Commission has already expressed concern over;
- fourth, the redirect could potentially strand PSE’s share of the Colstrip Transmission System and Eastern Intertie transmission capacity to the east of Garrison (see Figure 1).

<sup>12</sup> PSE 2018 RFP, p2

<sup>13</sup> PSE 2017 IRP, Appendix K, p K-4. PSE’s share of Colstrip Units 1 & 2 is 307 MW.

<sup>14</sup> PSE 2018 RFP, p2

### ***A 300 MW Transmission Redirect Should Have Been Discussed in an IRP Setting***

The full spectrum of costs and benefits of a 300 MW Colstrip 1 & 2 transmission redirect should have been considered in an IRP setting. However, if PSE is considering redirecting transmission rights away from Garrison towards Mid-C, 2018 RFP bidders should be able to offer potentially lowest reasonable cost solutions that utilize the transmission rights as they exist now, extending from PSE through Garrison and Townsend to Colstrip. Allowing for bidders to do so would enable them to potentially offer lowest reasonable cost bids of Montana renewable resources. It should be noted that on March 15, 2017, PSE petitioned the Commission for an extension of the filing date of its 2017 IRP from July 12, 2017, to November 15, 2017, arguing that the request was in the public interest as it would provide the utility with needed:

[...] additional time to study the peak capacity value of Montana wind—an important issue in the 2017 IRP. When Colstrip Units 1 and 2 retire (no later than July of 2022), transmission will likely be available to import wind from Montana into the Pacific Northwest. The peak capacity contribution of Montana wind could be a primary driver for whether that resource will appear least cost in PSE’s 2017 IRP [...] Renewable Northwest Project (“RNP”) has been helpful in providing some wind data for PSE staff to analyze, and PSE is grateful to RNP for providing this data.<sup>15</sup>

Given that the 2018 RFP was released in response to the findings of the 2017 IRP, which was extended because further exploration of Montana renewable resources was deemed to be in the public interest, PSE should enable Montana bidders to bid in with alternative uses of the 300 MW of transmission capacity that is being considered for redirection.

### ***A 300 MW Transmission Redirect Would Increase PSE’s Market Exposure***

The proposed 300 MW transmission capacity redirect away from Garrison to Mid-C would increase PSE’s exposure to and reliance on the market. In the Commission’s Acknowledgement Letter Attachment to PSE’s 2017 it was observed that:

PSE relies *heavily* on nearly 1,600 MW of wholesale market purchases to meet its energy and peak capacity needs, and expects to increase that reliance in the 20-year plan ... Both PSE and the Council are increasingly uncertain that there is sufficient RA [“Resource Adequacy”] in the next five years, and therefore a capacity-short position is an increasing possibility ... Without a firm analysis that can establish a reliable boundary for those potential costs, the absence of a plan for eliminating reliance on market purchases over the 20-year plan carries excessive risk.”<sup>16</sup>

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<sup>15</sup> Docket Nos. UE-160918 and UG-160919, [Puget Sound Energy] Petition for Exemption from WAC 480-100-238 and WAC 480-90-238, Integrated Resource Planning, p 1–2, March 15, 2017.

<sup>16</sup> UE-160918, Puget Sound Energy’s 2017 Electric Integrated Resource Plan, Acknowledgment Letter Attachment, p5–6 (emphasis added).

The 2018 RFP potential transmission redirect could increase PSE’s reliance on market purchases, further exacerbating the Commission’s concerns about the utility’s already heavy reliance on market purchases. Indeed, when discussing the 188 MW 2017 IRP transmission redirect, PSE stated “[i]ncreasing market reliance could have risks that would be unforeseen in a deterministic analysis; these must be examined from a stochastic perspective.”<sup>17</sup> Given both the Commission’s and PSE’s concerns about the risk of exposure to market purchases, the RFP should explore the full spectrum of potential costs and benefits by allowing bidders the option to use the 300 MW of transmission that would otherwise potentially be redirected.

#### IV. PSE’s Mutual Confidentiality Agreement Requires a Small Amendment.

Renewable Northwest understands that members of the development community have concerns related to Exhibit C, the Mutual Confidentiality Agreement, which could be interpreted as overly broad. Section 2 of Exhibit C currently reads:

2. Notwithstanding anything to the contrary set forth in this Agreement, the Receiving Party shall not be obligated to keep confidential any Confidential Information that (A) is required by law or regulation to be disclosed (including, without limitation, any summary or ranking of any proposal by the Disclosing Party constituting Confidential Information that PSE is required by law or regulation to make available to the public), but only to the extent and for the purposes of such required disclosure or (B) *is disclosed in response to a valid order* or request of a court or other governmental authority having jurisdiction or in pursuance of any procedures for discovery or information gathering in any proceeding before any such court or governmental authority, but only to the extent of and for the purposes of such order, provided that the Receiving Party, who is subject to such order or discovery, gives the Disclosing Party reasonable advance notice (e.g., so as to afford the Disclosing Party an opportunity to appear, object and obtain a protective order or other appropriate relief regarding such disclosure).<sup>18</sup>

As written, Section 2(B) could permit the sharing of *any* confidential information in response to an order, whether or not the disclosure of that information is explicitly required by the order. Renewable Northwest politely requests that PSE consider adding the following language (shown in bold) to address this concern:

(B) is **required to be** disclosed in response to a valid order or request of a court or other governmental authority having jurisdiction or in pursuance of any procedures for discovery or information gathering in any proceeding before any such court or governmental authority, but only to the extent of and for the purposes of such order,

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<sup>17</sup> PSE 2017 IRP, Chapter 1, p 1-3.

<sup>18</sup> PSE 208 RFP, Exhibit C, p C-1 (emphasis added).

provided that the Receiving Party, who is subject to such order or discovery, gives the Disclosing Party reasonable advance notice (e.g., so as to afford the Disclosing Party an opportunity to appear, object and obtain a protective order or other appropriate relief regarding such disclosure).

### **III. Conclusion**

Renewable Northwest again thanks the UTC for this opportunity to comment on PSE's proposed RFP, and we look forward to commenting at the Open Meeting on Thursday June 14th, 2018.

Respectfully submitted this 25<sup>th</sup> day of May, 2018.

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