

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Puget Sound Energy
Draft 2020 Request for Proposals for
Demand Response**

DOCKET UE-200413

**In the Matter of Puget Sound Energy
Draft 2020 Request for Proposals for
All Generation Sources**

DOCKET UE-200414

**COMMISSION STAFF COMMENTS REGARDING
EVALUATING AND SELECTING
RESOURCE OPTIONS UNDER
RCWs 19.405, 19.280 and WAC 480-107**

July 6, 2020

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Introduction

On May 4, 2020, Puget Sound Energy (PSE or company), filed with the Washington Utilities and Transportation Commission (Commission) Draft Requests for Proposals (RFPs) regarding Demand Response Programs in Docket UE-200413, and All Generation Sources in Docket UE-200414, as required by rule.¹

On May 11, 2020, the Commission issued a Notice of Opportunity to Provide Written Comments and Notice of Open Meeting (Notice). Consistent with WAC 480-107-015, the public participation schedule includes a 60-day period for public review and comments, followed by a 30-day period for the Commission to deliberate.

The draft RFPs are currently scheduled for Commission decision at the Commission's Recessed Open Meeting² to be held on Thursday, July 30, 2020, to ensure PSE's draft RFPs satisfy its public service obligations. The Commission will consider the information obtained through these bidding procedures when it evaluates the performance of the utility in rate and other proceedings.

Background

The Clean Energy Transformation Act (CETA) requires the state's electric utilities to fully transition to clean, renewable, and non-emitting resources by 2045. The act sets the following *mandatory targets*:

- 2025 – All electric utilities must eliminate coal-fired generation serving Washington state customers.
- 2030 – All electric utilities must be greenhouse gas neutral—for example, remaining carbon emissions are offset by renewable energy, energy efficiency, carbon reduction project investments, or payments funding low-income assistance.
- 2045 – All electric utilities must generate 100% of their power from renewable or non-emitting resources.

PSE's first clean energy implementation plan (CEIP) and the next integrated resource plan are due to be filed with the Commission in 2021.³ In the interim, the Commission initiated a process to establish rules for implementing CETA's clean energy requirements and intends to complete its related rulemakings by the fourth quarter of 2020.⁴

Specifically, Purchase of Electricity (PoE) rules outlined in WAC 480-107-015 and currently in effect require a utility to submit proposed RFPs when it will need additional capacity within

¹ WAC 480-107-015.

² By notice on June 30, 2020, the Commission moved the recessed open meeting from July 17 to July 30.

³ RCW 19.405.060(1)(a); RCW 19.280.030(1).

⁴ Integrated Resource Plan (IRP), UE-190698; Clean Energy Implementation Plan (CEIP), UE-191023; Energy Independence Act (EIA), UE-190652; and Acquisition or Purchases of Electricity (PoE), UE-190837.

three years of its IRP, including when conservation or demand response resources are used to fill the capacity need. PSE filed two proposed RFPs to meet this requirement, as well as to ensure sufficient lead-time for common transmission and other potential capacity and renewable resources to be brought online.

WAC 480-107-025 also requires that utility RFPs:

- 1) Identify the resource block, consisting of the overall amount and duration of power the utility is soliciting, the initial estimate of avoided cost schedule, and any additional information necessary for potential bidders to make a complete bid;
- 2) Document that the size of the resource block is consistent with the range of estimated new resource needs identified in the utility's IRP;
- 3) Explain general evaluation and ranking procedures and specify any minimum criteria that bidders must satisfy to be eligible for consideration in the ranking procedure;
- 4) Specify the timing of process including the solicitation period, the ranking period, and the expected selection period; and
- 5) Identify all security requirements and their rationale.

In its comments, Commission Staff (Staff) considers these rules as well as additions to the PoE discussion draft rules in Docket UE-190837, which are under development. Staff also relies on the Commission's most recent order relating to PSE's 2019 IRP and assessment of resource need.⁵

2019 IRP Progress Report

In October 2019, the Washington Utilities and Transportation Commission Staff filed a Petition for Exemption from WAC 480-100-238 until December 31, 2020. In November 2019, the Commission held an open meeting concerning the matter and subsequently issued Order 02, exempting PSE (and other investor owned utilities in Washington) from WAC 480-100-238 as well as accepting the 2019 IRP as a "Progress Report". Pursuant to Order 02, PSE filed its most recent IRP Progress Report on November 15, 2019, which included an updated assessment of PSE's resource needs.

PSE's 2019 IRP Progress Report also found that PSE has sufficient qualifying renewable resources to meet Washington State's renewable portfolio standard ("RPS") obligations through 2023, including the ability to bank renewable energy credits (RECs). The progress report showed a need for new electric resources to help meet PSE's peak capacity need.

Capacity Need

Staff highlights that PSE's energy supply portfolio is undergoing significant changes as coal resources retire and additional resource proposals are under consideration by the Commission, as outlined below. In the current dockets, PSE forecasts a need for new electric resources in the

⁵ Consolidated Dockets UE-180607/UG-180608, Order 02 Granting Petition (Nov. 7, 2019).

amount of **82 MW in 2024** that is expected to increase to **753 MW in 2026**, including the following additional impacts:

- The potential sale of PSE's interests in Colstrip Unit 4, which is pending Commission decision;⁶
- Removal of Colstrip Unit 3 from PSE's portfolio after 2025;
- Expiration of the Centralia Power Purchase Agreement ("PPA"); and
- Addition of PSE's 2018 All-Source RFP short list resources.

Because the matter is pending, PSE has included the potential impact of the announced sale of PSE's interests in Colstrip Unit 4 prior to 2025. The sale is expected to result in a need for new capacity resources beginning in 2021. Due to the relatively small size of the deficit between 2021 and 2023 (less than 50 MW), PSE states that it intends to issue a separate RFP for short-term resources to meet this need.⁷ Staff reviewed both RFPs and its evaluation is set out in detail, below. At the end of this document, Staff poses questions to PSE regarding the timing of PSE's sale, short-term resources, and the identified deficit. Staff requests PSE provide written responses filed in the dockets by July 15, 2020, if at all possible.

Staff assessment of PSE's Draft 2020 Request for Proposals for Demand Response

Staff commends PSE for addressing the multi-faceted demand response (DR) offers within the company's resource requirements section of its DR RFP. Not only is PSE considering DR resources that can be called upon to provide cost-effective capacity need, it also addresses DR's flexibility to provide more rapid curtailment and dispatch with grid monitoring as a secondary objective.⁸ PSE recognizes that DR is another resource option to provide additional peak demand reductions in-line with CETA mandates.⁹

Bidder Qualifications

PSE requires a minimum of 5 years of load curtailment experience for bidders. However, there may be companies with less experience that can offer services, such as innovative start-ups. This requirement may limit bids from the outset, especially from those trying to get a foothold in the DR market. PSE could remove or revise this requirement; if the bids are insufficient, PSE does not have to select a provider.¹⁰ Revising this requirement may increase equal opportunity throughout the contracting process.

⁶ UE-200115.

⁷ UE-200413 *PSE Cover Letter* dated May 4, 2020.

⁸ RCW 19.405.050(3)(a) requires utilities to consider all DR at the lowest reasonable cost. RCW 19.405.060(1)(a) requires specific targets for demand response.

⁹ Attachment A, PSE 2020 Demand Response RFP, p.6.

¹⁰ PSE 2020 Demand Response RFP, p.29.

Technical Potential Studies and Data Availability

PSE is continuing to evaluate the best use cases for demand response, including DR's potential as a non-wires alternative for transmission and distribution investments. While the utility has not captured all potential values in its latest draft of its demand response potential assessment, a component of the 2021 IRP, PSE should help bidders craft a meaningful response to the RFP by providing access or links to the draft and final assessments and the calculated technical potential. PSE can expect higher quality bids by making information available about customer end uses, current technology being used and considered, and the potential effects on load. Providing bidders with granular information about resource need down to the substation or feeder level when available further enhances this possibility.

Resource Objectives

PSE does an adequate job detailing the primary and secondary objectives a DR resource should meet. The company addresses not only the monthly calendar and weekly time windows when a resource can be called but also specifies the lead time and total number of call "events" the winning vendor(s) must be able to support.¹¹ However, PSE should further specify any relevant capacity availability minima that may require the utility to provide vendors with additional information about its load profile. For example, peer utilities have specified DR resources must meet a certain percentage of anticipated weekday capacity for holidays given commercial demand is generally reduced during such periods.¹² PSE's monthly calendar window for calling DR events (i.e., November 1 through February 28/29) includes the Thanksgiving, Christmas, and New Year's holidays. Any capacity reductions (e.g., 80 percent of typical weekday load) that may apply to those holidays falling on a weekday would offer helpful insight for bidders.

PSE calls out the time intervals when it could request DR calls and the maximum number of events anticipated in each season as primary resource objectives, but other desired event characteristics appear to be missing. PSE does not specify its notification interval preference; rather, PSE notes one-hour ahead, two-day ahead, or a combination of both advanced notification intervals as primary objectives. The applicant may surmise PSE prefers vendors that can respond to shorter notice, but the company does not explicitly state its preference, which leaves some ambiguity. The same criticism applies to PSE failing to specify a preferred event duration and/or frequency (e.g., curtailment events on average lasting three hours and occurring for five consecutive days or more). PSE should state its preferences for such attributes as resource objectives. PSE should also clarify whether such increased dispatch agility demonstrated on behalf of the applicant would translate into a higher bid score (see *Evaluation criteria* below).

¹¹ Ibid.

¹² Arizona Public Service 2020 Demand Response RFP.

Evaluation Criteria

Beyond resource objectives, Staff highlights PSE's evaluation—or scoring of bids. While PSE plans to measure bidders' performance and compensation against pre-defined metrics specified during the contract process, it appears that no weighting or emphases are assigned to any of the potential metrics listed.¹³ These vagaries stand in contrast to the more prescriptive, ten-page evaluation criteria PSE has put forth for its parallel All-Source RFP.¹⁴

Uncertainties regarding how DR performance will be measured or assessed impacts the outcomes in two distinctive ways. First, such ambiguities may dissuade some vendors from submitting bids. Second, a smaller DR applicant field undergoing a murky vetting process will likely perform poorly against competitive All-Source RFP submissions. If PSE wishes to retain the right to change its DR scoring criteria during the RFP, it must provide an example evaluation matrix with weighting factors in the final IRP, and it must allow all bidders to update their bids based on any revisions to the evaluation matrix. The inclusion of weighting factors is not a requirement of the Commission's current rule.¹⁵ It is one of the options allowed in the Commission's draft rule.¹⁶ However, after review, Staff believes it would significantly improve the RFP and enable better responses from bidders if PSE quantified the relative weighting criteria outlined in the bidder selection process and proposal evaluation criteria¹⁷:

- Demonstrated competence and experience;
- Management structure and assigned personnel;
- Quality of proposed equipment and services;
- Pricing;
- Performance guarantees; and
- Exhibit D (cost-effectiveness criteria).

Cost-effectiveness Criteria (Exhibit D)

RCW 19.405.040(6)(a) states that an electric utility must pursue all cost-effective, reliable, and feasible conservation and efficiency resources, and demand response. For DR to effectively compete with more traditional generating resources, including renewables, PSE could further expand its cost effectiveness criteria listed within Exhibit D of its draft DR RFP filing.

The company's plan to evaluate bids in two ways using benefits and costs as indicated in the Program Administrator Cost (PAC also known as the utility cost test) Test and Total Resource Cost (TRC) Test may lack symmetry (i.e., twice as many costs itemized as benefits) and fails to consider non-energy benefits (and costs) in PSE's assessment criteria.¹⁸ PSE should include

¹³ Attachment A, PSE 2020 Response RFP, p. 13.

¹⁴ PSE 2020 All-Source RFP, Exhibit A, pp. A-1 – A-10.

¹⁵ WAC 480-107

¹⁶ Docket U-190837, Draft Redline, proposed WAC 480-107-025(5), p.13 (filed June 1, 2020).

¹⁷ PSE 2020 Demand Response RFP, p. 34.

¹⁸ Exhibit D: Cost-effectiveness evaluation criteria, PSE 2020 Demand Response RFP.

more energy and non-energy impacts and ensure their equitable distribution across populations to bring its DR RFP evaluation criteria more in line with CETA objectives.¹⁹

From the cost-effectiveness criteria listed it is unclear how the costs and benefits will be considered. Avoided transmission and distribution costs may be based on the system average or on specific areas of the system where DR may be deployed. Added revenue from deploying DR in conjunction with the energy imbalance market may or may not be included in avoided capacity costs. There are no details on how increased energy consumption would be calculated. These are just a few examples of how it would be difficult for a bidder to craft a bid that would minimize costs and maximize benefits.

PSE could depend on various examples to better apply non-energy impacts when evaluating the cost effectiveness of DR bids. For example, regional peer utilities have considered non-energy impacts when developing similar DR programs. Portland General Electric (PGE), through its consultant Navigant, proposed a cost-effectiveness approach for demand response via the Oregon Public Utility Commission's UM 1708 docket. This framework outlined a number of non-energy (sometimes called non-monetary) benefits, including: participants' perception of decreased environmental impact, good citizen stewardship via outage avoidance, improved ability to manage energy usage, and cultivation of a better (i.e., greener) public image for commercial enterprises.²⁰ PSE could more holistically assess the DR RFP bids by considering some of these non-energy metrics in its analyses. Hard-to-quantify benefits could be more accurately accounted for using proxy values rather than by treating the value as zero. PSE should begin a stakeholder process to review and assess the nonenergy costs and benefits it will include in its future RFP analyses.

Vendor Roles and Responsibilities

Finally, Staff has questions about the specific roles and responsibilities articulated for the utility and its vendor(s). It is PSE's preference to 'own' the customer relationship with the selected respondent and co-coordinate PSE Demand Response implementation efforts among Business Services, Energy Efficiency Services and other customer service and program implementation conduits. Staff finds that more overlap or shared responsibility among PSE and its DR vendor(s) could ultimately be beneficial to customers within the first and second program definition and technology provision business functions, respectively. See Table 1 below.

¹⁹ [RCW 19.280.030\(1\)\(k\)](#), [RCW 19.405.040\(8\)](#).

²⁰ *A Proposed Cost-effectiveness Approach for Demand Response*. Navigant Consulting, Inc. April 28, 2016, p. 12.

Table 1* DR Business Functions and Responsible Parties

Business Function	Responsible Party	
	PSE	Vendor
Define Program Parameters and Initiate Load Control Events	P, A	-
Provision of Technology Products and Services	-	P, A
Marketing, Customer Recruitment & Outreach	A, p	P
Technology Installation and Enablement	p	P, A
Data Support and Performance Analysis	p	P, A
Billing and Settlement	A	P
Customer Service and Satisfaction	P, A	P
EM&V ⁶	P, A	-
Coordination with Energy Efficiency Programs	P, A	P

Level of Responsibility:

A = Accountable (answerable for the correct and thorough completion of the deliverable or task, and often the one who delegates the work to the performer)

P = Perform (carries out the activity)

p = Performs with a lower level of responsibility than P

Blanks indicate that the party is neither accountable nor responsible.

* Attachment A, PSE 2020 Demand Response RFP, Table 4, p. 7.

As highlighted above, when developing initial program specifications, a potential disconnect may exist between PSE determining the requirements of such a DR program and the vendor supplying a technology platform architecture that meets or fulfills such program needs. To avoid compatibility issues, PSE could provide additional information and accountability in the first two business functions (i.e., Define Program Parameters and Initiate Load Control Events and Provision of Technology Products and Services). Otherwise, there exists a risk of not addressing platform incompatibility and other systems issues that could arise early in the DR program development lifecycle. Technology Installation and Enablement and Data Support and Performance Analysis reflect better overlap between PSE and the vendor. However, these latter business function categories focus more on program implementation and deployment than systems specification.

Reviewing other business functions, Staff believes an acceptable level of shared responsibility exists between PSE and the winning vendor(s) within the Marketing, Customer Recruitment & Outreach category (see Table 1). However, the company could request additional feedback from applicants regarding what steps the vendors propose when coordinating such branding actions with the utility. For example, DR RFP best practices adopted by peer utilities include a request for bidders to submit a *Marketing and Participant Acquisition Plan* to provide a higher degree of insight as to what coordination activities comprise a critical path to ensure the commercial operation date is met for the given DR program.²¹ The Marketing, Recruitment, and Retention

²¹ Arizona Public Service 2020 Demand Response RFP.

section of the applicant's technical proposal could be a logical place for PSE to insert such a plan or requirement.²²

Staff assessment of PSE's Draft 2020 Request for Proposals for All Generation Sources

PSE filed an All Generation Sources RFP (All-Source RFP) roughly in parallel with the Demand Response RFP. Compared to PSE's DR RFP, the utility's All-Source RFP evaluation criteria is decidedly more detailed and prescriptive. In its All-Source RFP, the utility states it may source capacity from any commercially viable electric generation, storage, or other resource type or technology, provided that the resource complies with all applicable laws and regulations, and meets the minimum qualification requirements described in Section 4.

2020 All Source RFP Schedule

Like the schedule set forth in the DR RFP, Staff takes this opportunity to highlight that the All-Source RFP's proposed timeline is also very compressed. Offers are due to PSE only three weeks after the utility anticipates issuing the final All-Source RFP, which makes timely communication critical.²³ This tight timeline is suboptimal and may be unrealistic. A longer proposal preparation time will likely be beneficial in soliciting a larger number of complete and high-quality proposals, especially from storage bidders that may benefit from forthcoming locational data.

Locational Value

In its All-Source RFP, PSE specifically calls out the importance of a variety of storage (e.g., battery, pumped hydro) technologies and how energy storage proposals with the ability to dispatch over a longer period of time (e.g., greater than four hours) will be given strong consideration.²⁴ Yet Staff notes the lack of locational data provided by PSE may potentially limit the amount of storage PSE sources from this RFP.

PSE indicates it will evaluate energy storage technologies on a lowest reasonable cost and "best-fit basis," where co-located hybrid projects could provide additional value. This is consistent with CETA and Commission policy objectives addressing assessment of energy storage resources.²⁵ Staff highlights that PSE does not identify locational needs on its system—but instead, intends to do so. While PSE is *working to identify favorable storage locations*, the utility acknowledges this study remains ongoing.²⁶ Staff highlights that geographic uncertainty may be problematic for storage bidders and encourages PSE to communicate locational study findings to prospective bidders as soon as possible on its website.

²² Attachment A, PSE 2020 Demand Response RFP, pp. 20-21

²³ PSE 2020 All-Source RFP, p. 12.

²⁴ PSE 2020 All-Source RFP, p. 9.

²⁵ [Report and policy statement on treatment of energy storage technologies in integrated resource planning and resource acquisition](#), UE-151069 and UE-161024 consolidated, (Oct. 11, 2017).

²⁶ PSE 2020 All-Source RFP, p. 9.

Evaluation Criteria: Specific Priority and Weighting Factors

Staff appreciates PSE's reflection of the clean energy requirements within its All-Sources RFP. Notably, PSE is prioritizing renewable resources having "attributes consistent with...CETA and/or the Washington state Renewable Portfolio Standard" with respect to its evaluation criteria.²⁷ PSE plans to assign each successful bidder an ultimate score based upon the following five primary criteria:²⁸

1. Compatibility with resource need.
2. Cost minimization.
3. Risk management.
4. Public benefits.
5. Strategic and financial [elements].

Within these five primary criteria, PSE delineates each evaluation criterion into more detailed elements, as described in the more detailed evaluation criteria table.²⁹

Staff highlights the lack of transparency in PSE's priority and weighting factors found in the evaluation criteria. This issue was also raised by stakeholders for PSE's 2018 Draft RFPs.³⁰ In the 2020 All-Source RFP, PSE uses the words *prefers* or *strongly prefers* over forty (40) times in its evaluation criteria.³¹ Staff notes that identifying priority and weighting factors is a common RFP evaluation technique and remain concerned that the evaluation criteria are not transparent to bidders.

The inclusion of weighting factors is not a requirement of the Commission's current rule. It is one of the options allowed in the Commission's draft rule. However, after review, Staff believes it would significantly improve the RFP and enable better responses from bidders if PSE quantified the relative weighting criteria outlined in the bidder selection process and proposal evaluation criteria. Additional information regarding scoring would increase transparency of PSE's evaluation criteria for the RFP and potentially avoid challenges from proposals not accepted.

Customer Benefits from Transition to Clean Energy

Adequate consultation with interested persons, along with bidders, adds value to the RFP process and ultimately value to customers. Further, CETA requires that an electric utility must, consistent with the requirements of RCW 19.280.030 and 19.405.040, ensure that all customers are benefiting from the transition to clean energy. Staff notes that in the *public benefits* evaluation criteria section, PSE emphasizes CETA-related environmental impacts. While we agree

²⁷ PSE 2020 All-Source RFP, pp. 3-4; Also, Exhibit A.

²⁸ PSE 2020 All-Source RFP, Exhibit A, p. A-1.

²⁹ PSE 2020 All-Source RFP, Exhibit A

³⁰ UE-180271 and UE-180272.

³¹ PSE 2020 All-Source RFP, Exhibit A

environmental stewardship strengthens the RFP scoring matrix, there is little mention of the requirements to ensure that all customers are benefiting from the transition to clean energy.

A logical area where PSE could consider equitable impacts is within the community impacts sub-element of the *public benefits* evaluation criteria. Specifically, additional information reflecting CETA directives related to public benefits would be helpful, including:

- Equitable distribution of energy and nonenergy benefits;
- Reduction of energy burdens to vulnerable populations and highly impacted communities;
- *Tracking changes to* long-term and short-term public health and environmental benefits; and
- *Maintaining* energy security and resiliency.

In early June 2020, Staff met with company representatives to encourage PSE to reach out to stakeholders and broaden awareness of its draft 2020 RFPs among persons or parties who may be interested. PSE stated in its cover letter that it has provided notice of its filing to power marketing companies, utilities, energy efficiency companies and others, including representatives of stakeholders who participated in PSE's 2017 IRP process, as well as providing notice of the filing to a variety of trade publications. It is not clear if PSE conducted additional outreach beyond the initial outreach to include additional persons or parties.

Washington Offshore Wind

Staff points to PSE's large need for a capacity resource: 753 MW estimated in 2026, growing to 935 MW by 2027.³² Staff also highlights that the annual net capacity factor of offshore southern Washington wind is likely *considerably higher* than PSE's Green Direct Skookumchuck Wind Site of 36% ELCC, as shown in Figure 3 of the RFP.

As evidenced by a recent Northwest Power and Conservation Council (Council) study of Oregon and Washington offshore wind, the Council found promising potential for offshore wind resources for 2027 and beyond.³³ According to the National Renewable Energy Laboratory (NREL) offshore wind maps, Site 1 in the Oregon part of the offshore wind study is most similar to wind resource conditions offshore of southern Washington—and it is winter peaking.³⁴ Further, the levelized cost of energy is projected to decrease as wind turbine capacity increases.³⁵ BPA also has a substation in Aberdeen, Washington that could provide a transmission path to PSE's load center in Western Washington, avoiding cross-Cascades congestion.

³² PSE 2020 All-Source RFP, p. 5.

³³ Mike Starrett, Offshore Wind as an Emerging Resource in the 2021 Power Plan, Generating Resources Advisory Committee, NW Power Council, October 29, 2019, slide 13.

³⁴ Assessment of Offshore Wind Energy Resources for the United States, NREL Technical Report NREL/TP 500-45889, June 2010, <https://www.nrel.gov/docs/fy10osti/45889.pdf>

³⁵ *Ibid*, slides 18 and 30.

Considering PSE's sizeable, CETA-driven resource need, Staff asserts that PSE should consider all possibilities, including potential renewable and non-emitting resource types, and include offshore wind developers in their outreach efforts to potential bidders. Developers such as Orsted, Avangrid, Equinor, and Trident Winds could be among potential bidders solicited for proposals from the beginning of the RFP process. Staff suggests PSE continue to expand its outreach efforts to renewable energy potential bidders.

Questions to PSE

Based on the requirements set forth in WAC 480-107-025, and considering the content of the Commission's PoE discussion draft rules, Staff poses these remaining questions to inform the recommendation Staff will provide at the Recessed Open Meeting on July 30, 2020:

1. **Colstrip sale and capacity deficit between 2021 and 2023 (less than 50 MW):** Due to its pending status, the company has included the potential impact of the announced sale of PSE's interests in Colstrip Unit 4 prior to 2025. The sale is expected to result in a need for new capacity resources beginning in 2021. Due to the relatively small size of the deficit between 2021 and 2023 (less than 50 MW), PSE intends to issue a separate RFP for short-term resources to meet this need. *Why is PSE not considering demand response or other resource for this deficit?*
2. **CETA provision allowing utilities to earn a return on power purchase agreements (PPAs):** PSE's evaluation of new long-term electric generation resources is based on an assessment of five primary criteria: compatibility with resource need, cost minimization, risk management, public benefits, and strategic and financial. Under Exhibit A, Part 2. Cost Minimization, PSE lists the resource cost criteria elements that *impact PSE overall cost*, such as capital cost, operation and maintenance, transmission costs, and others. Considering CETA's new provisions in [RCW 80.28.410](#), PSE should account for a new, potential cost related to a return on PPAs. *How is PSE planning to account for the return on PPAs in its resource cost criteria element(s)?*
3. **Joint DR and All-Source Assessments:** In its draft All-Source RFP, PSE notes resources that are dispatchable, are shaped to meet winter peak needs, or with generation profiles that align well with PSE's load shape will *perform best* in PSE's analysis.³⁶ While the amount of detail PSE has supplied within its Draft All-Source RFP is generally adequate, Staff notes this solicitation is not occurring alone. PSE cites concurrent benefits of issuing a DR RFP along with this All-Source RFP. *How will the results or shortlists of both RFPs be jointly assessed?*

Staff encourages PSE to delineate the interactive effects between the Demand Response and All-Source RFPs and specifically detail how both candidate shortlists may compete within a subsequent combined assessment. This could help

³⁶ PSE 2020 All-Source RFP, p. 7.

clarify the ultimate intended outcome of a two-pronged, concurrent acquisition process.

4. **Independent Evaluator:** As PSE embarks on these multiple tracks of complex RFP evaluations of costs, risks, and benefits of various resource types, including demand response, Staff highlights that PSE's CETA-related acquisition processes could benefit from technical expertise offered by a third party, not affiliated with the utility—or an independent evaluator (IE). *Is PSE considering an IE to assess or report on the solicitation process, including evaluating and scoring these two (2) RFPs? Why or why not?*

5. **Public Benefits Outreach:** *As discussed above on Page 11 pertaining to Customer Benefits from Transition to Clean Energy, is PSE planning to conduct additional outreach regarding equitable impacts and the public benefits evaluation criteria? Please indicate how PSE conducted or plans to conduct this outreach.*

Conclusion

Staff reviewed both RFPs and believes they are reasonably consistent with PSE's 2019 IRP Progress Report and recent filings. Based on this initial filing, Staff needs more information before making a recommendation regarding these two requests for proposals.

Staff will withhold a final recommendation until after other stakeholders respond to the Commission's Notice. Staff intends to present its final recommendations at the Commission's July 30, 2020, Recessed Open Meeting.