

**BEFORE THE WASHINGTON UTILITIES  
AND TRANSPORTATION COMMISSION**

UE-200414

In the Matter of

PUGET SOUND ENERGY COMPANY,

Request for Proposals for All Generation  
Sources.

Renewable Northwest's  
Comments

**July 6, 2020**

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**I. INTRODUCTION**

Renewable Northwest is grateful to the Washington Utilities and Transportation Commission (“the Commission”) for the opportunity to submit these comments on Puget Sound Energy’s (“PSE”) proposed 2020 All-Source Request for Proposals (“RFP”).

In these comments, we first acknowledge the importance of this RFP in launching PSE’s transformation in accordance with Washington state’s nation-leading clean energy legislation. The rulemakings related to implementation of this legislation are ongoing, and we appreciate the complexity this adds to the resource procurement process while also acknowledging the opportunity this gives PSE to set the standard for delivering clean energy benefits to its customers well ahead of the statutory milestones. Next we suggest several minor changes to PSE’s RFP to improve competition such that the RFP results in the greatest possible customer benefits and reductions in greenhouse gas emissions.

Renewable Northwest appreciates the Commission’s commitment to ensuring a robust resource procurement process, and we hope these comments will help to identify areas where minor changes or improved clarity will help to strengthen the competitiveness of PSE’s RFP.

**II. COMMENTS**

**A. The RFP Offers the Potential To Help PSE To Transform Its System and To Achieve the Standards Set in Washington’s Clean Energy Transformation Act**

Section 1(1) of the Clean Energy Transformation Act (“CETA”) announces the legislature’s “find[ing] that Washington must address the impacts of climate change by leading the transition to a clean energy economy ... by transforming its energy supply, modernizing its electricity system, and ensuring that the benefits of this transition are broadly shared throughout the state.”<sup>1</sup> When CETA passed the legislature, Governor Inslee called it “the country’s most forward looking clean energy bill” and announced that “this bill will fundamentally transform Washington’s energy future and transition us to 100 percent clean energy.”<sup>2</sup>

CETA first requires that “[o]n or before December 31, 2025, each electric utility must eliminate coal-fired resources from its allocation of electricity.” Then much of its substance is organized around how to equitably achieve two core requirements, or standards: first, “that all retail sales of electricity to Washington retail electric customers be greenhouse gas neutral by January 1, 2030”<sup>3</sup>; and second, “that nonemitting electric generation and electricity from renewable resources supply one hundred percent of all sales of electricity to Washington retail electric customers by January 1, 2045.”<sup>4</sup> Thus the “transformation” discussed in the legislature’s findings, the Governor’s remarks, and CETA’s very name is the transition away from greenhouse gas-emitting resources and toward a clean, carbon-free electricity system.

In this RFP, PSE acknowledges this profoundly important background. The RFP requires at a high level that “[a]ll proposals must be consistent with the Clean Energy Transformation Act (“CETA”), which sets statewide policy goals for the elimination of coal-fired resources by December 31, 2025, 80 percent carbon-free generation and overall carbon neutral electricity by 2030, and 100 percent carbon-free electricity by 2045.”<sup>5</sup> And its Evaluation Criteria point to CETA in a few places. For example, PSE says that it “prefers proposals for qualified renewable and non-emitting generation and/or RECs that closely align with PSE’s renewable need as mandated by the Clean Energy Transformation Act”<sup>6</sup> and that its “evaluation process will include an assessment of ... compliance with the state’s CETA.”<sup>7</sup>

We appreciate this positive language from PSE, and encourage both the company and the Commission to use CETA as a backdrop for evaluating approval of this RFP as well as downstream financial and regulatory considerations. In particular, we point to WAC

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<sup>1</sup> E2SSB 5116 (2019).

<sup>2</sup> Inslee statement on passage of his 100 Percent Clean Energy bill (Apr. 22, 2019), *available at* <https://www.governor.wa.gov/news-media/inslee-statement-passage-his-100-percent-clean-energy-bill>.

<sup>3</sup> CETA sec. 4(1), codified at RCW 19.405.040(1).

<sup>4</sup> CETA sec. 5(1), codified at RCW 19.405.050(1).

<sup>5</sup> RFP at 10.

<sup>6</sup> RFP Ex. A at A-2.

<sup>7</sup> *Id.* at A-7.

480-107-035(2), requiring project ranking criteria to reflect “public policies regarding resource preference adopted by Washington state ... and environmental effects including those associated with resources that emit carbon dioxide”; WAC 480-107-035(5), providing that “[t]he commission will review, as appropriate, ... evidence filed in support of any acquisition in the utility's next general rate case or other cost recovery proceeding”; and CETA section 6(3)(b), requiring a utility to “demonstrate that it has maximized investments in renewable resources and nonemitting electric generation prior to using alternative compliance options.”<sup>8</sup> This RFP may be a long way away from rate recovery or CETA alternative compliance options, but the path to achieving the public policy of the state of Washington and CETA’s standards -- the path to transforming Washington’s electricity system and eliminating system greenhouse gas emissions -- begins now.

## **B. Changes to the RFP Can Offer Clarity and Promote Competition**

Renewable Northwest has identified some potential changes to the RFP that can offer more clarity to the Commission and to bidders and ultimately promote competition that will drive least-cost, least-risk outcomes. Specifically, we recommend that PSE:

### *1. Incorporate the Social Cost of Carbon into Resource Selection*

Renewable Northwest appreciates that PSE has included costs and risks associated with greenhouse gas emissions at several places in its evaluation criteria; however, we would appreciate more clarity on how PSE proposes to measure those costs and risks.

Specifically, we appreciate PSE’s proposal to include “expected or potential carbon control or mitigation costs” as an element of its Evaluation Criteria regarding both resource cost and project risk.<sup>9</sup> We further appreciate PSE’s inclusion of “risk associated with future environmental regulation and taxes, including greenhouse gas emissions” as an element of environmental and permitting risk.<sup>10</sup> It is currently unclear, however, how PSE will measure or assess those costs and risks.

Prior to CETA’s passage, the Commission offered an analytical approach that we recommend PSE commit to following in this RFP. Specifically, in its Acknowledgment Letter Attachment regarding Puget Sound Energy’s 2017 Electric and Natural Gas Integrated Resource Plan, the Commission explained that:

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<sup>8</sup> Codified at RCW 19.405.060(3)(b).

<sup>9</sup> RFP Ex. A at A-4 & A-6.

<sup>10</sup> *Id.* at A-7.

By only modelling existing state regulation in its preferred portfolio, the Company's price of carbon does not consider the complete risk of additional regulation and, as such, risks not meeting statutory requirements. In future IRPs, PSE should incorporate the cost of risk of future greenhouse gas regulation in addition to known regulations when it develops its Integrated Resource Planning Solution. 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.<sup>11</sup>

The Commission's decision regarding the social cost of carbon based on its existing statutory and regulatory law as of 2018 was given further support when the Legislature passed CETA, requiring utilities to, *inter alia*, "consider the social cost of greenhouse gas emissions, as determined by the commission for investor-owned utilities pursuant to section 15 of this act ... when developing integrated resource plans and clean energy action plans."<sup>12</sup> As to resource procurement, CETA further requires utilities to "incorporate the social cost of greenhouse gas emissions as a cost adder when: ... (iii) Evaluating and selecting intermediate term and long-term resource options."<sup>13</sup>

Given this statutory and regulatory backdrop, we recommend either that PSE commit to using the social cost of carbon as an evaluative tool to help determine the costs and risks associated with any greenhouse gas-emitting resources that participate in this RFP, or that the Commission require that PSE do so.

## 2. *Provide Additional Clarity Regarding Pumped Hydro Storage*

Renewable Northwest recommends that PSE provide a form tolling agreement for pumped hydro storage projects, or in the alternative provide more guidance as to what terms PSE might expect in such an agreement. The lack of a form agreement could put pumped hydro at a disadvantage relative to other resources.

Additionally, pumped hydro developers could benefit from greater understanding of what term of years PSE might be willing to accept. PSE's Prototype Clean Energy PPA Term Sheet

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<sup>11</sup> Acknowledgment Letter Attachment re: Puget Sound Energy's 2017 Electric and Natural Gas Integrated Resource Plan at 13, Dockets UE-160918 and UG-160919 (May 7, 2018).

<sup>12</sup> CETA sec. 14, codified at RCW 19.280.030(3)(a).

<sup>13</sup> *Id.*

includes possible terms of 10, 12, 15, or 20 years,<sup>14</sup> but it is Renewable Northwest's understanding that a significantly longer term of years -- on the order of 50-60 -- may be appropriate for pumped hydro projects.

### *3. Modify Site Control Requirements*

PSE's Proposal Requirements for development and construction proposals include the requirement that bidders "demonstrate site control for both the project and any other project-related infrastructure (e.g., generation tie-line, etc.)."<sup>15</sup> It is unclear, however, what evidence PSE might accept to demonstrate site control. Given that "PSE will not consider proposals that do not provide sufficient information to substantiate a project or offer," additional clarity regarding what evidence PSE will accept would be helpful.<sup>16</sup>

Further, while site control of such infrastructure as the generation tie-line is an important risk to consider later in the bid-evaluation process, requiring site control of "any other project-related infrastructure" -- including gen-tie lines -- as a minimum proposal requirement at this early stage of the process to meet a resource need beginning in 2023 could unnecessarily prevent otherwise competitive projects from bidding. In order to ensure that PSE meets its identified capacity need at the lowest reasonable cost, Renewable Northwest recommends either that PSE remove gen-tie lines and "other project-related infrastructure" from its site-control requirements or that the Commission require PSE to do so.

### *4. Provide Additional Clarity Regarding Use of the Colstrip Transmission System*

PSE's Proposal Requirements for all proposals require bidders assuming the use of the Colstrip Transmission System to confirm "that there is sufficient available transmission capacity."<sup>17</sup> However, it is unclear what discrete evidence PSE would require to recognize sufficient availability of Colstrip transmission capacity in a project bid.

Additional details regarding delivery risk and required studies proving sufficient Colstrip transmission capacity are particularly important for Montana wind project bids, and would help ensure the ability for robust competition by a resource with high capacity factors and high peak capacity values that fit well with the identified resource need and preferred resource characteristics of PSE's 2020 All-Source RFP. PSE's 2017 IRP acknowledged the promising

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<sup>14</sup> RFP Ex. G at G-2.

<sup>15</sup> RFP at 18.

<sup>16</sup> RFP at 16.

<sup>17</sup> RFP at 17.

potential of Montana wind but noted transmission barriers which could only be solved via dynamic scheduling into Washington state “on a real-time basis without shaping or storage.”<sup>18</sup>

Since the release of PSE’s 2017 IRP, studies have shown that 1) “the existing transfer capability of the Colstrip Transmission system can, with relatively minor investments (compared to new line builds), support a one-for-one replacement of Colstrip generation with new resources, including variable energy resources,” and 2) the current Dynamic Transfer Capacity (DTC) at the Garrison interchange can facilitate the dynamic transfer of at least 1,000 MW of Montana wind.<sup>19</sup>

While PSE’s RFP explicitly supports proposals for resources located on PSE’s system, there will be greater opportunities for more competitive proposals -- and ultimately a greater likelihood that PSE procures a lowest-reasonable-cost resource or resources -- if PSE provides additional clarity surrounding use of available Colstrip transmission capacity.

##### *5. Provide Additional Clarity Regarding Availability of PSE’s Transmission Rights*

PSE’s draft RFP appears to be internally inconsistent to the extent it notes both that “PSE’s capacity need forecast currently accounts for all of PSE’s available transmission rights as existing capacity paired with either a specific generation resource or market purchases” and that it may have “potentially available Colstrip transmission ... to pair with proposed resources.”<sup>20</sup> While our above comments related to the how a bidder’s demonstration of sufficient Colstrip transmission capacity might fit within the structure of the current draft RFP, an alternative approach could be for PSE to include in Section 2 “Resources Requested” of the RFP information regarding the actual availability of PSE transmission rights and the known limitations that bidders assuming use of that transmission capacity must address in proposals. Otherwise, the task seems to be for bidders to prove information related to PSE’s transmission capacity to PSE itself.

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<sup>18</sup> PSE 2017 IRP at 4-41.

<sup>19</sup> Montana Renewables Development Action Plan, Bonneville Power Administration, State of Montana (June 2018) at 9, *available at* <https://www.bpa.gov/Projects/Initiatives/Montana-Renewable-Energy/Documents%20Montana/Montana-Renewables-Development-Action-Plan-June-2018.pdf>.

<sup>20</sup> RFP at 7.

### III. CONCLUSION

Again, Renewable Northwest appreciates both the Commission's careful attention to this RFP and the opportunity to provide these comments. We look forward to further engagement throughout the RFP process.

Respectfully submitted this 6th day of July, 2020,

*/s/ Katie Ware*

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