

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of)	DOCKET UE-111405
)	
PUGET SOUND ENERGY, INC.'S)	ORDER 01
)	
Proposed Request for Proposals)	ORDER APPROVING REQUEST
)	FOR PROPOSALS
.....)	

BACKGROUND

- 1 On August 1, 2011, Puget Sound Energy, Inc. (PSE or Company), filed a proposed Request for Proposals for All Generation Sources (All Sources RFP) with the Washington Utilities and Transportation Commission (Commission), pursuant to WAC 480-107-015(3)(b). The RFP was posted on the Commission’s Web site on August 1, 2011.

- 2 WAC 480-107-015(3)(b) provides that a utility must submit a proposed request for proposals (RFP) and accompanying documentation describing its solicitation of bids for delivering electric capacity, energy, or electric capacity and energy, or conservation no later than 135 days after the utility's Integrated Resource Plan (IRP) is due to be filed with the Commission. Interested persons are then provided a 60-day opportunity within which to provide comments on the proposed RFP. After the close of the 60-day comment period, the Commission has 30 days to determine whether to approve or suspend the RFP, as filed.

- 3 The Commission issued a Notice for Comment to all interested persons on August 15, 2011. The 60-day comment period, starting from the filing date, for PSE’s proposed RFP closed on September 30, 2011. During the 60-day comment period, the Commission received three comments on the All Sources RFP which were posted to the docket.

- 4 WAC 480-107-015(3)(c) provides that a utility must solicit bids for electric power and electrical savings within 30 days of a Commission order approving an RFP.

DISCUSSION

- 5 PSE timely filed its proposed RFP in accordance with WAC 480-107-015. Staff subsequently reviewed the current IRP and contents of the RFP for consistency with the rule. Staff believes that the Company has met the process and content requirements of WAC 480-107-015 and WAC 480-107-025, and therefore recommends in its memo that the Commission approve the proposed RFP.
- 6 Written comments entered into the docket by the September 30, 2011 deadline included letters from three interested parties: Everpower Wind Holding Company, Renewable Northwest Project/ NW Energy Coalition, and TransAlta Corporation. On October 13, 2011, PSE filed a letter responding to those other comments.
- 7 Everpower Wind Holding Company (Everpower) suggests that PSE consider the most valuable preference criteria by which proposals will be ranked and that certain evaluation criteria should be weighted more heavily than others. Renewable Northwest Project/ NW Energy Coalition similarly suggest ranking the preference criteria to encourage renewable resources that provide winter capacity, and to prefer flexible capacity resources. TransAlta Corporation argues that the provisions of recently enacted legislation related to coal-fired generation facilities¹ should be included in the evaluation criteria and also suggests that PSE numerically quantify the benefits of such public policies TransAlta in its initial written comments, and in subsequent written comments, sets forth specific conditioning language it urges the Commission to adopt.
- 8 PSE filed a letter responding to the commenters arguing, among other things, that the existing extensive criteria contained in the proposed RFP are already broad and comprehensive enough to encompass the issues that are identified as deficiencies by the commenters. In other words, PSE maintains that the RFP provisions “already recognize, among other things, public policies regarding resource preference adopted by Washington State”, as required by WAC 480-107-035(2) and RCW 19.28.020(11).

¹ WA Engrossed Second Substitute Senate Bill 5769, Coal-Fired Electric Generation Facilities, Chapter 180, Laws of 2011, signed April 29, 2011.

9 In its memorandum recommending approval of the RFP, Staff questions the need for the establishment of fixed weighting of evaluation criteria, arguing that many of the criteria used to rank proposals are not readily translated into numeric criteria, such as impacts to the community and project construction risk. Staff also observes that the process of defining the weighting would itself be controversial.

10 At the October 13, 2011, open public meeting, the Commission heard oral presentations from Commission Staff as well as representatives of PSE, TransAlta, and the Renewable Northwest Project. Regarding the request from TransAlta that evaluation criteria be quantified, PSE argues that in some cases quantification is feasible, such as costs of transmission, but in other cases, such as the feasibility of siting new transmission lines, more qualitative judgments are necessary. TransAlta does not argue that all evaluation criteria need be, or could be, quantified, but contends that more of them could be.

COMMISSION DETERMINATION

11 The Commission has carefully considered and weighed interested parties' written and oral comments and determines that it is appropriate to approve the RFP as requested by PSE. TransAlta is correct that PSE's RFP process must take into account the public policies expressed in state legislation. RCW 19.280 requires utilities to undertake a "lowest reasonable cost" analysis:

At a minimum, this analysis must consider resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, the risks imposed on the utility and its ratepayers, public policies regarding resource preference adopted by Washington state or the federal government, and the cost of risks associated with environmental effects including emissions of carbon dioxide.²

Our rules echo the requirement for an RFP to consider public policies expressed in law regarding resource preference.³ Indeed, in its responsive comments, PSE recognizes these legal requirements and represents that the RFP as written includes them.

² RCW 19.280.020(11).

³ WAC 480-107-035(2).

- 12 Accordingly, we are not prepared at this stage to second-guess PSE's future compliance with its obligation to consider public policy and the other factors in RCW 19.280 as part of its RFP process. If, contrary to PSE's representations to the Commission, PSE's analysis of responses to its RFP does not adequately consider these factors, Commission rules provide an opportunity to bring this issue to the Commission for resolution.⁴
- 13 As the commissioners articulated in detail at the open meeting, moreover, it is not necessary, or desirable, for the Commission to dictate in advance how PSE must undertake the requisite least cost analysis, including by assigning numerical weight to each of the evaluation criteria in the RFP or to otherwise "monetize" the public benefits that could accrue from various resource options as TransAlta proposes. We will be prepared to evaluate PSE's compliance with our RFP rules and RCW 19.280 if an issue arises as a result of PSE's analysis of the RFP responses it receives.
- 14 For these reasons and after full consideration of all oral and written comments submitted in this docket, the Commission enters the following Findings and Conclusions.

FINDINGS AND CONCLUSIONS

- 15 (1) The Washington Utilities and Transportation 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. RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.
- 16 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 17 (3) This matter came before the Commission at its regularly scheduled meeting on October 13, 2011.

⁴ WAC 480-107-075. In addition, the Commission will weigh the quality of PSE's analysis at the time PSE requests recovery of the costs that result from the RFP.

- 18 (4) PSE has demonstrated that the request for proposal filing for All Generation Sources meets the regulatory requirements for approval and is otherwise in the public interest.
- 19 (5) After reviewing PSE's Requests for Proposals filed on August 1, 2011, and giving due consideration to all relevant matters and for good cause shown, the Commission finds it is in the public interest to approve PSE's Requests for Proposals, as authorized by WAC 480-107.

ORDER

THE COMMISSION ORDERS:

- 20 (1) The proposed Request for Proposals from All Generation Sources Puget Sound Energy, Inc., filed on August 1, 2011, is approved pursuant to WAC 480-107-015(3)(b).
- 21 (2) Puget Sound Energy, Inc., must issue a solicitation for bids for electric power and electrical savings within 30 days of the date of this Order, pursuant to WAC 480-107-015(3)(c).

DATED at Olympia, Washington, and effective October 18, 2011.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner