

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Puget Sound Energy
2021 All-source Request for Proposals
Final Report**

DOCKET UE-210220

**COMMISSION STAFF COMMENTS REGARDING
ALL-SOURCE REQUEST FOR PROPOSALS PROCESS
PER WAC CHAPTER 480-107**

March 24, 2025

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Background and Introduction

On December 28, 2020, the Washington Utilities and Transportation Commission (Commission) adopted new rules requiring that regulated electric companies issue an all-source request for proposals (RFP) if the company's integrated resource plan (IRP) identified a resource need within four years.¹ Puget Sound Energy's (PSE, or Company) 2021 IRP identified such a resource need, and the Commission approved the Company's filed 2021 All-source RFP (2021 AS RFP) with conditions on June 14, 2021.²

In accordance with the new rule, the Company enlisted the services of an independent evaluator (IE), anticipating the procurement process may result in PSE owning or having a purchase option for resources bidding into the RFP.³ The Commission approved PSE's requested approval of Bates White for this role in February 2021.⁴

Throughout the course of this RFP, Commission Staff (Staff) met with both PSE and the IE multiple times to hear updates on the process.

At the conclusion of the RFP process, Commission rule requires the IE to prepare a final report evaluating the process.⁵ This report was filed for the 2021 AS RFP on December 31, 2024.

On February 20, 2025, the Commission issued a Notice of Opportunity to File Written Comments by March 24, 2025.

In its final report, the IE highlighted several points for improvement, some of which Staff is encouraged to see PSE is already taking actions to implement in RFPs issued since this guidance was provided. In these written comments, Staff provides the following recommendations based on the IE's final report, and on our perspective of the RFP process. Staff recommends PSE:

- Implement the IE's recommendations to run future procurements more efficiently to avoid jeopardizing PSE's ability to meet its obligations under CETA,
- Communicate clearly any necessary deviations from the expectations set in future RFPs, and the rationale for such deviations,
- Carefully consider not just whether to make redactions, but also the extent of each redaction to ensure as much transparency as possible while also protecting commercially sensitive information.

¹ WAC 480-107-009(2).

² See Order 01, Docket UE-210220.

³ WAC 480-107-023(1).

⁴ See Order 01, Docket UE-210037.

⁵ WAC 480-107-023(5)(g).

Evaluation of Process

Length of RFP

PSE's 2021 AS RFP took approximately 3 years to complete. The IE's report notes a similar All-Source RFP from Portland General Electric took 18 months. PSE's willingness to extend negotiations⁶ to keep options on the table was one of the primary causes that delayed finishing the RFP. The COVID-19 pandemic contributed to some pricing instability for resources that originally bid in and, as bid prices moved due to the economic shocks of the pandemic, some resources dropped out. Staff believes it was not unreasonable for PSE to conduct additional analysis to ensure the resources that remained in the bidding process could still be procured for the lowest reasonable price. The introduction of the Inflation Reduction Act again led to bidders updating the prices of their bids. PSE needed additional time to confirm resources that bid in were still cost effective when significant price changes occurred. While there will inevitably be events outside of the Company's control, Staff expects that PSE will implement the recommendations of the IE to make future procurements more efficient and timelier. As the 2030 CETA deadline for utilities to become carbon neutral approaches, it is imperative that PSE be able to review an RFP, negotiate contracts with bidders, and procure resources at a fairly rapid pace.

The length of the process led to some additional issues. The IE report noted that over the course of several months after PSE had signed its first agreement resulting from this RFP "many of the selected bids either dropped out or ran into other difficulties."⁷ Though the reasons for these drop-outs varied, PSE's response – "to attempt to identify successful bids and close out the RFP" – suggests that the length of time the RFP had lasted was likely a contributing factor.⁸

As noted in the IE's report, a factor that contributed to PSE's reticence to remove projects from consideration was that there was no next RFP planned.⁹ Staff agrees with the IE's assessment that if the Company was issuing RFPs with future RFPs roughly planned out, it might lead to rejecting bids that are not yet ready for contracting but are likely to bid into the next RFP. Staff encourages PSE to take the recommendations made by Bates White into consideration in future RFPs to streamline the process to avoid jeopardizing the Company's ability to meet the coming CETA milestones.

⁶ Independent Evaluator Final Report at 37, Docket UE-210220, Dec. 31, 2024.

⁷ Independent Evaluator Final Report at 25, Docket UE-210220, Dec. 31, 2024.

⁸ Independent Evaluator Final Report at 26, Docket UE-210220, Dec. 31, 2024.

⁹ Independent Evaluator Final Report at 37, Docket UE-210220, Dec. 31, 2024.

Adherence to approved RFP process

Another point for improvement that the IE highlighted appears at the bottom of page 37:

“Finally, in a more abstract sense, this RFP appeared to reveal a conflict between the process laid out in the RFP documents and what we took to be PSE’s more traditional process for acquiring resources.”

This conflict seems to arise from a culture shift within the Company from a pre-CETA time – when resource procurements were needed only occasionally – to a post-CETA environment – which necessitates significant procurement in a short timeframe to meet near-term clean energy standards and load growth. In addition to the timing concerns with rapidly approaching CETA milestones, Staff believes it is important that a fair and transparent procurement process adheres to expectations set out in the RFP documents. While Staff appreciates that some level of adaptive management is appropriate, significant departures from those expectations – especially when those expectations are approved by the Commission – may have implications in cost recovery or risk alienating would-be bidders.

Staff appreciates the IE’s work in documenting this deviation and is encouraged that PSE has already used this feedback to improve the Company’s 2024 All-source RFP (2024 AS RFP).

Company’s response to IE feedback

PSE has begun implementing suggestions outlined in the IE’s Final Report¹⁰ in their 2024 AS RFP. For example, Staff understands that initial modeling of resources and the start of negotiations are currently in line with the timeline laid out by PSE in the 2024 AS RFP, representing a much faster process than the 2021 AS RFP. Staff applauds PSE’s willingness to adopt a more efficient approach in its latest procurement and is hopeful that process will facilitate meeting PSE’s needs in a timely manner. Staff welcomes the Company’s plan to include a narrative explanation of how it intends to incorporate feedback received from the IE at the end of the 2024 AS RFP and internal lessons learned into the next RFP.

Redactions

Staff highlight redaction as an issue to follow up in subsequent RFPs. The process of acquiring resources is necessarily difficult to balance with a need for transparency during the procurement process. To maintain the integrity of the process, commercially sensitive information contained in bids must be protected from public disclosure. However, some information that PSE redacted in the IE’s final report **does not appear to Staff to be commercially sensitive**. For example, PSE redacted nameplate capacity values and resource types from all but the contracted bids in

¹⁰ Independent Evaluator Final Report at 37, Docket UE-210220, Dec. 31, 2024.

Tables 6 through 13.¹¹ PSE also redacted entire sentences in a list on page 17, where more could have been shared without compromising sensitive information. In this case, partial sentences would serve to increase transparency of the process PSE relied on when eliminating certain bids.

Staff understands that this is a delicate legal balance, and that more information may be available to intervening parties when the Company files for cost recovery (and a protective order is in place), but Staff encourages PSE to be *judicious in its redactions to ensure meaningful transparency* for customers, interested persons, and the public.

Conclusion

Upon conclusion of the Company's first required RFP after the passage of CETA, the IE described several recommendations for PSE to adjust its old model for resource procurement as it works to meet its regulatory obligations. Staff commends PSE for starting to implement these recommendations in the subsequent procurements, including the 2024 AS RFP. Staff looks forward to reviewing other interested persons' comments in this docket.

Staff broadly supports the recommendations put forth in the IE's Final Report. PSE should plan for future RFPs in a consistent and clearly telegraphed manner. In the face of this growing complexity, Staff believes it is important to conduct efficient procurement processes and adhere to set expectations and timelines. Finally, when releasing the results of RFPs to the Commission, Staff emphasizes that PSE should be as transparent as possible, only redacting content when necessary.

¹¹ Commission rule (WAC 480-07-160) lays out how confidential and other restricted information should be handled in filings, and requires a redacted version be provided if a document is designated as containing confidential information (-160)(5).