

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

PUGET SOUND ENERGY'S PROPOSED
REQUEST FOR PROPOSALS FOR ALL
GENERATION RESOURCES

DOCKET NO. UE-180271

COMMENTS OF PUBLIC COUNSEL

MAY 29, 2018

I. INTRODUCTION

1. Pursuant to the Commission's April 4, 2018 Notice of Opportunity to File Written Comments on Puget Sound Energy's (PSE) Proposed Request for Proposals (RFPs), Public Counsel respectfully submits the following comments. Public Counsel has three concerns with the All Generation Resource RFP as required by WAC 480-107-015. First, we believe that the RFP as filed is a vague solicitation with an uncertain timeline requirement. Second, Public Counsel is not clear how PSE's evaluation criteria and preferences are ranked and valued. Finally, we do not believe that PSE should continue its excessive use of market purchases to meet its long-term capacity needs.
2. We appreciate the opportunity to comment on these RFPs and look forward to further conversation at the Open Meeting on June 14, 2018.

II. VAGUE DIRECTION OF RFP

3. It is unclear from the solicitation's "Resource Need" section how much capacity the Company is actually seeking to fulfill with this solicitation. First, PSE states that it has a "modest capacity need prior to 2021, which grows to 272 MW in 2022 after the retirement of

Colstrip 1 & 2.”¹ Second, it states that it can redirect transmission from the closure of Colstrip units 1 and 2 (300 MW), which would result in PSE not having a capacity need until 2025.²

Third, PSE has a renewable energy need of 671,000 renewable energy credits (RECs) in 2023.³

4. PSE does not specify which scenario it intends to follow nor when it will actually need additional capacity. Public Counsel therefore recommends that the draft RFP be modified to explicitly state the RFP’s goal in ‘Section 1: Resource Need’. The Company provides updates from its recently filed 2017 Integrated Resource Plan (IRP), but does not state the actual ‘resource need’ for which it is soliciting new resources, beyond providing tables. While the tables provided in this section are useful, we believe that a statement with both the capacity need and the renewable energy need should be stated, similar to the Company’s 2011 RFP.⁴ We recommend the following language, “PSE is seeking the following resources in this RFP solicitation: capacity generation resources for XXX MW and renewable energy generation resources for XXX MW.”

5. Additionally, WAC 480-107-025(1) requires that, “The RFP must identify the resource block, consisting of the overall amount and duration of power the utility is soliciting, the initial estimate of avoided cost schedule as calculated in WAC 480-107-055 Avoided cost schedule, and any additional information necessary for potential bidders to make a complete bid.” The RFP provides not one, but two differing resource needs and amounts. We believe a single resource need date would result in more robust bids by third parties, as well as provide a clear directive for the bidder. Moreover, based on a brief review of PSE’s recently filed all generation resource

¹ PSE Draft Request for Proposals for All Generation Sources at 2.

² PSE Draft Request for Proposals for All Generation Sources at 2.

³ PSE Draft Request for Proposals for All Generation Sources at 3.

RFPs, the Company has historically provided only single ‘resource need’ timeline. At a minimum, PSE should provide an explanation of how it intends to address the fact that it has presented two different projected resource needs and how this may impact the bidding process and resource acquisition.

Finally, it is not clear how the concurrently filed Demand Response (DR) RFP, and the DR proposals chosen from this solicitation will coordinate with the All Generation Resource RFP. PSE states that the All Generation Resource capacity need (as shown in Table 1 in both RFPs) does not include any DR. If proposals are chosen from the DR RFP process to meet peak demand needs, it will influence and effect the magnitude of the resource need for which PSE must procure additional resources through the All Generation RFP. Public Counsel believes some clarity on the reconciliation of the two RFPs is required.

III. CRITERIA EVALUATION AND TRANSPARENCY OF PROCESS

6. Throughout the Company’s filing, ‘preferences’ of proposals are discussed. For instance, “PSE prefers proposals for resources located on PSE’s system or those with secure long-term firm delivery to PSE’s system”⁵ and “PSE prefers proposals and combinations of proposals that result in the lowest impact on PSE’s revenue requirements and rates when included in PSE’s existing generation resource portfolio.”⁶ Moreover, PSE provides a list of criteria to be employed for the evaluation of bidders proposals. These criteria are categorized in five groupings: (1) Compatibility with Resource Need, (2) Cost Minimization, (3) Risk Management, (4) Public Benefits, and (5) Strategic and Financial Considerations.

⁴ *Puget Sound Energy, Request for Proposals for All Generation Sources*, Docket UE-111405, PSE Draft Request for Proposals for All Generation Sources at 2 (Aug. 1, 2011).

⁵ PSE Draft Request for Proposals for All Generation Sources at 4.

7. Public Counsel believes that clarity is required on how these categories are (1) ranked, (2) evaluated, and (3) how the five categories are assessed against each other. Given that the decision making process of these RFPs is undertaken completely by the Company and does not involve stakeholder involvement, we believe including these standards will increase transparency if the Company chooses one option over another (or none at all). Additionally, it is not clear how the Company's many 'preferences' associate and effect the rankings of these individual criteria and the larger categories in which they are contained.
8. Public Counsel believes that the Commission and interested parties may benefit from a more transparent process regarding the evaluation of RFPs as required under WAC 480-107. Under the current process, stakeholders are only aware of the specific evaluation criteria employed, the Company's preferences, and the end ranking of all proposals.⁷ Although WAC 480-107-035(3) requires the utilities to make available to the public a summary of each proposal and a final ranking of all proposed projects, it does not require the utility to explain how and why the projects received the final ranking or how each criteria is weighted in the assessment of the proposals. In order to adequately review the prudence of a utility's procurement decision in a rate case or cost recovery proceeding, it is important for parties to understand the basis for the utility's particular choice. Without adequate transparency, it is difficult to discern if the chosen proposal was the most reasonable option.
9. Public Counsel recommends that a process be considered where stakeholders are included in the ranking process for proposals. While maintaining strict confidentiality due to the sensitive nature of a competitive solicitation, this stakeholder review group could give parties an

⁶ PSE Draft Request for Proposals for All Generation Sources at A-3.

⁷ WAC 480-107-035.

opportunity to view and discuss the ranking for proposals with the utilities. We recommend this review group be limited to parties, such as the Company, Commission Staff, Public Counsel, and other parties that routinely participate in cost recovery proceedings and sign confidentially agreements. This process would not be considered pre-approval of a proposal by any party, but would provide parties insight into the chosen proposal, if any, prior to a general rate case or cost recovery proceeding. Public Counsel understands that this issue may also be discussed in the IRP Rulemaking proceeding in docket, U-161024.

IV. CONTINUED RELIANCE ON MARKET PURCHASES

10. On page 2 of the draft RFP, the Company states that “it has the opportunity to request that BPA [Bonneville Power Association] redirect transmission capacity from Garrison to Mid-C”. Public Counsel has some concerns regarding the Company’s continued reliance and the potential increase of its market purchases for meeting future capacity needs. As was presented in the Company’s 2017 IRP, the Company is already engaging in heavy use of market purchases. Further use of this volatile resource in future years may lead to reliability issues.
11. Moreover, the Commission’s recent Acknowledgment Letter in docket UE-160918 stated the following, “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”.⁸ We believe that the redirect of capacity as stated by PSE would exacerbate this risk; and thus, should not be pursued.

⁸ *Puget Sound Energy’s 2017 Electric and Natural Gas IRP*, Dockets UE-160918 & UE-160919, Acknowledgement Letter Attachment - UTC Comments on Puget Sound Energy’s 2017 IRP at 6 (May 7, 2018).
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V. CONCLUSION

12. Public Counsel appreciates the opportunity to comment on PSE's All Generation Resource RFP. We look forward to reviewing other stakeholder comments and further discussion at the Open Meeting on June 14, 2018. If there are any questions regarding these comments, please contact Carla Colamonici by phone at (206) 389-3040 or at CarlaC@ATG.WA.GOV.

13. Dated this 29th of May, 2018.



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