

conservation programs until 2022, when PSE estimates its capacity need will be 272 MW.

8 WAC 480-107-015 requires a utility to submit proposed RFPs when it will need additional capacity within three years, including when conservation or demand response resources are used to fill the capacity need.¹ PSE has 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. Commission staff believe that the RFPs are consistent with the requirements of WAC 480-107-025, Contents of the solicitation.

9 The RFPs also recognize that PSE asked the Bonneville Power Administration (BPA) to grant a redirection of 300 MW of electric transmission rights from Garrison to Mid-C when Colstrip Units 1 & 2 close in 2022. If BPA grants the transmission redirection, PSE estimates a 171 MW capacity need starting later, in 2024.²

10 **All Resources RFP.** The proposed All Resources RFP in Docket UE-180271 addresses projected energy storage and generation needs, including eligible renewable resources. The All Resources RFP includes more than strictly generating resources.³

11 In addition to capacity needs, PSE's All Resources RFP calls for bids to meet its obligation under Washington's renewable portfolio standard (RPS), which calls for 15 percent of load to be served by eligible renewable resources by 2020.⁴ With the ability to carry expected accumulation of surplus renewable energy certificates (RECs) to future years, PSE estimates that it will need approximately 671,000 RECs beginning in 2023 to satisfy its 15 percent RPS obligation.⁵

12 **Demand Response Programs RFP.** Demand response programs are fundamentally different from traditional resources, which rely on generation or other equipment owned

¹ This is consistent with page 2 of Staff's detailed comments in PSE's 2017 IRP filing: "RFPs must be submitted to the Commission within 135 days of the IRP due date if the utility has near-term capacity need within three years, including when conservation or demand response (DR) resources are used to fill the capacity need."

² UE-180271, 2018 RFP for All Generation Sources – Draft, p. 2; and UE-180272, 2018 RFP for Demand Response Programs – Draft, p. 3.

³ At Staff's request, PSE changed the name of the RFP from "all generation sources," as originally submitted, to "all resources" in its revised RFP.

⁴ RCW 19.285.040(2)(a)(iii).

⁵ UE-180271, 2018 RFP for All Generation Sources – Draft, p. 3.

and operated by utilities. Demand response programs seek the consent of customers to reduce or curtail energy use, typically during peak demand events.

- 13 PSE issued two demand response RFPs in June 2016 based on its 2015 IRP.⁶ The current demand response RFP is less prescriptive and allows vendors more freedom to provide either focused, sector-specific demand response programs or a broad suite of demand response programs.
- 14 Following discussions with Staff, PSE made adjustments to provide more flexibility to the notice period prior to a demand response event. The primary objective in the demand response RFP was one-hour notice prior to an event, with a secondary objective of 10-minutes notice or less prior to an event.⁷ PSE and other utilities routinely schedule resources on a day-ahead basis based on weather and other factors. The revised demand response RFP document, filed on June 11, 2018, now allows vendors to propose a day-ahead notice schedule.
- 15 For the demand response RFP, all new technology, equipment, software, and enabling resources will be provided by the vendor with options for PSE to acquire those resources at the end of the contract period. Staff believes this is a reasonable approach that allows the Company to test software and systems prior to making a purchase.
- 16 ***Public Comments on Proposed RFPs.*** Sixteen (16) parties commented on one or both RFPs. The majority of commenters recommend the RFPs be approved, but several raised concerns, as discussed below.

1. Weighting Factors

- 17 Staff and five commenters raised the issue of applying weighting metrics to the primary evaluation criteria.⁸ After screening out unresponsive and flawed proposals, PSE uses five evaluation criteria in its All Resources RFP: compatibility with resource need, cost minimization, risk management, public benefit, and strategic and financial considerations.⁹ The Demand Response Program RFP evaluation criteria are as follows: demonstrated competence and experience, management structure and assigned personnel,

⁶ UE-160808 and UE-160809.

⁷ UE-180272, 2018 RFP for Demand Response Programs – Draft, p. 4.

⁸ Commenters citing the lack of weighted evaluation criteria included Public Counsel, NWECC, Renewables Northwest, Sierra Club, and Montana Environmental Information Center.

⁹ PSE's evaluation criteria are contained at Exhibit A of the All-Resources RFP.

quality of proposed equipment and services, pricing, and performance guarantees.¹⁰ Staff noted that applying a weighted percentage to each criteria would give proposers an idea of the relative importance of those criteria and would make the evaluation process more transparent.¹¹

18 On the other hand, PSE believes that, because it has received sufficient responses to past RFPs, there is no demonstrated need to provide more clarity related to its scoring or evaluation techniques. Further, PSE believes that providing weighting information creates the potential for bidders to “game” the system. In consideration of the ongoing integrated resource planning rulemaking process, Staff believes that it makes more sense to address the question of whether RFPs should routinely include weighted evaluation criteria in the rulemaking rather than in this specific docket.¹² Accordingly, Staff recommends the Commission decline to impose weighting metrics at this time.

2. Other Public Comments

19 PSE made clarifying edits in its revised RFP filing, including the changes cited above. In other instances, PSE provided clarification in its frequently asked questions (FAQs) document on its RFP website. A current copy of these FAQs was submitted on June 8, 2018, for the All Resources docket and on June 11, 2018, in the Demand Response Programs docket. PSE also filed in each docket an index summarizing all comments and either: 1) citing corresponding changes to the revised RFP documents, or 2) explaining that PSE’s response can be found in the FAQ document. To facilitate its response to additional questions during the RFP process, PSE indicated its intent to update FAQs on its website, as needed, to remain current and responsive.

20 Some of the comments ask the Commission to go beyond the current rule requirements. For example, some commenters request the Commission prohibit solicitation of any fossil-fueled resources. Staff does not support such a restriction.

21 Other commenters ask the Commission to allow full public access to PSE’s RFP evaluation and selection process. Staff believes this would expose commercially sensitive

¹⁰ PSE’s evaluation criteria for their demand response RFP is on page 16, subsection 6.1.2.

¹¹ For example, on page 6 of PacifiCorp’s market energy RFP ([Docket UE-132094](#)) the company weighted price 70 percent and each of three non-price criteria at 10 percent. Montana Environmental Information Center’s comments in this docket cite [Portland General Electric’s 2018 Renewable RFP](#), which provides a detailed proposal ranking methodology with overall 60/40 weighting of price and non-price factors and scoring calculation details.

¹² The rulemaking is currently underway in docket U-161024.

information and would not be in the public interest. Staff does not support this change to PSE's RFP process.

- 22 In some cases, the commenters provided extensive analysis and information. Many of the other comments request clarifying language or concepts, which PSE has attempted to address in its FAQs and by making incremental changes to its revised RFPs.
- 23 **Conclusion.** Staff reviewed both RFPs and believes they are consistent with PSE's 2017 IRP and the Commission's RFP rule.¹³ Staff therefore recommends the Commission approve both the All Resources and the Demand Response Programs RFPs.

DISCUSSION

- 24 We approve PSE's proposed RFPs. WAC 480-107-025 requires that 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. We find that the RFPs submitted by PSE meet each of these criteria.
- 25 We also find that the proposed RFPs provide considerable flexibility, which will facilitate vendors' ability to submit a broad and competitive set of forward-looking proposals. For example, PSE's changes to its Demand Response Programs RFP create an additional option for PSE to evaluate demand response resources to fill PSE's capacity needs using traditional day-ahead resources, rather than restricting customers to options with less notice. In addition, PSE revised the title of its All Resources RFP to clarify for bidders that, in addition to generation resources, the RFP will also consider storage and REC offers. Finally, we note that the structure of both RFPs clearly delineates the relationship between PSE and its potential vendors.
- 26 We have considered the comments filed and presented by stakeholders and agree with Staff that the IRP rulemaking is a more appropriate forum for addressing the use of weighting factors. We also agree that allowing full public access to PSE's RFP process would require disclosure of sensitive and proprietary information, which is contrary to the public interest. Finally, we note that we do not have the authority to prohibit the

¹³ WAC 480-107-025(2).

solicitation of fossil-fueled resources.

27 Overall, we find that the RFPs reflect the levels and types of resources called for in PSE's 2017 IRP, that they meet the requirements set out in WAC 480-107-025, and that they are consistent with the public interest. We appreciate that PSE has addressed stakeholder concerns by making incremental changes to its revised RFPs and responding to the issues raised through its FAQs.

FINDINGS AND CONCLUSIONS

- 28 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 29 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 30 (3) WAC 480-107-015 requires companies to file proposed RFPs for capacity resource needs identified in their integrated resource plans.
- 31 (4) WAC 480-107-125 requires RFPs to include certain information.
- 32 (5) Staff has reviewed the proposed RFPs in Dockets UE-180271 and UE-180272 and comments received from the public.
- 33 (6) Staff believes the proposed RFPs are reasonable and should be approved. The proposed RFPs are consistent with findings in the Company's recently acknowledged IRP and meet the requirements set out in WAC 480-107-125 regarding the solicitation of resources.
- 34 (7) This matter came before the Commission at its regularly scheduled meeting on June 14, 2018, and again on June 28, 2018.
- 35 (8) After reviewing PSE's proposed RFPs filed in Dockets UE-180271 and UE-180272 as revised on June 14, 2018, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the proposed RFPs should be approved.

ORDER

THE COMMISSION ORDERS:

- 36 (1) Puget Sound Energy's petition for approval of its proposed RFPs in Dockets UE-
180271 and UE-180272 is granted.
- 37 (2) Pursuant to WAC 480-107-015(3)(c), Puget Sound Energy must issue the RFPs
within 30 days of the date of this Order.
- 38 (3) This Order shall not affect the Commission's authority over rates, services,
accounts, valuations, estimates, or determination of costs, on any matters that may
come before it.
- 39 (4) The Commission retains jurisdiction over the subject matter and Puget Sound
Energy to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective June 28, 2018.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON, Executive Director and Secretary