

UE-210878

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By Web Portal

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
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COMMISSION

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Re: Puget Sound Energy’s Draft 2022 Distributed Energy Resources Request for Proposals

Dear Ms. Maxwell:

Pursuant to Order 05 in Docket UE-200413, Puget Sound Energy (“PSE”) hereby submits to the Washington Utilities and Transportation Commission (“Commission”) the enclosed draft 2022 Distributed Energy Resources (“DER”) Request for Proposals (“Draft 2022 DER RFP”) for approval by the Commission. Attached as Attachment A to this letter is a checklist showing that the Draft 2022 DER RFP satisfies the requirements set forth in Washington Administrative Code (“WAC”) Chapter 480-107.

I. Resource Need

PSE’s integrated resource planning analysis, which evaluates and establishes PSE’s capacity (physical reliability) and renewable energy (policy driven) needs, consistent with WAC 480-100-620, guides PSE’s electric resource acquisition process. PSE’s 2021 Integrated Resource Plan (“IRP”) was filed with the Commission on April 1, 2021 in Dockets UE-200304 and UG-200305. The 2021 IRP includes a discussion of the electric planning standard and describes the methodology for analyzing PSE’s resource needs. The 2021 IRP can be found on PSE’s website at the following link: <http://www.pse.com/irp>.¹

As described in this Draft 2022 DER RFP and in PSE’s 2021 IRP, there is a demonstrated need for additional resources to help PSE meet peak capacity needs and comply with Washington State’s Clean Energy Transformation Act (“CETA”). In light of these needs, on June 30, 2021, PSE issued its 2021 All-Source Request for Proposals, for resources to meet all or part of PSE’s capacity and/or CETA needs at the lowest reasonable cost to customers. Responses to the All-Source RFP were due from bidders on September 1, 2021. Consistent with the requirements of

¹ See also Dockets UE-200304 (electric) and UG-200305 (natural gas).

WAC 480-107-035(5), PSE posted a proposal summary report on October 1, 2021. To make this information more broadly available to interested stakeholders, this report is posted on PSE's public [RFP website](#) and is also available on the [Commission's website in Docket UE-210220](#).

While demand response ("DR") and DER proposals were welcome in PSE's 2021 All-Source RFP, PSE is filing this targeted Draft 2022 DER RFP because PSE's IRP modeling shows DERs as a growing part of PSE's electricity resource portfolio to achieve targets at the lowest reasonable cost, per CETA requirements. Accordingly, a diversified portfolio of DERs, including distributed renewable generation, distributed energy storage, and flexible DR resources, will be necessary, at scale, to effectively execute its approach. This targeted DER RFP also follows PSE's 2021 All-Source RFP to more comprehensively reflect PSE's recent work to develop the technical and operational requirements for a virtual power plant platform, which are communicated in the Draft 2022 DER RFP and intended to help reduce the costs to PSE customers associated with individual DR and DER bids. The DER RFP focus on distributed resources also allows for a more tailored evaluation approach that emphasizes the customer benefits associated with distributed energy resources.

On October 15, 2021, in Docket UE-210795, PSE filed its first draft Clean Energy Implementation Plan ("Draft CEIP") under CETA. Included in the Draft CEIP is PSE's preferred DER portfolio. This preferred portfolio modeled a scenario to meet the 2021 IRP DER targets while balancing cost, customer benefits (especially for named communities), and a mix of customer participation structures.² PSE does not expect this targeted Draft 2022 DER RFP to result in the acquisition of all programs included in the Draft CEIP's preferred DER portfolio. However, PSE encourages potential Draft 2022 DER RFP respondents, especially those responding with potential vendor service components under Category B (described further below), to use the CEIP's preferred DER portfolio as a guide to the type and mix of programs PSE is interested in offering to customers. While PSE does not expect this Draft 2022 DER RFP to result in the acquisition of all programs included in the Draft CEIP's preferred portfolio, it does seek to obtain the same level of capacity and customer benefits through the final program portfolio. Table 1 below shows the 2021 CEIP's estimated generic DER additions by type.

² Please see Appendix D to PSE's Draft CEIP, Docket UE-210795, for more information about the methodology and processes PSE used to construct the DER preferred portfolio and to fulfill the distributed solar and battery energy storage capacity requirements identified by the 2021 IRP and PSE's obligations for CETA.

Table 1. *PSE’s 2021 CEIP Incremental DER Additions through 2045*

Distributed Energy Resource Type	Incremental Resource Additions			Total
	2022-2025	2026-2031	2032-2045	
Solar	80 MW	180 MW	420 MW	680 MW
Battery Energy Storage	25 MW	175 MW	250 MW	450 MW
Demand Response	24 MW	167 MW	21 MW	212 MW
Total	129 MW	522 MW	691 MW	1,342 MW

In sum, this targeted Draft 2022 DER RFP includes the procurement of distribution-interconnected solar photovoltaic generation (includes ground and rooftop solar PV), Battery Energy Storage Systems (“BESS”), and DR located within PSE’s service area that can meet all or part of PSE’s resource needs, consistent with the requirements described in this DER RFP. This DER RFP particularly seeks to add the following types of DERs to its portfolio:

- **Distributed Solar (ground and rooftop):** PSE would like to acquire a minimum of 80 MW of distributed solar capacity by 2025 through this DER RFP. The longer term goal is to acquire 180 MW of distributed solar capacity by 2031. These include both Front-Of-The-Meter (FOTM) and Behind-The-Meter (BTM) solar installations from ground and rooftop solar installations.
- **Distributed BESS (standalone or paired with solar):** PSE would like to acquire a minimum of 25 MW of distributed battery energy storage (BESS) capacity by 2025 through this DER RFP. The longer term goal is to acquire 175 MW of distributed BESS by 2031. This includes both Front-Of-The-Meter (FOTM) and Behind-The-Meter (BTM) BESS installations that are either standalone resources or paired with solar installations. BTM BESS is treated as a dispatchable resource similar to DR.
- **Demand Response:** PSE would like to acquire a minimum of 24 MW of DR for winter peak reduction by 2025 through this Draft 2022 DER RFP. The longer term goal is to achieve 167 MW of DR for winter peak reduction by 2031. This includes any type of curtailable load at customer premises (e.g. space heating/cooling, water heating, lighting, EV charging, etc.) and dispatch of BTM batteries for load shifting during DR events. At this time, PSE does not allow power export from BTM batteries that are not paired with solar to the grid. DR acquisition will cover all customer sectors (residential, commercial, and industrial).

PSE anticipates selecting one or more proposals for all three resource types. PSE will evaluate any commercially viable distributed solar, distributed BESS, and DR that complies with all

applicable laws and regulations and meets the minimum qualification requirements described in Section 5 of the Draft 2022 DER RFP.

II. Acquisition Categories

PSE plans to acquire DERs under two broad categories: (1) Turnkey Resources (Category A); and (2) Vendor Service Components (Category B). These categories are described below. Respondents can submit proposals under either category or under both categories. Additionally, multiple proposals under each or both categories are acceptable. However, each proposal requires the submission of a separate bid.

A. Category A: Turnkey Resource Acquisition

Under Category A, PSE requests bids for turnkey pay-for-performance contracts for delivering solar, BESS, and DR. Bids under this category will help enable PSE to leverage respondent expertise in markets that already exist in order to maximize grid and customer benefits. As noted in the 2021 IRP, PSE has a dual need for resources to help meet CETA requirements and to help meet the capacity needs. PSE's capacity needs are greatest in winter; therefore, PSE will evaluate DERs based on their ability to fill winter deficits while minimizing off-peak surpluses. In particular, proposals that can help meet seasonal needs, heavy load hour needs, and super peak needs, while reducing surpluses off peak, will benefit in PSE's quantitative analysis, summarized below. The types of eligible solar, BESS, and DR resources PSE plans to acquire under Category A are listed in Section 2, Table 2, of the Draft 2022 DER RFP.

B. Category B: Vendor Service Components

PSE is committed to making this targeted Draft 2022 DER RFP accessible to small, diverse and local respondents. Accordingly, under this Category B, PSE seeks bids to support the implementation of existing and new DER offerings, programs, and services to provide demand and energy savings, and related services, to PSE customers from local firms who specialize in providing specific types of services but whom may not be equipped to offer turnkey solutions for deployment of DERs under Category A. Respondents to Category B are still expected to provide indicative pricing³ and can expect to engage in negotiations with PSE to revise and finalize the proposal if selected for the short list. Respondents should also anticipate a delay in contract development as compared to turnkey solutions due to the additional program evaluation step.

³ See "Pricing for Vendor Service Components" in Section 3 of the Draft 2022 DER RFP.

PSE will use these Category B bids to develop a portfolio of programs as outlined in PSE's Draft CEIP.⁴ PSE's goal in obtaining bids under this category is to apply diversity, equity, and inclusion best practices to create opportunities for small, diverse businesses to participate in this procurement process, and thus maximize the impact on the local economy by, among other things, leveraging community organizations to maximize benefits to named communities and supporting the creation of local employment opportunities.

III. Schedule and Process

A. Draft 2022 DER RFP Schedule

The following schedule is subject to adjustment based on Commission review and the actual pace of the evaluation process. Updates will be posted online at <http://www.pse.com/RFP>.

2022 DER RFP Schedule

Date	Milestone
November 15, 2021	Draft DER RFP filed with WUTC
December 30, 2021	Public comment period ends ⁵
January 31, 2022	WUTC review period ends; decision anticipated
February 7, 2022	PSE issues final DER RFP
Late February 2022	PSE hosts Respondents' conference ⁶
March 21, 2022	Offers due to PSE
April 20, 2022	PSE posts to its RFP website compliance report consistent with the requirements of WAC 480-107-035(5)
Q2 2022	PSE completes Phase 1 screening process and selects Phase 2 candidates, notifies Respondents
Q3 2022	PSE selects DER RFP short list, notifies Respondents

⁴ See Section 1, page 2 of the Draft 2022 DER RFP.

⁵ WAC 480-107-017(3) allows interested parties to submit comments within 45 days after a draft RFP is filed. Based on a November 15, 2021 filing date, this period will close on December 30, 2021.

⁶ The DER RFP Respondents' conference details and registration instructions will be posted at www.pse.com/rfp as they become available.

Date	Milestone
To follow	Post-proposal negotiations
To follow	PSE files with compliance report with the Commission consistent with the requirements of WAC 480-107-145(2)

B. Evaluation Process

Similar to the 2021 All-Source RFP evaluation process, PSE will follow a structured evaluation process designed to screen and rank individual proposals based on an evaluation of costs, risks, and benefits. These include resource cost, market-volatility risks, demand-side uncertainties and benefits, resource dispatchability, effects on system operation, customer benefits, credit and financial risks to the utility, the risks to ratepayers, public policy, and Washington state and federal government requirements. PSE will consider a number of quantitative and qualitative factors to compare proposals with diverse attributes. PSE will evaluate each proposal based on its compliance with this Draft 2022 DER RFP and according to the criteria described in Section 5 (Proposal Requirements) and Exhibit A (Evaluation Criteria and Scoring) to the RFP.

Generally, the evaluation process will be divided into three phases, as outlined below. Please see Figure 4 in Section 4 of the Draft 2022 DER RFP.

- **Phase 1:** Phase 1 is a screening phase, where Category A and Category B bids will be evaluated separately and individual scores will be developed based upon a preliminary cost analysis and qualitative risk screening. PSE will use its benefit-cost analysis (“BCA”) model, qualitative analysis, and the scoring approach for price and non-price factors presented in Exhibit A to the Draft 2022 DER RFP to screen and rank proposals based on the respondents’ responses in Exhibits B and C. Upon completing its evaluation, PSE will combine the quantitative and qualitative screening results to produce a Phase 1 individual score and ranking for each proposal. All respondents will be notified of their selection status at the end of Phase 1.
- **Phase 2:** During Phase 2 of the RFP evaluation process, PSE will design a suite of programs for evaluation from the candidate list developed in phase 1 of Category A “turnkey” and Category B, Value Fit programs, further described in Exhibit A. PSE will then use the BCA tool and qualitative metrics to compare different portfolio mixes to determine the shortlisted portfolio of DERs. Exhibit A to this DER RFP provides further details on how PSE will quantitatively evaluate programs and resources, and qualitatively evaluate the customer benefit plans submitted by respondents and associated CBIs.

At the end of Phase 2, PSE will develop a short list of proposals that best align with the Company's overall objective to select a portfolio of resources delivered to its system that balances lowest reasonable cost⁷ considering risk, customer benefits, and broad customer class inclusion. The risks associated with determining lowest reasonable cost include compliance with all applicable state laws and regulations, including CETA. The costs and risks associated with compliance with CETA include the customer benefit and equity considerations outlined in RCW 19.405.040(8).

- **Concurrent Evaluation:** The final Concurrent Evaluation phase is where the targeted Draft 2022 DER RFP and the 2021 All-Source RFP will be coordinated to create the most holistically optimized portfolio. The shortlists from each RFP will then be included in a combined portfolio analysis that will include a sensitivity that considers optimized portfolio scenarios and compares a variety of different combinations across future pricing settings. This approach allows for a fair comparison and concurrent evaluation to identify the best resources from both RFPs. It is expected that the concurrent evaluation will not reduce the included DER capacity below PSE's proposed IRP targets.

Respondents should note that PSE filed its 2021 All-Source Request for Proposals in June 2021, which allowed for participation by DERs. However, no DER or DR proposals were received. As noted above, during the Concurrent Evaluation phase, PSE anticipates undertaking a concurrent evaluation in 2022 with the shortlists from both the 2021 All-Source RFP and this DER RFP to ensure an optimal portfolio.

C. Quantitative Modeling

The Draft 2022 DER RFP will use modeling tools and methodologies that are consistent with the Draft CEIP. In Phases 1 and 2 of the Draft 2022 DER RFP, PSE will use the BCA to evaluate all proposals in conjunction with the baseline generic portfolio based on PSE's 2021 IRP resource strategy. PSE will use the Aurora model⁸ only for the Concurrent Evaluation analysis. Pursuant

⁷ Lowest reasonable cost is defined in WAC 480-107-007 and 480-100-605 to mean "the lowest cost mix of generating resources and conservation and efficiency resources determined through a detailed and consistent analysis of a wide range of commercially available resources. 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 customers, public policies regarding resource preference adopted by Washington or the federal government, and the cost of risks associated with environmental effects, including emissions of carbon dioxide. The analysis of the lowest reasonable cost must describe the utility's combination of planned resources and related delivery system infrastructure and show consistency with chapters 19.280, 19.285, and 19.405 RCW."

⁸ Aurora is a production cost model that will be used for optimal resource selection (also known as long-term capacity expansion modeling) and hourly economic dispatch.

to RCW 19.280.030(3)(a)(iii) and PSE's 2021 IRP, the social cost of greenhouse gases is included as a cost adder to emitting resources in the long-term capacity expansion model.

D. Independent Evaluator

In February 2021, after receiving approval from the Commission in Docket UE-210037, PSE hired Bates White to provide independent evaluator (IE) services for the 2021 All-Source RFP. For information about PSE's IE selection process and the qualifications of Bates White, please see PSE's Petition for Approval of Recommended Independent Evaluator, Docket UE-210037 (Jan. 19, 2021).

To leverage the knowledge gained in PSE's internal processes and priorities through its work on the 2021 All-Source RFP, PSE subsequently hired Bates White as the IE for this Draft 2022 DER RFP. Similar to the 2021 All-Source RFP, the function of the IE is to consult with PSE, as needed, on the procurement activities in the Draft 2022 DER RFP to ensure that PSE's RFP process is conducted fairly, transparently, and properly. To that end, the IE has participated in the design of the Draft 2022 DER RFP. See Section 4 of the Draft 2022 DER RFP for more information regarding the role and scope of the IE.

IV. Proposal Submission

PSE is developing a web platform for respondents to confidentially submit electronic proposals to this RFP. PSE will provide a link to the platform and instructions for proposal submission on the RFP web site (www.pse.com/rfp) once the final 2022 DER RFP is issued, or soon thereafter. Questions or comments about the DER RFP may be submitted to DERRFPmailbox@pse.com, and PSE will post answers to questions on its RFP website. RFP schedule updates and any supplemental informational updates associated with this RFP will also be posted to PSE's RFP website.

V. Notice of the Draft 2022 DER RFP

To broaden awareness of the Draft 2022 DER RFP among persons who may be interested, PSE has provided notice of its filing to power marketing companies, aggregators, utilities, energy efficiency companies, and other entities involved in development or provision of distributed energy resources, including representatives of stakeholders who participated in PSE's 2021 IRP process. PSE will also be providing notice of the filing to a variety of trade publications. In addition, to encourage participation in this RFP from diverse types of respondents, PSE will be reaching out to potential bidders to notify them of the upcoming RFP and seek their interest in providing a proposal. This is not meant to show preference or limit applicants to those who are contacted, but to proactively build engagement for the RFP.

VI. Conclusion

PSE invites comments on the Draft 2022 DER RFP and looks forward to working with Commission Staff, respondents, and other interested parties to make the Draft 2022 DER RFP process successful. Questions regarding this filing should be directed to the undersigned. Questions regarding the Draft 2022 DER RFP should be addressed to Kimo Spector, DER Commercial Acquisition Manager, at kimo.spector@pse.com or (425) 283-9950.

Thank you for your assistance.

Sincerely,



Donna Barnett

Attachments:

1. NEW-PSE-2022 DER RFP-Draft Main-11-15-21.pdf
2. NEW-PSE-Exh-A-2022 DER RFP-Evaluation Criteria and Scoring-11-15-21.pdf
3. NEW-PSE-Exh-B-2022 DER RFP-Proposal Requirements Forms-11-15-21.xls
4. NEW-PSE-Exh-C-2022 DER RFP-Proposal Requirements for Category B-11-15-21.pdf
5. NEW-PSE-Exh-D-2022 DER RFP-Confidentiality Agreement-11-15-21.pdf
6. NEW-PSE-Exh-E-2022 DER RFP-Avoided Cost-11-15-21.pdf
7. NEW-PSE-Exh-F-2022 DER RFP-Ownership-11-15-21.pdf
8. NEW-PSE-Exh-G-2022 DER RFP-Cap Energy-11-15-21.pdf
9. NEW-PSE-Exh-H-2022 DER RFP-PPA-11-15-21.pdf
10. NEW-PSE-Exh-I-2022 DER RFP-MSA Exhibits-11-15-21.pdf
11. NEW-PSE-Exh-J-2022 DER RFP-DR Addendum-11-15-21.pdf
12. NEW-PSE-Exh-K-2022 DER RFP-Requirements List-11-15-21.pdf
13. NEW-PSE-Exh-L-2022 DER RFP-Resources-11-15-21.pdf
14. NEW-PSE-Exh-M-2022 DER RFP-Customer Interaction-11-15-21.pdf
15. NEW-PSE-Exh-N-2022 DER RFP-IT Security-11-15-21.pdf
16. NEW-PSE-Exh-O-2022 DER RFP-Vendor Questionnaire SIGv6-11-15-21.xls
17. NEW-PSE-Exh-P-2022 DER RFP-Customer Consent-11-15-21.pdf

ATTACHMENT A

**Checklist Cross-Referencing Sections of the Draft 2022 DER RFP
with the Requirements Set Forth in
WAC Chapter 480-107**

WAC CHAPTER 480-107 REQUIREMENTS CHECKLIST

Requirement and Citation	Citation	Location in Draft 2022 DER RFP
The RFP must define the resource need, including specific attributes or characteristics the utility is soliciting, such as the amount and duration of power, time and locational attributes, operational attributes, the type of technology or fuel source necessary to meet a compliance requirement, and any additional information necessary for potential bidders to make a complete bid, including a copy or link to the complete assessment of avoided costs identified in WAC 480-100-615(12).	WAC 480-107-025(1)	<i>See</i> Sections 1 and 2. <i>See also</i> Exhibit E for Schedule of Estimated Avoided Cost
The RFP must request information identifying energy and non-energy benefits or burdens to highly impacted communities and vulnerable populations, short-term and long-term public health impacts, environmental impacts, resiliency and energy security impacts, or other information that may be relevant to identifying the costs and benefits of each bid, such as a bidder's past performance utilizing diverse businesses and a bidder's intent to comply with the labor standards in RCW 82.08.962 and 82.12.962.	WAC 480-107-025(2)	<i>See</i> Section 3, Exhibit A (Evaluation Criteria and Scoring) and Exhibits B and C (Proposal Requirements Forms)
The RFP must document that the size and operational attributes of the resource need requested are consistent with the range of estimated new resource needs identified in the utility's IRP.	WAC 480-107-025(3)	<i>See</i> Section 1 and Exhibit A (Evaluation Criteria and Scoring)

Requirement and Citation	Citation	Location in Draft 2021 All-Source RFP
The RFP must explain the specific ranking procedures and assumptions that the utility will use in accordance with WAC 480-107-035.	WAC 480-107-025(4)	<i>See</i> Section 4 and Exhibit A (Evaluation Criteria and Scoring)
The RFP must include a sample evaluation rubric that quantifies, where possible, the weight the utility will give each criterion during the bid ranking procedure, and provides a detailed explanation of the aspects of each criterion that would result in the bid receiving higher priority.	WAC 480-107-025(4)	<i>See</i> Section 4 and Exhibit A (Evaluation Criteria and Scoring)
The RFP must specify a detailed timeline for each stage of the RFP process including solicitation, ranking, and selection, as well as the utility's schedule of planned informational activities and contact information for the RFP.	WAC 480-107-025(5)	<i>See</i> Sections 4 and 7
The RFP must generally identify any utility-owned assets, including merchant-side assets that the utility has available, for the purpose of receiving bids that assist the utility in meeting its resource need at the lowest reasonable cost. The utility must make reasonable efforts to provide bidders with necessary technical details they request and to allow bidders to design their bids for use in conjunction with utility-owned assets.	WAC 480-107-025(6)	<i>See</i> Exhibit L (Resources)
The RFP must identify any minimum bidder requirements, including for financial security requirements and the rationale for such requirements, such as proof of a bidder's industry experience and capabilities.	WAC 480-107-025(7)	<i>See</i> Sections 5 and 6 and Exhibit A (Evaluation Criteria and Scoring)

Requirement and Citation	Citation	Location in Draft 2021 All-Source RFP
The RFP must include standard form contracts to be used in acquisition of resources.	WAC 480-107-025(8)	<i>See Exhibit F (Prototype Ownership Agreement Term Sheet), Exhibit G (Prototype Capacity and/or Energy Agreement Term Sheet), and Exhibit H (Prototype Clean Energy Power Purchase Agreement Term Sheet)</i>
All RFPs must discuss the impact of any applicable multistate regulation on RFP development including the requirements imposed by other states for the RFP process.	WAC 480-107-025(9)	<i>See Sections 4 and 5</i>
The RFP must clearly state the scope of the solicitation and the types of bids that the utility will accept consistent with WAC 480-107-024.	WAC 480-107-025(10)	<i>See Section 5 and Exhibit A (Evaluation Criteria and Scoring)</i>