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State Of WASH
UTIL. AND TRANSP
COMMISSION

Dear Washington Utilities and Transportation Commissioners:

Subject: COMMENTS ON DOCKET #180271: 2018 RFP FOR ALL GENERATION SOURCES

I have reviewed *2018 RFP for All Generation Sources Draft* dated March 29, 2018 and believe the document represents “business as usual” thinking at a time when the electric utility industry is undergoing transformational change. Adhering to limited, backward-looking thinking is likely to prove extremely costly to PSE rate-payers, PSE investors, and the environment, as it will lock us all into the cost of amortizing fossil-fuel generating capacity that will become uneconomic to operate before the end of its service life.

I worked for many years as a national laboratory scientist, where I both responded to and prepared requests for proposals. One of the first things that is discussed when a team is considering responding to an RFP is whether the winner has already been determined or if the company intends for there to be a level playing field for all proposers. PSE’s *Draft All Generation Sources RFP* has all the trappings of a wired RFP.

On page 9 of its Acknowledgment Letter Attachment on PSE’s 2017 Integrated Resource Plan, the Washington Utility and Transportation Commission writes, “Fortunately, PSE will have the all-in cost estimates for many types of generators as a result of its 2018 all-sources RFP.” If the language is not revised, PSE’s *2018 RFP for All Generation Sources* will discourage some companies capable of providing carbon-free generation from responding. An evidently fair and competitive process would likely lead to a larger number of proposers, better prices, and the valid reality check that the WUTC is hoping for on current prices for renewables and storage. In addition, ratepayers stand to benefit if the procurement is in fact fair, robust, and “all-in.”

While my review of the Draft RFP has been cursory, I list below several aspects that would potentially cause me as a prospective proposer of anything other than a gas-fired generating resource to not respond. *Section 2. Resources Requested* is segmented into *Capacity Resources*, *Storage Resources*, and *REC-only Products*. The *Capacity Resources* description makes it clear that PSE does not want wind and solar providers to offer capacity resources. The *REC-only Products* makes it clear PSE is looking for renewable energy credits and not renewable energy generation. In effect, PSE is stating that they have no interest in acquiring any more renewables than the minimum that is required under law.

Here are a few specifics: In Section 2, *Capacity Resources*, the wording for requirements includes:

- “ability to fill winter deficits”
- “minimizing summer surpluses”
- “PSE’s ability to control the project’s output to match their resource”
- “shape project output to our needs”

Clearly, these are conditions that would discourage proposals from non-dispatchable renewable energy providers to propose capacity resources.

Wrong Direction

The release of this Draft RFP predated the WUTC’s release of its Settlement Letter. Now that guidance has been provided by WUTC, PSE needs to update the RFP to reflect that guidance. That guidance included taking seriously public and ratepayer input and public policy commitments for carbon-free generating sources. PSE ignores citizen and ratepayer input at its peril. The Washington state legislature gave consideration in the 2018 session to a bill that would prohibit new fossil-fuel generation. Industry pundits and the California Public Utilities Commission say that gas peaker plants are dead, and are being replaced by battery storage.¹ Major manufacturers are leaving the peaker-plant market.

With respect to properly pricing the monetary cost of climate change damages, on page 5 of the Settlement Letter, WUTC says, “This cost estimate should come from a comprehensive, peer-reviewed estimate of the monetary cost of climate change damages, produced by a reputable organization. We suggest using the Interagency Working Group on Social Cost of Greenhouse Gases estimate with a three percent discount rate.” PSE should explicitly include the WUTC’s suggested source for carbon pricing in its evaluation criteria for competing proposals in this RFP.

The RFP reflects a static and siloed view of PSE’s system and the future requirements of that system. Yet, we are entering a period of rapid transition away from fossil fuels. Why does the RFP mention the historic winter-peaking character of their load, state that summer surpluses are to be minimized, while ignoring the enormous shifts likely as transportation is electrified, air-conditioning is installed where historically it has not been needed, and the climate warms? Why under storage does PSE not open the door for vehicle-to-grid demonstration proposals—a development that could boost the capacity value of nondispatchable renewables at low cost?

In its *PSE 2017 RFP* public comment, Synapse recommended that PSE model a “declining emissions cap that reflects the progression toward a zero-carbon future envisioned by the state of Washington.” And as former BPA administrator, Steve Wright puts it, “We need an analytical approach to least-cost planning for GHG emissions reductions.”² Integrated resource planning implies that you look broadly and creatively at the system and how various parts can work

1 M. Chediak, “CPUC's latest order backing batteries spells more trouble for fossil-fuel power plants,” Los Angeles Times, Jan. 15, 2018. <http://www.latimes.com/business/la-fi-pge-cpuc-batteries-power-plant-20180115-story.html>

2 Carol Winkel, “Steve Wright’s Perspective on the State of the Electricity Industry,” Sep 21, 2017 Link: <https://www.nwcouncil.org/news/blog/steve-wright-presentation/>

together. It seems to me that the limited and tilted playing field offered by PSE in this draft RFP, will serve to restrict PSE in moving into the future envisioned by forward thinking voices in the electric utility industry and many of its rate payers, both residential and commercial.

Respectfully submitted,

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