

2021 All-Source RFP: Summary of Public and WUTC Staff Comments

June 1, 2021

Docket UE-210220

I. Public Comments, May 17, 2021

#	Summary of Comment(s)	RFP revised?	PSE Response
<i>Robert S. Briggs, Vashon Island Resident</i>			
1.1	<p>EVALUATING THE SOCIAL COST OF GREENHOUSE GASES</p> <p>The RFP ignores the requirement in law for electric utilities to consider the social cost of greenhouse gas (SCGHG) emissions in evaluating and selecting long-term resource options.</p> <p>Recommendation: Amend the draft to correct this omission before it is issued.</p>	Y ¹	<p>PSE agrees that the Clean Energy Transformation Act ("CETA") requires electrical companies to incorporate the social cost of greenhouse gas emissions as a cost adder when evaluating and selecting intermediate term and long-term resource options, and the company will comply with this requirement.</p> <p>PSE filed redlines to its draft All-Source RFP in Docket UE-210220 on May 10, 2021. To reinforce PSE's intent to comply with the social cost of greenhouse gas emissions requirement, PSE added the following language to the RFP on page 26 and in Exhibit A on page A-3:</p> <p><i>Consistent with RCW 19.280.030(3)(a)(iii) and the 2021 IRP, the social cost of greenhouse gases ("SCGHG") is included as a cost adder to emitting resources in the long-term capacity expansion model.</i></p>
<i>Nathan Sandvig, Rye Development (Swan Lake and Goldendale pumped hydro storage)</i>			
2.1	<p>EFFECTIVE LOAD CARRYING CAPABILITY ASSUMPTIONS</p> <p>Like the Final IRP, the Draft RFP is unfairly biased against storage resources because the Draft RFP attributes certain storage resources an arbitrarily low Effective Load Carrying Capability ("ELCC") value</p> <p>PSE's assumptions in the Final IRP dramatically limit the capability of stand-alone energy storage to charge, thereby limiting the ability of stand-alone storage resources to provide capacity services in high loss of load periods during the winter, which negatively affects these resources' ELCC values. Similarly, PSE's ELCC values for storage are significantly outside the industry-norm for these resources. Specifically,</p>	Y	<p>PSE's draft All-Source RFP uses assumptions developed through the Integrated Resource Plan ("IRP") process and vetted through the IRP Advisory Group.² In response to comments on the 2021 IRP related to the effective load carrying capability ("ELCC") of storage resources, including pumped storage hydro, PSE has taken a second look at its assumptions and widened the operating range from 12%-100% to 0%-100%. This reassessment has resulted in <i>de minimis</i> changes to the peak contribution and no change to the flexibility contribution of pumped storage hydro resources.</p> <p>As described in Chapter 7 of the 2021 IRP, ELCC values for resources are highly dependent on the load characteristics and mix of resources in an electrical company's portfolio; as such, they are unique to each electrical company and difficult to compare. Some of PSE's ELCC numbers are higher and some are lower than other electrical companies, depending how well the resources match</p>

¹ Revision was added in PSE's first set of redlines to the All-Source RFP filed in Docket UE-210220 on May 10, 2021.

² For the 2021 IRP, PSE started with the GENESYS model from the Northwest Power and Conservation Council ("NPCC") power supply adequacy assessment for 2023. The GENESYS model was developed by the NPCC and the Bonneville Power Administration (BPA) to perform regional-level load and resource studies. More information about PSE's resource adequacy modeling tools and approach are described in [Chapter 7 of the 2021 IRP](#).

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	<p>the ELCC value of an eight-hour duration pumped hydro facility (100 MW) in PSE's service territory is 37.2%, whereas the ELCC values for 100 MW of pumped hydro (8 hour) in PGE, Northwestern, and PacificCorp systems are 94%, 100%, and 99%, respectively.</p> <p>Second, Swan Lake and Goldendale believe that PSE's significantly depressed storage ELCC values are being driven by three key, inaccurate assumptions, including: (1) Loss-of-Load Events are consistently 24-hours in key winter months by 2027; (2) there is 1,000 MW (or less) of Mid-C capacity (wholesale purchases) assumed to be available in key winter months by 2027, thereby making less energy available for charging these resources, which is an unfair assumption to make when, historically, ample energy is available for charging during, at least, night time hours; and (3) only existing supply and any available Mid-C import capacity will be available for the energy storage to charge from, thereby excluding the possibility of storage charging from another market such as the California Independent System Operator ("CAISO").</p> <p>PSE's inaccurate assumptions with respect to the ELCC value for pumped storage resources are further compounded by the fact that PSE limits pumped storage resources' operating range (or "state of charge") to 70% of the resource's storage capacity. This seemingly arbitrarily assumption has the effect of prohibiting pumped storage resources from taking advantage of almost 1/3 of their available capacity. This limiting assumption does not reflect the reality of how pumped storage resources operate. Instead, this assumption has the effect of further deflating the ELCC value of pumped storage resources, thereby resulting in these resources appearing uneconomic in PSE's Final IRP.</p> <p>Recommendation: The Commission should direct PSE to remedy the numerous deficiencies with the Final IRP, thereby ensuring any resources acquired via this RFP process actually reflect the least cost set of resources, in accordance with the Commission's requirements.</p> <p>Once the deficiencies in the Final IRP are remedied, PSE should be directed to update the Draft RFP using the correct modeling inputs and assumptions from the revised,</p>		<p>PSE's load shapes. PSE's winter peak makes it different than other parts of the Western Interconnect that have a summer peak, such as electrical companies in California. PSE's load shapes are also different from some electrical companies in the Pacific Northwest, such as Portland General Electric, which has a dual peak in winter and summer, driven by its downtown Portland commercial and industrial loads. As noted above, PSE is a winter-peaking utility and it provides electric service in 10 counties in and around the Puget Sound, but it does not provide electric service to Seattle. As such, PSE's peak loads are primarily residential and driven by winter home heating.</p> <p>It should also be noted that winter and summer peaking events are different. Summer peaking events are focused in the late afternoon or evening when the day is the hottest, and typically only last a few hours in the evening, making energy storage an ideal solution. However, a winter event can last several days at a time and temperatures can drop low during the night and stay low throughout the day. As shown in Figures 7-8 and 7-12 in Chapter 7 of the IRP, loss of load events can have extended durations of 24 hours or more. Not only can load shapes contribute to different ELCCs, the methodology is an important contribution. The loss of load probability ("LOLP") is unable to distinguish the impacts of storage resources on system outages because it counts the draws of an outage event, but not the magnitude, duration or frequency of events within each draw. Because of this, the capacity credit of energy storage was estimated using expected unserved energy ("EUE"). By using EUE, PSE is able to look at the magnitude and length of the events to see how well limited energy resources can contribute to these events.</p> <p>The low peak capacity contribution for energy storage is caused by the fact that these are relatively short duration resources (generally eight hours or less) with a limited ability to contribute during extended duration events. It's worth noting that it is not PSE's assumptions around market reliance or market imports, but the inability to recharge storage resources during a loss of load event, that constrains the ELCCs of storage resources. There is no off-peak charging for on-system resources, if the loss of load event extends through the off-peak hours.</p> <p>In Phase 1 of the All-Source RFP evaluation process, PSE's quantitative analysis will approximate the ELCC value of each proposed RFP resource using the ELCC value of a comparable generic resource from PSE's 2021 IRP analysis. At the end of Phase 1, PSE intends to select a candidate pool of resources for portfolio optimization analysis that represents the best-performing proposals from different types and technologies to test the performance of combinations of resources toward</p>

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	Final IRP. Until those issues are addressed, the Commission should not allow PSE to proceed with this RFP.		<p>achieving a lowest reasonable cost portfolio. This means that the quantitative results of one resource type compared to another is less important in Phase 1 because PSE will select a representative sampling of resources for further consideration, subject to meeting the minimum criteria defined in the All-Source RFP. Because an individual project's ELCC will vary based on a variety of factors, such as exact location, generation shape, characteristics of the resource (ability to dispatch, duration of output, etc.), and the availability of firm delivery to PSE's load center; the Phase 2 quantitative analysis will be based on resource-specific ELCC values calculated for each Phase 2 resource. PSE will also take into account resource-specific "fuel" supply for resources that can demonstrate a more favorable fuel supply than assumed in PSE's generic ELCC assumptions, such as a firm fuel supply for biomass, a more favorable wind resource or solar irradiance (via a third-party verified 8760 data), or a demonstrated ability to charge during a loss of load event for storage.</p> <p>PSE has updated Sections 1 and 3, and Exhibit A of its All-Source RFP to clarify how the 2021 IRP generic ELCCs and resource-specific ELCCs will be used in the RFP analysis, how selection of a representative sampling of resources in Phase 1 (the "candidate list") will allow for a robust comparison of the best performing resources across resource types in the Phase 2 optimization analysis, and summarizes the resource characteristics that will be taken into account in the resource-specific ELCC calculations.</p> <p>PSE plans to host a workshop in late August 2021 to provide more information to bidders and stakeholders about the drivers of PSE's generic ELCC assumptions, how ELCC values for resources can vary within a particular region, and how PSE will use the ELCC values in its RFP analysis.</p>
2.2 (A)	<p>SCORING RUBRIC AND CRITERIA – COUNTERPARTY VIABILITY</p> <p>First, regarding "Counterparty Viability – Experience Level," PSE's proposed scoring criteria provide additional points for constructing at least 1 (2 points) or greater than or equal to 5 (3 points) projects of similar size and technology. However, using construction of similar size projects as a criterion is inherently biased against large, grid-scale capacity resources that are less likely to be constructed on a regular basis. Instead, PSE's proposed scoring system for Experience Level is significantly biased towards smaller resources like Distributed Energy Resources ("DERs"), where a</p>	N	<p>PSE agrees that team experience should also be relevant. PSE did, in fact, consider this point when designing the "Counterparty Viability" criteria of the qualitative scoring rubric. Specifically, respondents should note that the criteria considers the experience of either the "Bidding Entity" or "Team" (Exhibit A, Table 5 "Qualitative Scoring Rubric", p. A-6). This is intended to address the possibility that a project team may have considerable experience in contrast to the bidding entity, and the scoring rubric gives due credit to that potential circumstance. Having team experience rather than bidding entity experience would not prevent bidder from receiving the highest score. See also comments 4.2, 9.11, and UTC-1 for more information about scoring and evaluation criteria.</p>

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	<p>developer is likely to score highly in this category due to regular and frequent deployment of new resources.</p> <p>Instead of using its proposed scoring system for Experience Level, Swan Lake and Goldendale suggest PSE consider an alternative method such as combined years of relevant development experience on the development team. In the case of pumped storage, using construction of similar sized resources as a proxy for experience level effectively ensures pumped storage resources would receive the minimal number of points, given that so few pumped storage resources have been constructed in the past decade. However, despite the lack of newly constructed resources, the development team of Swan Lake and Goldendale have decades of combined experience that make them far more capable and experienced than some new-to-the-industry, DER developers. Nevertheless, under PSE’s proposed scoring system for Experience Level, PSE places greater value on a new entrant, with less actual industry experience, but that has been able to construct several projects.</p>		
2.2 (B)	<p>SCORING RUBRIC AND CRITERIA – PROJECT VIABILITY – SUPPLY CHAIN</p> <p>Second, PSE’s proposed scoring criteria for “Project Viability – Supply Chain” also hampers the ability of large capacity resources to compete with less expensive projects like DERs. In particular, PSE proposes to award a greater number of points to projects that have more equipment and/or construction completed. For low-cost projects like DERs, there is comparatively little risk for a developer who proceeds with acquiring or constructing greater than 50% of the project in order to achieve the maximum 3 points under PSE’s scoring criteria. In comparison, for a large capacity resource, which can cost in the hundreds of millions of dollars (or more), Swan Lake and Goldendale suggest that no sophisticated developer would incur upwards of 50% of the costs (i.e., a hundred million dollars or more) to acquire or construct such a resource without a firm offtake arrangement in place. However, because the offtake arrangement largely depends on the outcome of the Draft RFP, developers of these types of large capacity resources are unable to make such an investment until the Draft RFP is completed. Thus, these large capacity resources are inherently</p>	N	<p>PSE agrees that supply chain dynamics differ between large and small projects, and draws the respondents’ attention to the fact that the “Project Viability - Supply Chain” criteria applies only to Transmission Interconnected Projects, whereas DR and DER proposals are evaluated on the basis of separate criteria. Therefore, PSE does not agree that this category hampers the ability of larger resources to compete with less expensive projects like DERs. For larger scale transmission-interconnected projects, the top score of 3 corresponding to “>50% of equipment supplied” is intended to capture operating or shovel-ready projects. This would enable PSE to recognize the value of projects with lower development risk. The 5 percent threshold for the second highest score aligns with the minimum safe-harbor threshold for securing investment incentive tax credits, which PSE believes is a useful proxy even if a developer would not necessarily aim to use those investment incentives. PSE has found that experienced developers are accustomed to making arrangements to meet those thresholds.</p> <p>PSE also notes that the selection of the candidate list at the end of Phase 1 will group proposals by resource type and technology and, therefore, would not disadvantage a developer of a large project such as pumped storage hydro compared to a smaller DER project.</p>

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2.2 (C)	<p>disadvantaged by PSE's proposed Supply Chain criteria because they are unwilling to make huge, speculative investments in order to achieve the maximum number of points.</p> <p>SCORING RUBRIC AND CRITERIA – PROJECT VIABILITY – TECHNOLOGY RISK</p> <p>Third, PSE's proposed criteria for "Project Viability – Technology Risk" also disadvantage resources like pumped storage. Like the proposed Experience Level criteria noted above, the proposed Technology Risk criteria place greater value (and thus, award greater points) to technologies that are more frequently deployed. Thus, the proposed Technology Risk criteria inherently favor smaller resources that are more frequently deployed, rather than larger, grid-scale resources that are more infrequently built. This result is particularly harmful to pumped storage where, due to things like geography, these resources are rarely constructed in the United States. Furthermore, PSE's proposed criteria have the effect of double-penalizing pumped storage resources because of their infrequent construction, particularly when the effect of the Technology Risk and Experience Level proposed criteria are combined. Thus, PSE should instead consider revising its proposed Technology Risk criteria to focus on an alternative metric such as years of operating history for a particular type of resource. As Swan Lake and Goldendale have previously noted, pumped storage resources are among the oldest, most reliable, proven storage technologies in the United States and have been operating for nearly a century, similar to many hydroelectric facilities. Because of this, these resources are far from unproven, despite the fact that PSE's proposed scoring criteria for Technology Risk would likely categorize pumped storage as "non-commercial" or an "unproven technology."</p>	N	<p>See also comments 4.2, 9.11, and UTC-1 for more information about scoring and evaluation criteria.</p> <p>PSE recognizes and appreciates the unique features of pumped storage hydro, and does not consider it to be an unproven technology. The rubric does, in fact, consider the number of years of fleet deployment history as well as number of deployments. Respondent should also note that the years of deployment history is not restricted to the United States. Thus, pumped storage hydro does not appear to be disadvantaged in this respect.</p> <p>See also comments 4.2, 9.11, and UTC-1 for more information about scoring and evaluation criteria.</p>
2.2 (D)	<p>SCORING RUBRIC AND CRITERIA – ENERGY DELIVERY</p> <p>Fourth, and finally, PSE's proposed "Energy Delivery" criteria also skew the results of the Draft RFP to favor smaller, less-costly resources like DERs or small renewable resources. In particular, PSE's proposed Energy Delivery criteria focus on awarding more points for projects that are further along in the interconnection and/or transmission service processes. However, similar to the comments above, the proposed Energy Delivery criteria arbitrarily favor smaller resources where the</p>	N	<p>PSE recognizes that there is a wide range of proposals that will potentially be submitted in the RFP and structured the qualitative review with this in mind. PSE disagrees, however, that the Energy Delivery criteria arbitrarily favors smaller resources such as DERs. The criteria distinguishes and separates such smaller DER resources, which have different interconnection processes and associated costs, as the respondent correctly points out. More generally, PSE's energy delivery criteria by design award more points for projects that are further along in the interconnection and/or transmission service processes. This is a critical element of the overall qualitative feasibility of a project proposal. To qualify for this RFP, a respondent must have at least submitted an</p>

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2.3	<p>financial cost of proceeding through the interconnection or transmission queues are relatively minimal when compared to the costs that would be incurred for a large capacity resource like pumped storage to proceed with interconnection or transmission without any certainty around offtake. Again, virtually no developer of a large, grid-scale capacity resource is likely going to incur the financial risk associated with paying for all of the transmission upgrades and studies necessary to proceed to an executed transmission and/or interconnection agreement without a fairly-high level of certainty regarding offtake. As a result, large, grid-scale resources—which, coincidentally, are the resources most likely to provide PSE the amount of capacity and flexibility it needs—are unfairly penalized for not being willing to make speculative investments.</p> <p>Recommendation: When all of the flaws in the scoring criteria noted above [2.2 A-D] are considered together, nearly 50% of the points that are awarded as part of PSE’s proposed qualitative scoring criteria are unfairly biased against large capacity resources, and particularly so against resources like pumped storage. Until these inherently biased criteria are modified to evaluate grid-scale storage resources (liked pumped storage) more fairly, the Commission should reject the Draft RFP.</p> <p>RFP TIMING REQUIREMENTS AND LONG-LEAD RESOURCES (PUMPED STORAGE HYDRO)</p> <p>The timing constraints in the Draft RFP do not allow long lead-time resources like pumped storage to fairly compete in the Draft RFP</p> <p>According to the Draft RFP, “For capacity resources, deliveries must begin no later than December 31, 2026.”¹² However, this timeline is incredibly short for long lead-time resources like pumped storage, and could result in these types of resources being ineligible to even participate in the Draft RFP.</p> <p>As Swan Lake and Goldendale have repeatedly stated in various Commission proceedings, pumped storage resources are long lead-time resources that require clear market signals further in advance than most, typical resources. Thus, as Swan Lake and Goldendale have repeatedly emphasized, these projects need market</p>	Y	<p>interconnection request and have a transmission plan. PSE believes that the costs of conducting studies and commencing the interconnection or transmission queue processes are expected costs/risks for experienced developers of large resources, such as pumped storage; and it demonstrates to PSE, as a potential off-taker, the likelihood of securing this essential aspect a project’s basic viability.</p> <p>See also comments 4.2, 9.1.1, and UTC-1 for more information about scoring and evaluation criteria.</p> <p>PSE’s timeline for adding capacity resources through the All-Source RFP is driven by its demonstrated need and by the purchases of resources rules, which require a utility to issue an All-Source RFP, if the IRP demonstrates a resource need within four years (WAC 480-107). PSE recognizes that some resources, such as pumped storage hydro, have long-lead times. The 2021 RFP accommodates this by allowing project proposals with commercial operation dates (“CODs”) that may occur after the December 31, 2026 date to include interim firm supply arrangements to bridge the gap.</p> <p>PSE has clarified in the All-Source RFP that power bridging agreements associated with long-lead resources may be up to five years.</p>

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2.4	<p>signals that allow them to make investments in major equipment like the turbines for these projects, which are custom-designed and can take several years to design, construct, and deliver. Because of these timing considerations for resources like pumped storage, even pumped storage projects that are among the most advanced in terms of permitting and regulatory approvals (such as Swan Lake) still require several years to construct. To date, PSE has not provided the necessary market signals to long lead-time resources like pumped storage, meaning it is questionable whether any such resources will be capable of meeting PSE's stated eligibility date of December 31, 2026.</p> <p>CAPACITY NEED FORECAST AND MARKET RELIANCE REDUCTION</p> <p>PSE's projected capacity need of 1,506 MW by 2027 likely significantly understates PSE's real capacity need</p> <p>PSE's Final IRP makes questionable assumptions about import capability from California. Not only does PSE inaccurately assume more transmission capacity is available than has historically been the case, but PSE also makes no effort to take into account the huge, California evening ramp, when solar is no longer available. As a result of these assumptions, PSE wrongly assumes more capacity is available from California than is likely to be the case, based on past history. And, as a result, PSE's projected capacity need is likely significantly understated.</p> <p>Furthermore, PSE's Final IRP wrongly selects a highly-speculative technology—biodiesel combustion turbines ("CTs")—to meet a significant portion of PSE's projected capacity needs. The Final IRP indicates that PSE intends to acquire nearly 1,000 MW of firm Resource Adequacy ("RA")-qualifying capacity contracts by 2030 for the principal purpose of compensating for a 1,000 MW reduction of PSE's spot market purchases from Mid-C.15 This nearly-1,000 MW is part of the Draft RFP, and PSE's Final IRP assumes a portion of this capacity need will be met by biodiesel CTs, which is both unrealistic and an extremely speculative assumption to make.16 This assumption is unrealistic due to: (1) the "no new gas" sentiment in the Pacific Northwest, which makes constructing any type of CT practically impossible; (2) the hidden costs associated with biodiesel that are not accounted for in PSE's analysis of</p>	N	<p>PSE's draft All-Source RFP uses assumptions developed through the Integrated Resource Plan ("IRP") process and presented to the IRP Advisory Group. The draft RFP includes an updated capacity and CETA-eligible resource need based on the final 2021 IRP forecast and adjusted to account for recent hydro contract additions.</p> <p>To address the concern of PSE relying on a biodiesel combustion turbine, PSE would like to remind stakeholders that the RFP looks at commercially available technologies. A biodiesel combustion turbine would have to be submitted as a proposal and demonstrate fuel availability to be considered in the final selection. As described in the RFP document, the evaluation process only compares resources against "generic resources", including biodiesel peakers, to establish portfolio benefits. Final selection of proposals for the short list and contract negotiations will result from competition with other All-Source RFP proposals and not from a comparison with generic resources.</p> <p>The total market reliance reduction and glide path proposed in the All-Source RFP are not binding. PSE intends to conduct further analysis of the proposed market reliance reduction and hold a workshop in Q3 2021 to share its analysis with stakeholders. PSE may adjust its strategy, if it determines that doing so would be in the best interest of customers; for example, if PSE receives new information that suggests an alternate reduction or glide path would be optimal, or if selected resources with different proposed timing can help meet PSE's capacity need and reduce costs.</p> <p>See also PSE's response to public comment 5.1, and WUTC staff comments UTC-6 and UTC-15.</p>

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	<p>the least cost resources, such as: (a) the need for additives to operate in the cold, winter months when PSE most needs capacity; (b) high fuel costs; and (c) issues associated with the intensity of carbon emissions and whether such resources could comply with the CETA requirements for emissions. By over-relying on a speculative resource, PSE's preferred portfolio does not identify additional capacity resources that will be needed to meet PSE's projected capacity deficit. As a result, the preferred portfolio hides PSE's actual need for significant capacity resources by selecting a resource that is neither feasible nor least cost.</p> <p>Recommendation: The Commission should direct PSE to remedy the numerous deficiencies with the Final IRP, thereby ensuring any resources acquired via this RFP process actually reflect the least cost set of resources, in accordance with the Commission's requirements.</p> <p>Once the deficiencies in the Final IRP are remedied, PSE should be directed to update the Draft RFP using the correct modeling inputs and assumptions from the revised, Final IRP. Until those issues are addressed, the Commission should not allow PSE to proceed with this RFP.</p>		
<p>Placeholder, Public Counsel</p> <p>3.1</p> <p>RECOMMENDATION TO APPROVE ALL-SOURCE RFP</p> <p>In PSE's prior all source RFP filing, we raised concerns with PSE's approach to its evaluation criteria. PSE's current filing contains more comprehensive information about how the Company will evaluate proposals, including a detailed rubric. We also note the inclusion of how PSE will evaluate each bidder's equity plans and other information required by the Clean Energy Transformation Act (CETA). We particularly appreciate the Company's discussion of how it will address maximizing customer benefit indicators in its recently filed revision.</p> <p>Public Counsel also appreciates the steps the Company is taking to incorporate suggestions from stakeholders into this draft RFP. After PSE's April 1 initial filing, they have made a subsequent filing with changes and updates. The Company also stated in their cover letter to the updated filing that they may make an additional filing before</p>		N	<p>PSE appreciates Public Counsel's comments and recommendation to approve this All-Source RFP. The RFP represents the culmination of a wide range of work to revise the RFP procurement document, evaluation process and tools, and to ensure that PSE's All-Source RFP meets both the spirit and the letter of CETA and the new purchases of resources rules (WAC Chapter 480-107). PSE appreciates all of the public comments received in this docket and is closely reviewing and considering where comments can help us clarify or improve elements of the draft filing.</p>

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4.1	<p><i>Eli Bailey, GB Energy Park Holdings LLC</i></p> <p>ASSUMPTIONS - OVERNIGHT CAPITAL AND OPERATING COSTS, AND EFFECTIVE LOAD CARRYING CAPABILITY OF RESOURCES</p> <p>PSE's IRP in its Current Form is an Insufficient Guide to Evaluating the RFP when it Comes to Standalone Storage and Hybrid Renewable and Storage Resources.</p> <p>In particular, GBEP notes the following errors in methodology and assumptions (due to relevancy here, please see GBEP's filed comments in UE-200304), which need to be addressed in the IRP if it is to be used as a guide in the RFP:</p> <ul style="list-style-type: none"> A. PSE's IRP Substantially Overestimates Both the Overnight Capital Costs and Operating Costs of Hybrid Renewable and Energy Storage Systems Resulting in Hybrids Being Excluded from The Final IRP Portfolio. B. PSE's Resource Adequacy Modeling Assumptions Results in Low Effective Load Carrying Contribution (ELCC) Values for Stand-Alone Energy Storage. C. PSE's Final IRP Shows An Extremely High Net Levelized Cost for Pumped Storage, Driven By Low ELCCs, Extremely Low Revenue Assumptions, and an Inaccurate Pumped Storage Operating Constraint. D. Hybrid Resources Benefits and ELCC May Not Be Representative Depending on System Sizing. Overbuilding Generation to Transmission Was Never Considered. 	N	<p>For comments A and C, the 2021 RFP will evaluate projects based on information, operating characteristics, and costs provided by the bidder; therefore, the IRP generic assumptions will have minimal impact on the calculation of the costs of the actual RFP projects. The Final IRP portfolio will only be used as the benchmark scenario, which will be the reference case used to calculate the portfolio benefit of all bids in Phase 1 of the All-Source RFP evaluation.</p> <p>For comments B and D, please see PSE's response to public comment 2.1.</p>

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4.2	<p>SCORING CRITERIA: NON-PRICE</p> <p>In Certain Instances, The Qualitative Metrics and Non-Price Score in the Draft RFP are Biased Against Larger Resources</p> <p>Various components of the Qualitative Evaluation referenced in Exhibit A are arbitrarily biased against larger projects. Two areas of note are the "Counterparty Viability – Experience Level" and the "Project Viability – Supply Chain (Transmission Interconnected Projects)" categories:</p> <p><u>"Counterparty Viability – Experience Level":</u> to receive top points in this category, a bidder must demonstrate that it "has demonstrable experience implementing ≥ 5 similar size and technology deployments." Large projects are built less frequently and thus it would be much less likely that bidders have done this number of these projects. Pumped storage requires unique geographical formations which is why less of these projects are built. However, pumped storage technology is commercially mature and there are several gigawatts of pumped hydro operating in the United States today.</p> <p><u>"Project Viability – Supply Chain (Transmission Interconnected Projects)":</u> to receive top points in this category, a bidder must demonstrate that ">50% Project Major Equipment Inventory or Construction Complete." While developers may take on this risk and start construction ahead of having offtake on smaller projects, this is an incredibly high percentage of construction to have complete prior to having an offtake contract for larger and more capital-intensive projects.</p> <p>There are other categories which perpetuate this bias against larger, more capital-intensive resources which also need to be refined and GBEP asks for the commission to guide PSE towards ensuring that the Qualitative Evaluation does not skew PSE towards procuring smaller resources amid such a large looming capacity need.</p>	N	<p>PSE designed the qualitative rubric and the non-price scoring to provide equitable consideration across a broad spectrum of possible resources that may be encountered in the RFP, while at the same time capturing a preference for those bids that generally have taken demonstrable steps to reduce project risk.</p> <p>PSE directs respondents' attention to PSE's response in 2.2 on the specific categories of the qualitative evaluation referred to in the comment, and to 9.11, 9.13 and UTC-1 for more about scoring and evaluation criteria.</p>

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4.3	<p>SCORING CRITERIA: NON-PRICE</p> <p>The Qualitative Metrics are Unclear with Respect to Hybrid Resources and how These Projects Would be Evaluated</p> <p>The current "Qualitative Metrics and Non-Price Score" do not appear to be written with consideration to hybrid resource bids. Gordon Butte envisions bidding a combined wind and pumped storage configuration, which it views as providing the greatest portfolio benefit, and asks for greater clarity on how such resources would be evaluated. Similar to the comments on the IRP, GBEP is concerned that the vast benefits that clean hybrid resources can bring to the system are being overlooked and not being appropriately planned around. Additionally, similar to the comments raised above in section B, the qualitative metrics would be biased against a hybrid pumped storage and wind configuration.</p>	N	<p>It is unclear to PSE which specific element of the qualitative metrics and non-price score the comment considers to be biased against hybrid pumped storage and wind. All RFP resources will be carefully reviewed and evaluated both qualitatively and quantitatively, based on the qualitative rubric and related due diligence, and on the resource's cost and contribution to meeting PSE's peak capacity and renewable energy needs. Each resource's portfolio benefit to PSE's generic portfolio will be calculated and will account for its unique value streams in meeting PSE's resource needs. ELCC and the interactive effects of hybrid resources will be considered in the quantitative evaluation.</p> <p>For example, a solar resource will primarily contribute to PSE's renewable need, and a standalone pumped storage will primarily contribute to PSE's peak capacity need, while a hybrid wind plus pumped storage will contribute to both of PSE's renewable and peak capacity needs.</p>
<i>Sashwat Roy and Max Greene, Renewable Northwest</i>			
5.1 (A)	<p>CAPACITY NEED FORECAST – MARKET RELIANCE REDUCTION</p> <p>Additional information is necessary to understand the scale of PSE's capacity need.</p> <p>We seek clarification on the scale and timing of PSE's decision to reduce reliance on market purchases for capacity. Specifically, we request that PSE provide the Commission and stakeholders with more information detailing the analytical basis for the Company's selection of 1000 MW by 2027 as the values for its proposed reduction in market purchases for capacity.</p>	N	<p>Please see PSE's response to WUTC staff comment UTC-6 for information about the scale and timing of PSE's market reliance reduction.</p>
5.1 (B)	<p>CAPACITY NEED FORECAST – MARKET RELIANCE REDUCTION</p> <p>Additional information is necessary to understand the scale of PSE's capacity need.</p> <p>We question whether the analysis PSE has conducted so far supports a reduction in market purchases on the scale of 1000 MW across all hours of all days. For example, even assuming that a reduction in market purchases is appropriate to determine a conservative assessment of PSE's needs to reduce its loss-of-load probability at peak hours in winter, that reduction may not be appropriate in the shoulder hours when</p>	Y	<p>PSE plans to enter into transactions that reduce its "on-peak" market reliance for capacity planning and resource adequacy purposes. This "on-peak" reduction should be interpreted to suggest that PSE will replace some of the short-term market purchases PSE has historically procured at Mid-C with firm, resource adequacy qualifying capacity contracts, to supply firm capacity during "on-peak" or loss of load events. These capacity transactions are not necessarily for all hours and all days. This strategy will allow PSE to reduce its reliance on the market during possible loss of load events. Resources that provide energy and capacity during capacity-constrained periods will perform best in PSE's evaluation.</p>

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5.2	<p>EFFECTIVE LOAD CARRYING CAPABILITY ASSUMPTION</p> <p>The capacity contribution methodology from PSE's IRP does not accurately reflect the contributions of storage and hybrid resources.</p> <p>We note up front that some of the issues we raised with PSE's approach to modeling storage in its IRP will be addressed by the characteristics of bids we expect to see in the RFP. For example, we raised questions in our comments on PSE's IRP regarding the Company's portfolio modeling preference for two-hour battery storage over the industry-standard four-hour battery; we expect to see bids that reflect these longer-duration batteries and therefore will be better equipped to help PSE meet its capacity needs than the Company's modeling shows.</p> <p>What is less clear, however, is whether PSE's capacity contribution methodology will</p>	Y	<p>In its 2021 IRP, PSE modeled a five- and ten-year resource adequacy assessment. The five-year assessment is for the period of October 2027 – September 2028. The ten-year assessment is for the period of October 2031 – September 2032). Chapter 7 of the 2021 IRP describes the details of this modeling, and includes two 12x24 tables depicting of the loss of load hours for study years 2027 and 2031. See Figure 7-8 for a 12x24 table of the loss of load hours for year 2027, and Figure 7-12 for a 12x24 table of the loss of load hours for year 2031. Each plot represents a relative heat map of the number hours of lost load summed by month and hour of day for the test year. The majority of the lost load hours occur in the winter months.</p> <p>PSE has updated the All-Source RFP Section 1 discussion of PSE's market reliance reduction glide path to include a link to Chapter 7 of the IRP on the market risk assessment and PSE's resource adequacy modeling, including references to Figures-7-8 and 7-12.</p> <p>PSE intends to conduct further analysis of the proposed market reliance reduction and hold a workshop in Q3 2021 to share its analysis with stakeholders. PSE may adjust its strategy, if it determines that doing so would be in the best interest of customers; for example, if PSE receives new information that suggests an alternate reduction or glide path would be optimal, or if selected resources with different proposed timing can help meet PSE's capacity need and reduce costs.</p> <p>As noted in PSE's response to public comment 2.1, the reduction in market reliance will not limit a storage resource's ability to charge or recharge using market purchases in PSE's analysis. A storage resource will not be allowed to charge during loss of load events, unless that resource provides evidence that it can charge during a loss of load event.</p> <p>The 2021 IRP did not force a limit on market purchases other than the maximum 1,500 MW. PSE connects its IRP model to the NPCC model GENSYS, which models regional events. Any regional event would be reflected as a curtailment in the available market, whenever such event might occur.</p> <p>Regarding hybrid resources' ability to charge from the grid and ITCs, any IRP assumptions that limit charging for generic hybrid resources do not limit PSE's ability to evaluate hybrid proposals through the RFP. Developers should specify the operating parameters in their proposals based on their financial assumptions. PSE will model these assumptions in our portfolio.</p>

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	<p>accurately account for the way storage resources will interact with PSE's system. Of particular concern is the broadly applicable reduction in availability of market purchases in PSE's IRP discussed above, which may be artificially constraining the ability of storage resources (including battery and pumped hydro storage) to meet PSE's capacity needs. By revising assumptions to reduce the availability of market purchases across the board, the IRP likewise imposes a 1000 MW market import limitation across the full 24-hour window on all days in January and February instead of only during "super-peak" and "heavy-load" hours. As a result, PSE's modeling suggests there may be insufficient energy to charge storage resources even though PSE has not presented analysis that specifically supports this lack of available energy in low loss-of-load hours. In other words, the IRP's modeling assumption does not appear to reflect expected system conditions but rather creates artificial conditions where storage resources do not have enough energy to charge during off-peak hours, thereby reducing their capacity contribution and availability to dispatch when PSE's needs are the highest.</p> <p>Because we are concerned that the IRP's artificial market limitation may affect PSE's analysis of the capacity contributions of storage bids in the RFP, we request that PSE remove (or the Commission direct PSE to remove) the Company's market import limitations in the months of January and February for off-peak hours to ensure that storage resources are available to charge during off-peak hours and provide value to the PSE system during the heavy-load and super-peak hours.</p> <p>Another factor that might be limiting the ability of battery storage resources to achieve maximum dispatch during high loss-of-load hours is the Company's conservative limitation on these resources' depth of discharge (DoD), apparently on the assumption that battery would be primarily used for ancillary services (which have shallower cycles) for the majority of the year. We recommend a higher DoD value (up to 90% of the discharge capacity) to be considered in ELCC modeling for the winter peak months essentially allowing maximum discharge during the super-peak hours. On battery cycling, Table 5 describes the base configuration of battery storage in the RFP with a limitation of 60 cycles/year; this limitation appears to be at odds with the configuration's requirement of to allow two cycles/day for January and February. We recommend correcting the value to 120 cycles/year.</p>		<p>PSE has corrected the typographical error in Table 5 in Section 2 of the All-Source RFP to indicate 120 cycles per year in the base configuration for battery storage.</p>

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	<p>Finally, we are uncertain whether PSE's IRP considered the ability of hybrid renewable plus storage resources to charge from the grid in some circumstances without foregoing the Investment Tax Credit ("ITC"). The ITC effectively limits the source of charging for the storage component of hybrid resources only for the first five years starting from the date of commission. Once the ITC expires, grid charging the battery does not have any financial impact and creates a more flexible resource capable of providing regulation service and optimizing its State of Charge (SoC) to increase the capacity contribution of the entire hybrid resource. Additionally, there are also cases in the initial five-year period when the storage component of a hybrid resource would be able to charge a maximum of 25% of its capacity from the grid and still get a sizable pro-rated ITC. And finally it is worth noting that there is a stand-alone storage ITC currently under consideration at the federal level. Thus, limiting hybrid resources to only charge from renewables over the entire lifecycle of the resource would significantly undervalue these resources' capacity and ancillary services contributions. A commitment from PSE or order from the UTC that PSE's capacity contribution methodology must accurately reflect the physical and operational configuration of bids with storage components would help to ensure that both standalone storage and ITC-eligible hybrids are accurately assessed for capacity.</p> <p>Although this discussion has focused on capacity, ultimately the optimal configuration of hybrid resources depends on much more than maximizing the resource adequacy contribution. Storage resources can also reduce solar's levelized cost of energy, especially when the photovoltaic panels are oversized relative to the inverter, by charging coupled storage using energy that would otherwise be clipped. Storage can also provide additional value streams, including energy arbitrage and ancillary services. It can also smooth the solar production profile due to passing clouds which could be of significant value to PSE's demand and supply balancing. Ensuring that storage and hybrid resources are accurately assessed in this RFP will be necessary to deliver customers a CETA-compliant portfolio at the lowest reasonable cost and risk.</p>		

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5.3	<p>ALL-SOURCE RFP AND TARGETED DER RFP COORDINATION AND CO-OPTIMIZED RESULTS</p> <p>We request additional clarification regarding how PSE will co-optimize the All- Source RFP with the Targeted Demand Response RFP.</p> <p>While we appreciate that this RFP and PSE’s Targeted DER RFP will be coordinated to some extent (e.g. “Both the All-Source RFP and the forthcoming targeted DER RFP evaluations are expected to conclude in mid-2022.”5), the RFP also stressed that the two will be “separate RFPs.” It would be helpful for bidders to understand whether, and if so how, PSE will co-optimize the two processes. For example, will PSE jointly model bids from the two processes to determine a single optimized resource portfolio? Or will PSE determine a shortlist from one RFP before assessing bids from the other? We recommend that PSE develop a single optimized portfolio that allows both resource classes to deliver to meet PSE’s peak capacity needs and ensure load-resource balance across all hours of the year.</p>	Y	See PSE’s response to WUTC staff comment UTC-3.
5.4	<p>COST ADDER FOR PPAS</p> <p>Renewable Northwest opposes a cost adder for Power Purchase Agreements unless a similar adder is applied to ownership projects reflecting the rate of return PSE will earn.</p> <p>PSE proposes that its “analysis will also include a cost adder for PPAs,” which the Company states is “consistent with rules set forth by CETA and codified in Chapter 80.28.410 RCW.” The rules and statute PSE references authorize the Company to earn a rate of return on power purchase agreements, but they do not support a cost adder in the Company’s RFP analysis unless PSE similarly includes a “cost adder” reflecting its own rate of return in analyzing bids that include utility ownership options. Renewable Northwest requests either that PSE eliminate the proposal for a cost adder on PPAs or clarify to stakeholders and the Commission that it will include the return it will earn on ownership projects when analyzing bids.</p>	N	<p>PSE will include the return it would earn on ownership projects as a cost adder when evaluating these resources in the 2021 All-Source RFP. This is consistent with PSE’s past RFP evaluation methodology for ownership resources and with the proposed approach for evaluating PPAs in the current RFP.</p> <p>PSE plans to use the range of possible returns on a power purchase agreement authorized in the Washington Clean Energy Transformation Act (between the cost of debt and the authorized rate of return) as book ends for its quantitative analysis. More specifically, in Phase 1 evaluations, PSE proposes to apply an average of the authorized cost of debt and the authorized rate of return for its initial quantitative screening of all proposals based on portfolio cost. In the subsequent portfolio optimization in Phase 2, PSE proposes to conduct sensitivities using both the cost of debt (low case) and authorized rate of return (high case).</p> <p>This approach allows for expediency in the cost screening of the larger number of proposals in the initial phase, in which outliers that would otherwise be unremoved by the choice of return on power purchase agreements are generally eliminated, while bringing the benefit of scenario analysis into the next phase to test the impact of the PPA return introduced by RCW 80.28.410.</p>

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5.5 (A)	<p>USE OF MID-C TRANSMISSION AND CAPACITY CREDIT FOR VERS</p> <p>Renewable Northwest supports PSE's choice to make utility-owned transmission rights available to bidders, but we oppose PSE's proposal that VERS delivering at Mid-C cannot receive a capacity credit</p> <p>First, we oppose PSE's proposal that VERS delivering at Mid-C cannot receive a capacity credit. We note that the Mid-C transmission PSE is making available for bidders appears to correlate to its reduction in market purchases, and we appreciate PSE's decision to make this resource available to bids that may prove to meet PSE's needs more reliably than the market at the lowest reasonable cost and risk. However, we question the basis for PSE's proposal to render variable energy renewable resources ineligible for a capacity credit when delivering at Mid-C, particularly if the available transmission capability does in fact correspond to PSE's reduction in market purchases. If a renewable resource aligns well with PSE's capacity needs, and PSE is not using its transmission from Mid-C to meet those needs, then that renewable resource should be credited for its contribution to PSE's system. It would be inappropriate to bake assumptions about the resources' ability to contribute to PSE's needs into the RFP without an explanation as to why.</p>	N	<p>PSE's market reliance need is specifically tied to reliability concerns with the firmness of supply at the Mid-C market hub. Standalone VERS are non-firm resources that cannot guarantee firm supply during peaking events. VERS with an ability to shape supply will receive a capacity credit. A few examples that may help illustrate this point are the generation performance of PSE's ~ 800 MW wind portfolio during the cold weather event from February 5-7, 2019 when actual wind generation averaged 5 MW over three days and actual generation performance during the hot weather event of August 15-17, 2020 when PSE's wind portfolio averaged 61 MW over three days. Pairing non-firm VERS resources with firm transmission to address market reliance is inconsistent with the objective to reduce uncertainty of energy delivered on Mid-C BPA transmission during peaking events.</p> <p>PSE believes it is important to provide RFP participants with appropriate signals that enable developers to create targeted proposals that efficiently address the renewable, capacity and market reliance needs outlined in the 2021 All-Source RFP.</p>
5.5 (B)	<p>COLSTRIP TRANSMISSION RIGHTS</p> <p>We request the inclusion of PSE's Colstrip Transmission rights and additional clarification on PSE's proposed cost adder</p> <p>As to requests, our first relates to the Colstrip Transmission System. Currently PSE's interest in the Colstrip Transmission System is not on the list of transmission assets available to bidders. With PSE removing Colstrip 3 and 4 from its portfolio after 2025, active conversations among Colstrip's owners about retiring the units on a timeline that aligns with PSE's capacity needs, and Montana wind resources performing well in PSE's IRP and offering ELCC values exceeding 40%, we request that PSE include Colstrip transmission on the list of assets available to bidders or else explain why it is not making Colstrip transmission rights available to bidders.</p>	N	<p>PSE is in active arbitration and engaged in other legal proceedings regarding the future of Colstrip Units 3 and 4 after 2025. Furthermore, the effects of any change in the status of Colstrip 3 and 4 on the physical capacity of the Colstrip Transmission System would need to be studied prior to committing transmission capacity to another resource. Therefore, the timing and amount of any available Colstrip transmission is currently unknown. PSE will continue to monitor the situation and may consider including Colstrip transmission in a future RFP, if it becomes available.</p>

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5.5 (C)	<p>COST ADDER FOR UNSCHEDULED TRANSMISSION RIGHTS</p> <p>We request additional clarification on PSE's proposed cost adder</p> <p>Second, PSE proposes that "since PSE actively markets excess transmission rights to reduce costs, proposals [using PSE transmission assets] will be evaluated with the transmission costs from the POD to PSE's system as a cost adder to the proposal." It is unclear, however, how PSE is currently using these transmission rights and how it will assess any potential lost revenue via a cost adder. It may be that some bids using these transmission assets will be complementary to PSE's current use and therefore yield no opportunity cost from lost transmission sales. We request that PSE provide additional detail on the cost adder to ensure that the details accurately reflect both the extent to which specific bids might actually use PSE transmission assets and the extent to which that use will displace other sales of PSE's transmission rights.</p>	Y	<p>After further consideration of the proposed opportunity cost methodology for PSE transmission capacity made available to bidders, PSE acknowledges that different transmission paths may have different opportunity cost considerations. As referenced in PSE's response to market reliance comments, BPA Mid-C transmission is critical to reliably serving PSE's load during peak periods. At this time, PSE does not envision re-marketing the BPA Mid-C transmission capacity on a long-term basis. Similarly, California Oregon Intertie ("COI") transmission is utilized in the Energy Imbalance Market ("EIM") and connects PSE to the CAISO market hub. In contrast, PSE might consider re-marketing or de-contracting Centralia or LSR transmission on a long-term basis; therefore, OATT transmission costs are a fair representation of the opportunity cost for retaining those transmission rights for a particular project.</p> <p>PSE re-markets existing BPA Mid-C transmission for short periods of time throughout the year and utilizes COI transmission for the EIM. In order to mimic reality as closely as possible, PSE will develop an opportunity cost methodology to assign to VERs and other resource types utilizing these two transmission paths and share it with bidders at the bidder's conference in July 2021.</p>
5.5 (D)	<p>REQUIREMENT TO DEMONSTRATE FIRM TRANSMISSION</p> <p>Finally, we also recommend that PSE not require bidders to demonstrate firm transmission to PSE's system. Other transmission products may be well-suited to delivering resources that match PSE's needs, and we encourage PSE to offer bidders more flexibility with the understanding that ultimately PSE will have the right to select and contract with the resources that meet the Company's needs at the lowest reasonable cost and risk.</p>	N	<p>PSE has modified the All-Source RFP to clarify that PSE actively markets <u>unscheduled</u> (not excess) transmission rights to reduce costs..."</p> <p>PSE recognizes that firm transmission is a scarce resource. Requiring firm transmission for resource delivery protects customers from a lack of reliable deliverability.</p> <p>PSE will assign the highest value in the evaluation to long-term firm transmission. Bidders can also offer alternative firm transmission arrangements including long-term conditional firm transmission or a combination of long-term and short-term transmission. Such proposals will receive capacity credit only for that portion of the resource delivered on long-term firm transmission. Additionally, PSE would address any potential delivery risks for the portion of the resource not using long-term firm transmission in its evaluation of the proposal and in contract terms, should the proposal advance to that stage.</p>

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5.6	<p>BEST AND FINAL OFFER PRICING</p> <p>Renewable Northwest opposes the RFP's requirement that a best and final offer cannot be higher than a bid's original price.</p> <p>PSE proposes that a bid's "updated best and final offer price ... may not be higher than the original price." At the same time, however, the RFP also appropriately allows bids that do not yet have completed interconnection studies and whose upgrade costs are therefore unknown. It is possible that a project could bid into the RFP using a reasonable estimate of the upgrade costs associated with the project, perform well in the Company's initial bid assessment, receive higher-than-expected upgrade costs as a result of the project's interconnection studies, and be unable to proceed without revising bid costs upward at a level that is still competitive within the RFP. Accordingly, in order to ensure a lowest-reasonable-cost-and-risk portfolio, we request that PSE's proposed limitation on best and final offers be removed.</p>	N	<p>It is standard industry practice for a best and final offer ("BAFO") price opportunity to allow for either a more competitive (lower) or unchanged price. PSE is not aware of an instance where a BAFO would feature the opportunity to offer a higher price. This is intended to prevent bidders from gaming, by deliberately underbidding and subsequently increasing the price. PSE, therefore, does not believe that the respondent's recommendation would best serve the interests of customers.</p>
5.7	<p>RFP TIMING REQUIREMENTS AND LONG-LEAD RESOURCES</p> <p>Renewable Northwest recommends that the RFP include accommodations for long lead-time resources.</p> <p>While we appreciate that PSE's 2021 RFP allows bids for capacity resources that can deliver "no later than December 31, 2026" -- a longer lead time than many RFPs offer -- Renewable Northwest nevertheless requests additional flexibility on the delivery date for capacity resources in this RFP to account for the needs of resources that may be good fits for PSE's needs but that need additional time from procurement to operation. In particular, given that the specifics of PSE's capacity need are somewhat in question both based on unclear analysis underlying the Company's constraints on market purchases and the Company's own acknowledgment (see, e.g., the RFP at 7: "The glide path in Table 2 is not binding and PSE may select resources with different proposed timing, if those resources can help meet the need and reduce costs."), extending the required delivery date by a year seems appropriate and would likely allow for more types of cost-effective capacity resources, such as pumped hydro storage, to bid into the RFP.</p>	N	<p>Please see PSE's response to public comment 2.3.</p>

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5.8	<p>MINIMUM REQUIREMENTS – BIODIESEL PEAKERS</p> <p>Renewable Northwest recommends a firm fuel supply as a minimum requirement for biodiesel peakers.</p> <p>Renewable Northwest is concerned about PSE’s expressed interest in biodiesel-enabled peaking units, both in terms of CETA compliance (i.e. would these be dual-fuel units that run primarily on gas but are biodiesel-enabled?) and in terms of practicality. To address these concerns, we request some additions to the RFP.</p> <p>First, we request that PSE require any thermal resource bidding into the RFP to include an explanation of how the resource will allow PSE to comply with CETA. This specific request would be consistent with the RFP’s broad requirement that “[a]ll proposals must be compliant with the requirements of CETA.”¹² would be relatively easy for bids running primarily on CETA-compliant fuels to address, and would give important information to the Company in conducting the qualitative review elements of its initial screening.</p> <p>Second, we request that PSE require any biofuel-enabled resource bidding into the RFP to include certain additional information, including: (a) as with gas and biomass resources, at least a fuel supply plan and ideally a firm fuel supply; (b) a plan for cold-weather storage, delivery, and combustion; and (c) data and information sufficient to demonstrate that the resource will be well-aligned with PSE’s winter peaking needs.</p> <p>As to the fuel supply plan and/or firm fuel supply, we expect there may be issues relating to the cost of biodiesel as demand for the fuel rises given accelerating decarbonization efforts in Washington over the life of any new thermal resource. We similarly expect there may be issues with fuel delivery during periods of peak demand, as fuel delivery issues have been a proximate cause of most electricity price spikes and reliability failures over the past several years. If available, a firm biofuel supply could mitigate these concerns; if a firm supply is unavailable, that result should raise questions about the actual contributions of a biofuel-enabled peaker to meeting PSE’s resource adequacy needs.</p>	Y	<p>PSE fully shares the respondent’s desire to ensure that resources selected from the 2021 All-Source RFP comply with and contribute to the requirements and targets of CETA. The RFP documents and qualitative evaluation process, including information bidders are required to provide in the bid forms (as well as further data requests and due diligence), eligibility criteria, and minimum requirements have been designed to allow PSE to do this.</p> <p>As PSE explained in its response to a stakeholder question (posted to the RFP website on April 9, 2021, www.pse.com/ftp, “Public Participation, Q&A from bidders and interested parties”) electricity generated from biodiesel would be considered a renewable resource under both the Energy Independence Act and the Clean Energy Transformation Act (CETA), provided that the biodiesel is not derived from crops raised on land cleared from old growth or first growth forests (RCW 19.285.030 (21) and RCW 19.405.020 (34)). PSE would require the bidder to clearly demonstrate that the proposed resource complies with these requirements and reserves the right to conduct further due diligence for verification. PSE also notes that CETA rules pertaining to the standards and requirements relating to the blending or co-mingling of fuels during transport and the subsequent tracking of those fuels to their end-use in renewable generation have not yet been developed. Nonetheless, PSE would require that the biodiesel be transported and held separately to the extent possible. PSE would also require the bidder to assume the risk that the biodiesel is compliant with the requirements under any future CETA rulemaking.</p> <p>PSE agrees that biofuel-enabled resources are required to demonstrate fuel supply in the same manner as other fuel-dependent resources, such as gas and biomass. PSE has added a reference to biodiesel on p. 32 of the RFP for the purpose of clarification. PSE also draws respondent’s attention to Exhibit B on Tab 3b, Flexible Capacity, which requests information from bidders on the fuel supply plan.</p> <p>PSE appreciates the observations on the potential operational risks of using biofuel in cold weather. PSE agrees that measures to protect against cold weather impacts are an important consideration in plant operations, and further notes such measures go beyond just fuel supply or fuel-based (either gas or liquid) resources. As a matter of prudent operational practice, PSE takes various measures to protect against cold weather impacts at its own generation facilities, and will seek assurances from any potential resource it would contract with, including biofuel resources, that such measures will be in place.</p>

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5.9	<p>Similarly, biodiesel may not be well-suited to meeting resource adequacy needs in cold weather -- there can be issues with storage, delivery, and combustion of the fuel creating a situation where the capacity is theoretically available but there is no reliable fuel to generate and deliver to PSE. In order to mitigate this potential mismatch, a cold-weather plan will be essential.</p> <p>Finally, because biofuel-enabled peakers are not a common resource in the Northwest, additional information may be necessary to ensure that such a resource aligns well with PSE's winter peaking needs. We encourage the Company to request any and all information necessary from bidders to ensure accurate consideration of bids from biofuel-enabled peakers.</p> <p>RFP TIMELINE – FINAL SHORT LIST</p> <p>Renewable Northwest requests additional Commission notification on the back end of PSE's procurement process.</p> <p>PSE's RFP timeline points to selection of a final short list and notification of bidders in Q2 2022. We encourage PSE to build into its timeline additional clarity and specificity as to when it intends to finalize its short list, and we request that PSE notify the Commission and stakeholders when the final short list is determined as well.</p>	N	<p>The specific timing of the All-Source RFP short list selection is dependent upon a number of variables including, but not limited to, the number of bids received and the number of bids selected to move forward for Phase 2 evaluation. Moreover, at the end of Phase 2, PSE will perform a co-optimization analysis of the All-Source RFP short list and the targeted DER RFP short list to evaluate the combined optimal mix of portfolio resources to meet PSE's resources needs. A draft targeted DER RFP will be filed in November 2021, with the final RFP expected to be issued in January 2022. A schedule for the targeted DER RFP will be included at that time.</p> <p>Given these variables, PSE has estimated the All-Source RFP timeline to the best of its ability at this time. PSE will use its RFP web site to communicate periodic updates, including updates to the evaluation schedule, as new information becomes available during the RFP process.</p>
6.1	<p><i>Molly Emerson, Plus Power LLC</i></p> <p>EFFECTIVE LOAD CARRYING CAPABILITY ASSUMPTIONS (BATTERIES)</p> <p>Plus Power calls into question the summary results given in PSE's example calculations of ELCC values for Batteries (2-hr and 4-hr), given in "Figure 4. Generic ELCC Values by Resource Type and Location."</p> <p>Plus Power posits these values are overly conservative and implores the Commission and PSE to levy additional scrutiny on the ELCC metric during the RFP evaluation process. It is understood that PSE's unique seasonal (with a winter peak expected to</p>	Y	<p>See PSE's response to public comment 2.1.</p>

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6.2	<p>span from November through March) and double-daily peak load profile will result in different resource-specific ELCCs than other balancing authorities dealing with large influxes of renewable intermittent power (i.e. the Southwest).</p> <p>EFFECTIVE LOAD CARRYING CAPABILITY ASSUMPTIONS (BATTERIES)</p> <p>ELCC of Batteries (Energy Storage) are too conservative</p> <p>In contrast to the general agreement with PSE's ELCCs presented for the other resources, Plus Power believes that the ELCCs assigned for "Li-ion – 2-hour" (12.4% ELCC) and "Li-ion – 4-hour" (24.8% ELCC) are overly conservative if it was assumed that the resources are "stand-alone" and charging and discharging schedules will not be constrained by a co-located renewable generation resource. In comparison to the 2020 assumptions utilized by PSE, these values are lower by 6.6% and 13.2%, respectively. It would be prudent to understand what specifically changed between the cases utilized in 2020 and amended in 2021 that resulted in this dramatic decrease in the assessed ELCC of energy storage.</p> <p>In addition, both the 2020 and current assumptions are drastically different than the ELCC values, or "Peak Capacity Credit Based on Expected Unserved Energy (EUE) @5% LOLP", that were calculated in PSE's 2017 IRP, which assigned a "Li-ion – 4-hour" an ELCC of 88%. Plus Power is curious as to the main drivers that must have changed, resulting in the change in assessed value from 2017 to 2021. [Table of ELCC figures from 2017 IRP]</p> <p>It was also noticed that PSE's current assessment of the ELCC value of energy storage also stands in stark contrast to PSE's neighboring utility, Portland General Electric ("PGE"), also a winter, seasonal peaking system. As noted in PGE's 2019 IRP Update2 issued January 29, 2021 on Page 49, Figure 17 "Marginal ELCC for Storage Resources" presents a significantly different picture of storage ELCC, whereby PGE assigns ELCC values >60% for incremental additions of energy storage on the system, as seen in the figure below. [Figure of PGE storage ELCCs]</p>	N	<p>The reference to 2020 cases is unclear; PSE believes the comment is referring to the 2019 IRP ELCC assumptions. The 2019 IRP process had an ELCC of 18.8 percent for a 2-hour Li-Ion and 37 percent for a 4-hour Li-Ion battery.</p> <p>All updates to the resource adequacy model are listed in Chapter 7 of PSE's 2021 Integrated Resource Plan in Figure 7-9. Major updates that affected the peak capacity need include:</p> <ol style="list-style-type: none"> 1) Retirement of Colstrip, all 4 units 2) Moved the evaluated year from 2023 to 2027 3) Updated balancing reserve requirements to reflect increased renewable resources 4) New resources added from the 2018 RFP 5) Updated wind and solar shapes to use NREL data instead of DNVGL 6) Updated demand forecast. The 2019 IRP used the demand forecast from 2018 and the 2021 IRP uses the demand forecast from 2020. The updates to the demand forecast are detailed in chapter 6 of the 2021 IRP. <p>All of these updates together contribute to changes in PSE's load shapes and the availability of resources to meet loss of load events.</p> <p>There was a large update to the models between the 2017 and 2019 IRPs. This update resulted in larger loss of load events, rather than the smaller isolated loss of load events that resulted from the 2017 IRP analysis. Model changes from the 2017 IRP to the 2019 IRP were detailed in a presentation to IRP stakeholders in February 2019, which can be found on PSE's 2019 IRP web page.</p> <p>See also PSE's response to public comment 2.1.</p>

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6.3	<p>Although Plus Power recognizes that the ELCC of a particular resource is unique to each utility and it would be impossible to directly compare PGE and PSE's results, it is curious how two utilities with similar seasonal load profiles would end up assessing standalone energy storage resources so differently. The commenter would appreciate greater transparency into the main drivers and assumptions for PSE's 24.8% ELCC valuation of 4hr storage, and to better understand where the model diverges from PGE's result of 60.0 - 85.0% ELCC for the same 4hr duration asset class.</p> <p>CAPABILITY AND VALUE OF STANDALONE BATTERY STORAGE</p> <p>Understanding the full capability and value of stand-alone storage</p> <p>Stand-alone batteries are charged directly from the transmission grid and are not co-located with renewable generators. Therefore, they can charge and discharge fully unconstrained. Their charging schedules are not limited by the same restrictions levied against storage co-located with solar or wind generators, tied to the investment tax credit (ITC) for solar and the production tax credit (PTC) for wind. Dispatch can be driven directly from utility needs and scheduled to optimize utility benefits from the resource, including meeting peak demand hours.</p> <p>Constraints on the charging and discharging limitations of a stand-alone energy storage resource should be considered purely from a system perspective, and not based on limitations of charging and discharging to meet minimum ITC / PTC thresholds. These constraints will be chiefly determined by the location of the point of interconnection on PSE's transmission system and should not result in a generic de-rate of ELCC across the board, particularly when located at a preferred substation noted in PSE's Exhibit I of the aforementioned draft RFP.</p> <p>With this in mind, Plus Power believes PSE demonstrates a potential lack of understanding of the full capability and value stand-alone storage provides to Balancing Authority such as PSE as shown in the use cases on Section 2, Page 15, of the draft RFP. Two "Base Configuration" use cases are contemplated: Full Cycle, which consists of a complete charge and discharge, and Ancillary Cycles, which consists of a less than 100% discharge. The issue herein lies in the fact that PSE notes</p>	Y	<p>The base use case is meant to represent a standard use case to allow for comparison across different possible offers by respondents. Full cycles are meant to represent the total energy available to be discharged, without voiding the warranty or minimum state of charge requirements. PSE has updated the language of the draft RFP to include a base case consistent with the dispatch in the 2021 IRP. Battery energy storage system resources are expected to provide a base case with a maximum annual discharge limit of 1,752 MWh per megawatt. Bidders are encouraged to provide up to two other configurations including those with different annual MWh discharge limits.</p>

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	<p>under Ancillary Cycles “.... do not count toward annual or daily limits.” In Plus Power’s experience, this is incorrect, and in direct conflict with warranties provided by OEM battery manufacturers. A stand-alone storage project’s life or warranty is in fact measured by the total MWh discharged or “cycled” through the storage system, and most often considers what the “total throughput” or gross “mileage” through the battery is on a cumulative basis. Hence, the energy storage asset actually unlikely to be fully charged or discharged completely on a regular basis but rather utilized incrementally as needed by the system for services beyond energy like ancillary services. Under scenarios where there is not a full cycle incurred, mileage is still accruing on the storage system and should be assessed as such.</p>		
6.4	<p>EFFECTIVE LOAD CARRYING CAPABILITY ASSUMPTIONS (STORAGE)</p> <p>Storage’s ability to address PNW Winter Peaking Load</p> <p>There have been several independent studies assessing the ELCC of stand-alone energy storage systems on regional systems that have come up with a higher ELCC for 4-hr batteries than the 24.8% cited in PSE’s Draft RFP. A key study performed by the National Renewable Energy Laboratory (NREL) in June of 2019 evaluated the potential market for stationary storage for the provision of peak capacity across eighteen several discrete regional markets, including the winter-peaking system of the Pacific Northwest. The study calculated a “peak demand reduction credit (PDRC)” for storage by running simulations to identify how much 4-hr storage capacity could be added to the regional transmission grid before additions would “no longer reduce the net peak demand of the system by the equivalent power capacity of the storage plant”. Storage added to the regional system up to this threshold value would be considered to have a PDRC of 100%, and everything above it de-rated accordingly. The study found that the threshold value for the PNW was over 3,000MW of regional storage capacity.</p> <p>The results support a large potential for 4-hour battery storage to address the PNW’s winter peaks. If up to 3GW of 4-hr stand-alone energy storage can be added to the PNW’s regional grid with an effective 100% capacity credit, this calls into question the assignment of 24.8% ELCC for these same assumed batteries.</p>	N	See PSE’s response to public comment 2.1.

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7.1.	<p><i>Lauren McCloy, NW Energy Coalition</i></p> <p>EFFECTIVE LOAD CARRYING CAPABILITY ASSUMPTIONS</p> <p>The RFP repeats the shortcomings of the IRP related to PSE's capacity strategy. Given the critical nature of these shortcomings, and the short timeline in which to address them, we join Renewable Northwest in their request for additional information regarding the analytical basis for PSE's capacity need, and seeking changes to the capacity contribution methodology used in PSE's IRP to better reflect stakeholder input and industry best practices before the RFP is finalized.</p>	Y	See PSE's response to public comment 2.1.
7.2	<p>ALL-SOURCE RFP AND TARGETED DER RFP COORDINATION AND CO-OPTIMIZED RESULTS</p> <p>We further agree that PSE needs to share more information about how it plans to ensure that the results of this RFP are coordinated with and optimized with the results of its targeted DER RFP. We plan to provide substantive comments on that RFP, and will be looking for a concerted effort to incorporate the results of a coordinated RFP process into the Clean Energy Action Plan as it is developed.</p>	Y	See PSE's response to WUTC staff comment UTC-3.
7.3	<p>COST ADDER FOR PPAs</p> <p>We also join Renewable Northwest in opposing PSE's proposed cost adder for power purchase agreements ("PPAs"). The RFP references RCW 80.28.410, which allows PSE to earn a rate of return on certain power purchase agreements. PSE advocated for including this provision in the Clean Energy Transformation Act in order to allow utilities to be "indifferent" as to whether they build or buy resources to comply with the Act. The purpose of this provision was to neutralize the self-build incentive, allowing projects owned and operated by third parties to compete on an even playing field with utility-owned resources. It would therefore be entirely inconsistent with the intent and purpose of the statute, as well as the principles of fair and competitive procurement, to attach a cost adder to PPAs that disfavor third-party owned projects vis-a-vis utility-owned projects – particularly before the Commission has acted to approve the use of the incentive for any particular project.</p>	N	See PSE's response to public comment 5.4.

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8.1	<p>EFFECTIVE LOAD CARRYING CAPABILITY ASSUMPTIONS – PUMPED HYDRO STORAGE</p> <p>We do not believe the PSE IRP adequately analyzes the value of the Swan Lake and Goldendale Energy Storage projects. Therefore, the Washington Utility and Transportation Commission should first require PSE to remedy the shortcomings of PSE IRP analysis, thereby ensuring any resources acquired through the RFP process reflects the most suitable resources in accordance with the Commission’s requirements and future energy mandates of our region. After the corrections are made PSE should then reissue the RFP.</p> <p>The Oregon and Washington Building and Construction Trades Councils are concerned that due to PSEs low valuation of pumped storage in its recent IRP, the RFP will negatively impact important projects like Swan Lake, Goldendale, and future potential long duration storage development in the region. The Building Trades also feels that these two projects – Swan Lake and Goldendale, are some of the most cost-effective investments for Washington to achieve its 100% clean energy goal and that this is not adequately reflected in the PSE’s IRP.</p> <p>Recommendation: Washington Utility and Transportation Commission should direct PSE to remedy the deficiencies of PSE IRP analysis, thereby ensuring that the value of the Swan Lake and Goldendale Energy Storage projects can be properly evaluated in the PSE RFP process.</p>	Y	See PSE’s response to public comment 2.1.
8.2	<p>BENEFITS OF PUMPED STORAGE HYDRO – RESOURCE ADEQUACY</p> <p>Furthermore, given the recent headline grabbing Texas and California blackouts, there is a concern that PSE will not be able to affordably and effectively the keep lights on in their service territory looking out to 2027. An E3 study from 2019 projects an increasing capacity shortfall in the Pacific Northwest of approximately 10 gigawatts.</p>	N	PSE is seeking resources to help meet its capacity need and to reduce its market reliance. PSE looks forward to evaluating a robust and competitive RFP with a range of generation, storage and demand side options—including pumped storage hydro—to determine the mix of resources that best fit PSE’s need at the lowest reasonable cost (as defined in WAC 480-100-605).

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8.3	<p>Recommendation: PSE needs significant investments in cost-effective storage technologies. Investing in mature, proven technologies that can provide the necessary large-scale back-up power our state and region require is paramount.</p> <p>BENEFITS OF PUMPED STORAGE HYDRO – UNION JOBS</p> <p>We firmly believe that the environmental and economic impacts of prioritizing long duration, clean energy storage projects within the RFP process could dually support PSE and Labor’s goals. Led by the Oregon Building and Construction Trades Council, and the Washington Building Trades, Labor is gearing up for an anticipated 6,000 union jobs in the next 10 years across both Washington and Oregon. These jobs will be created at two significant project sites alone: Swan Lake Energy Storage Project in Klamath Falls, Oregon and the Goldendale Energy Storage Project in Goldendale, Washington. Additionally, these two projects could provide the needed clean energy capacity to store large amounts of solar and wind generated power supply – ultimately advancing Washington toward its Clean Energy Transformation Act (CETA) mandate.</p>	N	<p>PSE agrees that the creation of opportunities for local workers and businesses is an important part of the evaluation of proposals. To that end, PSE is asking all bidders to submit a labor plan, and to respond to a series of questions about the contents of that plan, such as expected job creation and other local impacts, use of community workforce agreements and apprenticeship labor during construction of the project, and whether the proposal includes family-level wages and benefits for workers. See “Minimum Requirements” in Section 4 of the All-Source RFP and Tab 6 of Exhibit B. PSE will take these responses into account as part of its qualitative evaluation of proposals.</p>
8.4	<p>SCORING CRITERIA AND RUBRIC – NON-PRICE</p> <p>PSE’s Evaluation Criteria and Scoring in the RFP (Exhibit A) lays out a Qualitative Scoring Rubric. Thirty-five percent of this rubric is associated with CETA Equity Plan. We commend PSE for recognizing the importance of the Customer Benefit Indicators (CBI) and placing emphasis on diversity, equity, and inclusion in the process. The Oregon and Washington Building and Construction Trades Councils are committed to promoting access to construction careers for females, BIPOC individuals, and others with social and economic disadvantages.</p> <p>Regarding the CBI metrics, we hope that PSE will cast equal emphasis on all five indicators. Labor is proud to have MOUs in place with Copenhagen Infrastructure Partners (project owners of both Swan Lake and Goldendale Energy Storage projects) on both the Swan Lake and Goldendale projects. The trades recognize the unique economic, environmental, and community-development opportunity that long duration energy storage projects play in our region. Additionally, against the</p>	N	<p>PSE appreciates the comment. Work to develop and prioritize customer benefit indicators (“CBIs”) remains ongoing through the work of the CETA equity advisory group and the CEIP public participation process. PSE’s All-Source RFP team is working closely with PSE’s CEIP team to ensure that this RFP evaluation process aligns with the outcome of the CBI work as presented in the final CEIP.</p> <p>See also PSE’s response to WUTC staff comment UTC-4.</p>

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	<p>backdrop of a looming capacity shortfall in the region, strained international supply chains for raw materials like lithium, and the need to support rural communities from both a health and economic perspective, projects like Swan Lake and Goldendale will be the cornerstone of our renewable energy future. These projects alone will employ over 6,000 skilled construction workers over the next ten years, invest over \$3 billion into rural communities, and directly address the clean energy goals of the Pacific Northwest.</p>		
<p><i>Irion Sanger, Northwest and Intermountain Power Producers Coalition</i></p>			
9.1 (A)	<p>COST ADDER FOR PPAs</p> <p>The Proposed RFP’s Bid Adder on PPAs is Contrary to the Legislature’s Intent and Exacerbates the Biases Towards Utility Ownership Options</p> <p>The Proposed RFP commits the same fatal flaw as the RFP PSE submitted and withdrew in 2020: it uses a hypothetical cost in a way that harms PPA bids. The purpose of allowing a utility to earn a return on a PPA was to level the playing field between PPA bids and utility ownership bids. However, the bid adder has the practical impact of making it more likely that the final selected resource is utility owned. This cost adder should be eliminated.</p> <p>The legislature authorized the Commission to allow utilities to receive a bid on PPAs in the Clean Energy Transformation Act (“CETA”). Section 21 of CETA states, in relevant part:</p> <p>(1) An electrical company may account for and defer for later consideration by the commission costs incurred in connection with major projects . . . selected in the electrical company’s solicitation of bids for delivering electric capacity, energy, capacity and energy, or conservation. . . . Creation of such a deferral account does not by itself determine the actual costs of the resource or power purchase agreement, whether recovery of any or all of these costs is appropriate, or other issues to be decided by the commission in a general rate case or other proceeding.</p>	N	See PSE’s response to public comment 5.4.

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	<p>(2) The costs that an electrical company may account for and defer for later consideration by the commission pursuant to subsection (1) of this section include all operating and maintenance costs, depreciation, taxes, cost of capital associated with the applicable resource or the execution of a power purchase agreement. Such costs of capital include:</p> <p>....</p> <p>(b) For the duration of a power purchase agreement, a rate of return of no less than the authorized cost of debt and no greater than the authorized rate of return of the electrical company, which would be multiplied by the operating expense incurred by the electrical company under the power purchase agreement.</p> <p>In plain language, Section 21 envisions the following sequence of events: 1) a utility issues an RFP; 2) a PPA resource wins the RFP; 3) the utility executes the PPA and agrees to pay the PPA prices to the Seller for delivered energy and/or capacity; 4) a utility defers PPA costs, including a return to the utility, for later inclusion in rates; and 5) at some point, in a utility's general rate case "or other proceeding," the Commission decides if the utility may recover some or all of the deferred costs from ratepayers. The Commission may decide that the PPA return is not in the public interest and disallow it. The Commission has not established any standards regarding what types of PPAs are eligible, what the standards will be for allowing a rate of return, or what that return might be.</p> <p>NIPPC understands the purpose of Section 21 to be to reduce the utility ownership bias. NIPPC has commented extensively on this utility ownership bias, most recently in the Commission's rulemaking to update its utility procurement rules. The result of the utility ownership bias is that many resources that would otherwise be in the interests of utility customers specifically or society generally do not now provide the utility with earnings or other financial incentives, and the resources are therefore not always procured. This harmful result requires the sort of policy intervention that the Washington state legislature enacted in CETA's encouragement of a rate of return on PPAs. Absent policy intervention, it can be difficult for non-utility resources to overcome the utility's bias in favor of its own resources.</p>		

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9.1 (B)	<p>The utility ownership bias can be difficult to quantify, but it exists. One way to address the problem would be to include specific penalties or cost adders to bids that contemplate utility ownership. In other words, to reduce the incentive, impose a cost adder for utility ownership options. This is a reasonable approach because utility owned generation is often more expensive and has greater risks than PPAs. The legislature decided to take a different approach, and instead addressed this bias by providing an incentive for PPAs. This will reward utilities for doing the right thing. It also serves to remove the negative incentive against ownership, and make the utility more indifferent toward entering into a PPA. If the utility makes the same profit, or at least has the possibility of making a profit, by entering into a PPA, then the utility is more likely to choose the actual least cost and least risk generation resource.</p> <p>Rather than encouraging PPAs, however, PSE proposes to make it more difficult for PPAs to win RFPs by making them look more expensive than other bids. The Proposed RFP would effectively penalize PPAs by adding costs onto their bids, which could have the practical impact of a PPA losing this RFP while it may have won an RFP in which there was no PPA penalty.</p> <p>NIPPC recommends that the Commission prohibit PSE from using the proposed “cost adder” in the RFP screening process. NIPPC takes no position, at this time, on what costs PSE actually defers, so long as PSE complies with CETA. NIPPC also stands prepared to engage with PSE and the Commission on the best potential ways to implement the return on PPA authorization, such as consideration of PPAs on a portfolio basis or identification of categories of contracted resources most deserving of earning the utility a return.</p> <p>COST ADDER FOR PPAs</p> <p>Relatedly, NIPPC notes that the Proposed RFP allows PSE to reject a bid after the RFP if PSE does not receive an order acceptable to PSE, which might include a ratemaking order authorizing PSE to receive a return. The Commission should prohibit PSE from rejecting a winning PPA bid on the sole grounds that the Commission does not ultimately award a return on the PPA.</p>	N	<p>Contract execution for resources selected from the All-Source RFP occurs prior to a determination of prudence by the Washington Utilities and Transportation Commission in a subsequent rate case.</p> <p>See also PSE’s response to public comment 5.4 for an explanation of how PSE applies the rate of return equally to PPAs and ownership proposals in its evaluation and selection of resources.</p>

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9.2	<p>INDEPENDENT EVALUATOR ACCESS TO DATA</p> <p>The Proposed RFP Will Provide Insufficient Data to the Independent Evaluator and Is Inconsistent with WAC 480-107-023(4) and -035(4)</p> <p>Under the newly revised RFP rules, PSE “must provide the independent evaluator [(“IE”)] with all data and information necessary to perform a thorough examination of the bidding process and responsive bids,” and the IE must, among other things, score and rank the qualifying bids. In adopting the new rules, the WUTC stated that, “we expect that the [IE] will have access to the models that the utility uses to compare responsive bids, be able to adjust inputs and assumptions in those models and run the models if necessary, or have the utility adjust and run the model.”</p> <p>The Proposed RFP does not appear to meet this expectation. It states that PSE’s IE will receive “reasonable access to information, meetings and communications related to offers submitted by all respondents.” This is insufficient. PSE should revise its Proposed RFP to reflect the IE’s access to all necessary data and information, including any models that PSE proposes to use.</p>	Y	<p>PSE appreciates the comment pointing out that the scope of the independent evaluator’s (“IE”) duties and responsibilities does indeed go beyond the summary provided in the RFP. The full scope of work may be found in the IE RFP documents posted on PSE’s public webpage (www.pse.com/rfp) in the “Recent RFPs” section under “Solicitation for Independent Evaluator.” This includes the complete provisions and requirements for the Independent Evaluator in the Purchases of Resources Rules (WAC chapter 480-107).</p> <p>For clarity, PSE has added the complete language of the IE Scope of Work to Section 3 of the All-Source RFP document.</p>
9.3	<p>PHASE 2: OPPORTUNITY TO UPDATE PRICING (LOWER ONLY)</p> <p>The Proposed RFP’s Restriction on Updating Bids to Phase 2 Bidders Is Unfair and Inconsistent with WAC 480-107-075(4)</p> <p>Another item of concern in the Proposed RFP is the restriction that only Phase 2 bidders are able to submit an updated and lower bid. Phase 1 bidders should also have an opportunity to submit an updated and lower bid. This correction would be more fair and also more consistent with WAC 480-107-075(4). The rule requires that PSE and its IE suspend negotiations and re-rank bids after a bidder makes any “material changes,” including “material price changes,” to its bid after bid ranking. PSE should allow all bidders that meet the RFP’s minimum requirements the same opportunity to revise their bids.</p>	N	<p>PSE does not agree with the respondent’s interpretation of WAC 480-107-075(4).</p> <p><i>(4) If a bidder makes material changes to its bid after bid ranking, including material price changes, the utility must suspend contract finalization with that bidder, and the utility and any independent evaluator must rerank bids according to the revised bid. If the material changes cause the revised bid to rank lower than bids the utility has not originally selected, the utility must instead pursue contract finalization with the next highest ranked bid.</i></p> <p>Instead, PSE believes that WAC 480-107-075(4) is applicable at the conclusion of Phase 2 and during contract negotiations with shortlisted bidders. Any material change during contract negotiations that would cause the revised bid to rank lower than bids PSE has not selected would result in a re-ranking of bids, and the utility must pursue contract finalization with the next highest ranked bid.</p>

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9.4	<p><i>NETWORK INTEGRATION TRANSMISSION SERVICE</i></p> <p>The Proposed RFP's Preference for Network Integration Transmission System Does Is Confusing and There Is Not Adequate Information for Bidders to Choose a Cost-Effective Point of Delivery</p> <p>The Proposed RFP states that there is a "preference" for bidders with network integration transmission service ("NITS"). However, this is confusing, as bidders cannot request NITS, per the terms of PSE's Open Access Transmission Tariff ("OATT"). NITS is only available for load-serving entities, such as PSE's merchant function. Thus, this preference may discriminate against bidders who are not load-serving entities. This requirement should be removed.</p> <p>It is unclear why PSE would propose the NITS requirement. If (as NIPPC suspects) the basis for the above requirement is a concern about cost-effectively delivering power to load (i.e., the on-system costs that PSE may incur), then PSE should clearly inform bidders about the most economic points of delivery ("POD"). If PSE has preferred PODs, it should identify them, state the basis for the preference, and identify the incremental costs of delivering elsewhere. Sharing this information would allow bidders to make informed decisions about where to offer their power to PSE. It would be a feasible approach, unlike the requirement for NITS.</p>	Y	<p>The repricing opportunity to which the respondent refers is not governed by WAC 480-107-075(4), but an opportunity during Phase 2 for Phase 2 bids to provide their best and final offers ("BAFO") prior to optimization analysis. The BAFO may not be higher than the original price. This is consistent with standard industry practice.</p> <p>Upon further review, PSE has eliminated the language in Section 2 of the All-Source RFP, subsection Energy Delivery, related to NITS as follows:</p> <p>Bidders can determine these costs by requesting from PSE's Transmission Provider network resource interconnection service ("NRIS") and network integration transmission service, or bidders can request energy resource interconnection service ("ERIS") and long-term firm, point-to-point transmission service.</p> <p>Preference will be given to developers seeking full deliverability to PSE's system, including a preference to bidders network integration transmission service with NRIS interconnection service.</p>
9.5	<p><i>HOURLY VS. SUB-HOURLY SCHEDULING</i></p> <p>The Requirement for Hourly Scheduling May Prevent Economic Sub-Hourly Scheduling</p> <p>The Proposed RFP states that "PSE requires delivery of as-generated renewable energy on a firm hourly schedule with all associated environmental attributes." This</p>	N	<p>None of the minimum requirements of this RFP should be interpreted to limit the operational scheduling arrangements a generator can enter into with its host balancing authority. PSE is asking resources located outside its balancing authority area ("BAA") to deliver a firm hourly energy schedule to address the following issues: 1) Allowing resources to submit a 15-minute schedule will shift the hourly balancing cost to PSE customers. As a BAA and EIM participant, PSE will have to be balanced for the hour. Allowing 15-minute scheduling will require PSE to supply more balancing reserves. This will impact PSE's ability to meet its increasing capacity needs. 2) Determining the</p>

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9.6	<p>apparent ban on sub-hourly scheduling is neither explained nor appropriate. FERC requires utilities to accept at least 15-minute scheduling. The least-cost option might entail using intrahour or dynamic scheduling and paying the balancing authority for ancillary services rather than paying for hourly deliveries. Therefore, the Proposed RFP should be revised to ensure that any least-cost bid with sub-hourly scheduling is not excluded from the analysis.</p> <p>TERM SHEET EDITS AND THE CURE PERIOD</p> <p>PSE Should Explain How It Will Assess Term Sheet Edits for Risk, Particularly Because Three (3) Business Days Is Insufficient to Cure Many Issues</p> <p>PSE’s plan to “assess proposed edits to the term sheets submitted from bidders by screening for terms and conditions that present unreasonable or excessive risk to PSE or its customers” should be clarified and revised. The Proposed RFP does not explain what risks might be deemed unreasonable or excessive, and it should do so. If PSE decides that such risk is a “fail” rather than a “pass,” the bidder will have only three business days to remedy. Even in the best of circumstances, this may not be sufficient time for a bidder to cure an issue. Here, the Proposed RFP will leave bidders in the dark as to: 1) what might result in a failing grade; and 2) if PSE scores a proposal as a fail, what changes could be sufficient to achieve a pass. The Proposed RFP needs to clarify the sorts of risks that PSE may deem unreasonable and excessive. It should also clarify what will be needed to cure any issue. Finally, a longer time period, like fifteen (15) business days would be more reasonable.</p> <p>NIPPC notes that it would be discriminatory for PSE to require a bidder that initially receives a failing grade to do more to achieve a passing grade than PSE requires of other bidders. The only way to avoid this discrimination (or to identify it, if it occurs) is to provide clarity on the requirements.</p>	N	<p>operational sub-hourly balancing requirement and evaluating balancing costs for each long-term resource will add significant time and complexity to the RFP evaluation process.</p> <p>In developing this approach, PSE conferred with its independent evaluator and determined that the pass/fail approach is the best way to give bidders the benefit of doubt and allow for constructive negotiation, while preserving both parties’ ability to draw red lines. Unreasonable or excessive risk – regulatory, environmental, commercial or reputational – may come in various forms. Some examples could include: imposing credit requirements on PSE, no guaranteed commercial operation date (“COD”), non-conformance with laws or regulations, unreasonably low availability guarantees, lack of credit support or protections against default, etc. PSE would seek to reconcile with the independent evaluator any doubts as to whether a proposed term or condition would amount to an unreasonable or excessive risk. If such a determination were to be made, the reason for the judgment would be shared with the bidder. PSE maintains that three days is a sufficient and standard cure period for a bidder to remedy an unacceptable term or condition, the same as the three-day cure period to remedy other non-conforming criteria or fatal flaws in this RFP.</p>

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9.7	<p>ELCC VALUE ASSUMPTIONS (BIOMASS, SOLAR AND SOLAR + STORAGE)</p> <p>PSE's Plan to Calculate ELCC Values is Incomplete and Likely Inaccurate, Particularly in the Treatment of Biomass, Solar, and Solar Plus Storage</p> <p>The Proposed RFP states that "The Phase 1 quantitative analysis will approximate the ELCC value of each proposed RFP resource using the ELCC value of a comparable generic resource from PSE's 2021 IRP analysis" and "[t]he Phase 2 quantitative analysis will be based on resource-specific ELCC values calculated for each Phase 2 resource." Further, not all Phase 1 bidders will progress to Phase 2. In effect, the Proposed RFP will ignore whether a project-specific ELCC is better than that of a generic resource while making a critical decision about the project's cost-competitiveness. Further, the projects that PSE excludes from Phase 2 might never be examined for their project-specific ELCC. This makes it possible that: 1) a least-cost option is overlooked; and 2) no one will be able to verify or contest PSE's likely position that it ultimately selected the least-cost options. The Proposed RFP should be revised to avoid both results. NIPPC notes this is not an unlikely outcome. Solar resources, for instance, may generally be disadvantaged. The Proposed RFP lists only one generic solar resource, and its ELCC is a mere four percent.²¹ By contrast, there are five generic wind resources, with an average ELCC of nearly 32%, or eight times the ELCC of the generic solar resource. It is possible that a solar resource might bid in with a project-specific ELCC higher than four percent yet fail to proceed to Phase 2. Even compared only against other solar resources, the projects with the best ELCCs might be disadvantaged by otherwise having higher costs. The Proposed RFP should not pre-judge whether a project with higher costs is least-cost overall, considering the project-specific ELCC.</p> <p>If a generic resource ELCC is to be used, then NIPPC has the following additional concerns. First, the list of generic resources in the Proposed RFP appears incomplete relative to the generic resources identified in the 2021 IRP. All generic resource ELCCs—if they are ultimately used—should be clearly disclosed.</p> <p>Second, NIPPC notes it is unclear what ELCC value might be used for any resource that lacks a corollary generic resource, such as solar plus storage. This could result</p>	Y	<p>In Phase 1 of the All-Source RFP evaluation process, PSE's quantitative analysis will approximate the ELCC value of each proposed RFP resource using the ELCC value of a comparable generic resource from PSE's 2021 IRP analysis. At the end of Phase 1, PSE intends to select a candidate pool of resources for portfolio optimization analysis that represents the best-performing proposals from different types and technologies to test the performance of combinations of resources toward achieving a lowest reasonable cost portfolio. This means that the quantitative results of one resource type compared to another is less important in Phase 1 because PSE will select a representative sampling of resources for further consideration, subject to meeting the minimum criteria defined in the All-Source RFP. Because an individual project's ELCC will vary based on a variety of factors, such as exact location, generation shape, characteristics of the resource (ability to dispatch, duration of output, etc.), and the availability of firm delivery to PSE's load center; the Phase 2 quantitative analysis will be based on resource-specific ELCC values calculated for each Phase 2 resource. PSE will also take into account resource-specific "fuel" supply for resources that can demonstrate a more favorable fuel supply than assumed in PSE's generic ELCC assumptions, such as a firm fuel supply for biomass, a more favorable wind resource or solar irradiance (via a third-party verified 8760 data), or a demonstrated ability to charge during a loss of load event for storage.</p> <p>PSE has updated Sections 1 and 3, and Exhibit A of its All-Source RFP to clarify how the 2021 IRP generic ELCCs and resource-specific ELCCs will be used in the RFP analysis, how selection of a representative sampling of resources in Phase 1 (the "candidate list") will allow for a robust comparison of the best performing resources across resource types in the Phase 2 optimization analysis, and summarizes the resource characteristics that will be taken into account in the resource-specific ELCC calculations.</p> <p>PSE has clarified in Section 1 of the All-Source RFP that in Phase 1, PSE will compare 8760 generation profiles for variable energy resources to verify general consistency with the associated generic resource assumption. If PSE identifies a proposal that significantly differs from the associated generic assumption and the bidder provides independently verified third-party support for their generation output profile, PSE would take that information into consideration in its analysis. If a bidder cannot provide this support, the generic ELCC assumption would be used. The All-Source RFP requires a minimum of one year of wind resource or solar irradiance data.</p>

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	<p>in the under-valuation of certain resource. It should be clarified. Finally, NIPPC has two concerns regarding the Proposed RFP's ELCC valuation for biomass facilities. The generic ELCC value is 0%, because "the 2021 IRP assumes that biomass does not have a firm fuel supply." The Proposed RFP states that "[i]f a resource can demonstrate firm fuel supply, then it would receive a higher ELCC value in our quantitative analysis." First, PSE should disclose the higher ELCC value it might provide, assuming the biomass facility has a firm fuel supply. Second, PSE should allow non-biomass facilities to similarly receive a higher ELCC value if they are able to demonstrate that the 2021 IRP assumptions will not apply.</p>		<p>PSE has clarified in Table 4 in Section 1 of the All-Source RFP that it will assume a generic ELCC of 95 percent for biomass proposals that meet the following minimum criteria described in Section 4 of the All-Source RFP: "Biomass, biofuel or other generation resources requiring fuel must provide in their proposals a fuel supply plan that demonstrates the <u>firm availability</u> of the fuel supply (either through an agreement or other equivalent means) to support the proposed capacity for the proposed term."</p> <p>PSE has also updated Figure 4 in Section 1 to include hybrid resources, and has added a reference to the complete list of generic ELCCs in Chapter 7 of the 2021 IRP.</p> <p>PSE plans to host a workshop in late August 2021 to provide more information to bidders and stakeholders about the drivers of PSE's generic ELCC assumptions, how ELCC values for resources can vary within a particular region, and how PSE will use the ELCC values in its RFP analysis.</p> <p>See also PSE's response to public comment 2.1.</p>
9:8	<p>PORTFOLIO SCREENING MODEL AND TERM NORMALIZATION</p> <p>PSE Should Explain Its Proprietary Model and How it Will Conduct Term Normalization</p> <p>The Proposed RFP relies heavily upon PSE's proprietary Portfolio Screening Model ("PSM"), which is not transparent and not sufficiently explained. As discussed in an earlier section, it is unclear whether even the IE will have adequate access to the model or its inputs to fulfill fundamental IE responsibilities, such as scoring bids and evaluating the scoring process for fairness. The Proposed RFP should more clearly explain how the PSM will treat bids, what underlying assumptions it will apply, and how any third-party, including the IE, will be able to verify the results as fair and reasonable.</p> <p>One particular concern regarding PSE's PSM is the issue of how it treats bids with different term lengths, including utility ownership bids which may have a term length of depreciable life of the asset that is longer than the several potential PPA term lengths. This issue presents a problem inherent in a solicitation that attempts to</p>	Y	<p>PSE will adopt its 2021 IRP modeling tool set for the 2021 RFP evaluation. Specifically, PSE plans to use the Excel-based, portfolio screening model ("PSM") to compile the fixed and variable costs for each resource type. Next, the Aurora model will be used for optimal resource selection and hourly resource dispatch. Consistent with the 2021 IRP, the Plexos model will be used to perform sub-hourly flexibility analysis to complement the hourly Aurora model.</p> <p>PSE has been working closely with the independent evaluator ("IE") and will continue to do so, including ensuring that the IE is comfortable with the quantitative approach, inputs and assumptions, and function and outputs of the models. See also PSE's response to public comment 9.2 for more information about the IE scope and access consistent with WAC 480-107.</p> <p>Regarding the treatment of bids with different term lengths, Aurora optimizes or runs the long-term capacity expansion logic to select a resource portfolio with the least present value of the total system revenue requirement from 2022-2045. When comparing bids with different terms, the model compares the total system costs over the total time horizon.</p>

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9.9	<p>equitably compare a longer-term obligation placed in rate base (typically 30-plus years) and the shorter-term PPA or other IPP structure, such as a tolling agreement (typically 15 to 25 years). With all other factors being equal, the IPP option will be far less expensive to the ratepayer in the early years, and the utility owned resource declines in costs in its later years due to front loading of rate-base costs and returns in normal rate-of-return ratemaking. Additionally, the longer-lived utility owned resource requires the RFP evaluation to include present value and levelization analysis to compare the ratepayer costs of these resources in the RFP. This is an area where major errors can be made.</p> <p>NIPPC is concerned that PSE's PSM may inappropriately attempt to conduct term normalization or use so-called "generic fill." These approaches assume that the least-cost bid is one of a certain length, and it adjusts shorter-term bids to produce an adjusted bid price as if the bid were of the utility-selected length. These adjustments may include "generic fill," which involves adding hypothetical assumed costs, usually from a generic resource in an IPP, to the underlying bid. There is obviously a significant risk of errors in this form of evaluation of bids.</p> <p>These approaches are likely to disadvantage shorter-term bids, which are really the bids that should be encouraged in times of rapid technological change. It is also possible that PSE intends to use a different approach, which could be either better or worse than the above. It is impossible to tell from the Proposed RFP. NIPPC recommends that the Commission order PSE to revise the Proposed RFP to clarify how it intends to assess the risks and benefits of resources with different term lengths, and allow additional comments on PSE's specific approach.</p> <p>PPA TERM SHEET – JURY TRIAL WAIVER</p> <p>The Proposed RFP's PPA Term Sheet Imposes an Inappropriate Jury Trial Waiver</p> <p>The Proposed RFP requires PPA bidders, but not ownership-option bidders, to waive their constitutional right to a jury trial. No bidder should have to waive that right to sell power to PSE. NIPPC is aware of at least one instance where a utility proposed a jury waiver, and an IE concurred with NIPPC that the provision is "atypical for utility procurements." This provision should be deleted.</p>	Y	<p>PSE acknowledges the discrepancy in the dispute resolution language in the Prototype Ownership Term Sheet and has eliminated this inconsistency.</p> <p>PSE would like to clarify that the RFP does not mandate a jury trial waiver. The RFP invites bidders to propose term sheet edits with their bid submissions, and the prototype term sheets state that they "set forth the current requirements that PSE wants the respondent to address or incorporate into any proposal made to PSE" and "may serve as the basis for a project in development or in operation. The terms presented and bracketed herein are indicative of PSE's expectations and may be subject to negotiation depending upon the particular nature of the proposal and other factors."</p>

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9.10	<p>Even if it was not inappropriate to mandate a jury trial waiver on bidders as a general matter, the absence of any similar provision for ownership-option bids makes this waiver requirement discriminatory.</p> <p>PPA TERM SHEET – ASSIGNMENT PROVISION</p> <p>The Proposed RFP’s PPA Term Sheet Imposes an Assignment Provision that Could Be Onerous</p> <p>The Proposed RFP term sheet for PPA bids imposes an assignment provision that is onerous because it limits the ability for standard, commercially reasonable assignments. In addition to other assignment requirements, assignees for any PPA must also have at least “a minimum of three (3) years’ experience in the clean energy generation and operation business, including owning, controlling or operating for at least three (3) years a minimum of [five hundred (500) MW] of clean energy generation capacity.” This restriction is unduly onerous and should be deleted. For example, the minimum bid size in the RFP is 5 MW (non-inclusive), and it is possible that smaller developers or generation owners with limited assets may not have the required experience.</p>	N	<p>PSE agrees that a 500 MW minimum in the assignment provision may be more than required for a smaller developer or owner, depending upon the project being proposed. The RFP, however, does not impose this requirement. The RFP invites bidders to propose term sheet edits with their bid submissions, and the prototype term sheets state that “the terms presented and bracketed herein are indicative of PSE’s expectations and may be subject to negotiation depending upon the particular nature of the proposal and other factors.” PSE will not penalize a smaller bidder for proposing a smaller minimum.</p>
9.11 (A)	<p>RFP IS TOO SUBJECTIVE: LIMIT NON-PRICE FACTORS AND CLARIFY PRICE FACTORS</p> <p>The RFP is Too Subjective, and the Non-Price Factors Should Be Limited and the Price Factors Clarified</p> <p>The Proposed RFP proposes to score bids 70/30 on price and non-price factors. Non-price factors are inherently subjective and allow for the opportunity to unfairly bias the evaluation. Non-price factors also handicap the IE from applying a largely quantitative analysis. NIPPC recommends no more than an 80/20 allocation.</p> <p>As a general matter, NIPPC recommends that non-price factors be eliminated as much as possible because they can bias the results. Although there will always be</p>	N	<p>PSE carefully considered the weighting and scoring of non-price (qualitative) factors, and regularly engaged in discussions with the independent evaluator (“IE”) to reach consensus on the appropriate overall split, criteria, and categories. PSE notes that in its research and benchmarking of peer utility RFPs, it encountered a range of overall quantitative/qualitative splits, from 80/20 to 50/50. The 70/30 split was found to be the most appropriate balance given the particular needs and requirements of this RFP.</p> <p>PSE has endeavored to make the qualitative criteria and factors in the rubric as objectively measurable as possible. PSE agrees that some degree of subjectivity cannot be eliminated; however, PSE disagrees that unfair bias is the necessary result. Instead, there is recognition of complexity and nuance that might escape a rigid metric and lead to unintended consequences that could harm customers, or conversely inhibit consideration of benefits that CETA, for example,</p>

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	<p>certain factors or characteristics of a specific resource proposal that cannot be fully reflected in the bidders' proposed pricing, there are still principles that should govern the small and narrow non-price factors. The key principles that should inform what are appropriate "non-price" scoring factors to include in an RFP are:</p> <ul style="list-style-type: none"> • The weighting of any specific Non-Price scoring factors should reflect the magnitude of costs or benefits of that factor relative to the price evaluation score, so that the weighting of evaluation factors reflects PSE's best estimate of the actual costs or benefits to ratepayers of any non-price factor relative to the total costs and benefits of the resource. • Non-Price Scoring Factors should not result in double-counting costs or savings that have already been captured in the Price Scoring Evaluation (i.e., no double-counting of costs or benefits already embedded in the bidder's bid price and contracting requirements). To do otherwise will distort the true cost and value of the proposed resource to the detriment of PSE ratepayers. • The assignment of non-price "points" to any resource in the evaluation process should be explained and justified based on a clear nexus between the direction (i.e., cost or benefit) and magnitude of the non-price cost or benefit to ratepayers, and the assignment of non-price points added or subtracted from the price score assigned to each bid must be directionally correct (i.e., non-price evaluation factors that represent costs not embedded in the bid price should be subtracted from the price score and benefits that are not captured in the bid price score should result in points added to the bid price score. • All non-price scoring factors should be applied uniformly and objectively to all ownership types in a non-discriminatory manner. <p>As discussed below, NIPPC has concerns that there is insufficient clarity on how PSE and the IE will score bids. This arises in both the non-price factors as well as</p>		<p>intended to convey. PSE believes that both quantitative and qualitative perspectives are valuable for ensuring a robust, thorough and fair evaluation process.</p>

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9.11 (B)	<p>the price factors, particularly at least one factor appears to potentially be counted in both places.</p> <p>RFP IS TOO SUBJECTIVE: PPA COST FACTOR ASSUMPTIONS</p> <p>PSE Should Clarify Why And How Some Cost Factors Are Not Assumed To Be Included in PPA Bids</p> <p>Fairly scoring PPA bids requires an acknowledgment of the many factors that are already incorporated into PPA bids. However, the Proposed RFP appears to identify a number of cost factors that are at risk of being double-counted both in the PPA price and in the additional cost factors. These include: 1) expected or potential carbon control or mitigation costs; 2) fuel and fuel transportation cost; 3) transmission cost; and 4) ancillary services. There may also be others, since the Proposed RFP does not provide a complete list of cost factors (which it ought to). PSE should remove these cost factors, or explain why they will not appear in PPA bids and how it will ensure PPA bids do not mistakenly incorporate these costs. In addition, PSE should identify all other cost factors, and remove those that are duplicative of non-price factors.</p>	N	<p>PSE has provided a thorough but non-exhaustive list of the primary cost factors that will be included in PSE's evaluation in Table 1 of Exhibit A of the RFP. PSE will not double count costs of resources in the evaluation, as PSE requires all costs, such as transmission and ancillary services, to be included in the PPA price and asks explicitly in Exhibit B of the RFP for confirmation. Additional cost details are requested to serve as a check for PSE to qualitatively gauge the feasibility of a proposal. For example, a resource that identifies three transmission wheels in its delivery plan but only has cost for one transmission wheel would trigger some additional due diligence during the evaluation process.</p>
9.11 (C)	<p>RFP IS TOO SUBJECTIVE: FUEL COST FACTOR AND FUEL TOLLING BIDS</p> <p>PSE Should Clarify the Fuel Cost Factor and Consider Allowing Fuel Tolling Bids</p> <p>As noted above, one unclear cost factor for PPAs is "fuel and fuel transportation cost." This cost factor could be reasonable for bids that involve a fuel tolling agreement. A fuel tolling agreement is an essential aspect of any off-take agreement from a gas-fired plant and may be preferred for a pumped storage facility. Its absence here may well violate the requirement that RFPs include standard form contracts, as the term sheets included are necessarily incomplete without the tolling agreement. However, not all bids will require a tolling agreement. The Proposed RFP should recognize the availability of a fuel tolling agreement and clarify that the fuel cost factor will only apply to bids where a fuel tolling agreement is used.</p>	N	<p>PSE welcomes proposals that contemplate a variety of structures, including tolling. As PSE states in the RFP (Section 2, page 22) the prototype term sheets appended to the RFP do not contemplate every type of resource or proposal that may be bid into this RFP. Bidders should view the term sheets as presenting provisions that PSE generally expects in a contractual arrangement. Bidders are invited to propose term sheet edits with their bid submissions, which may also include proposed language particular to the project resource type.</p>

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9.11 (D)	<p>RFP IS TOO SUBJECTIVE: TRANSMISSION AND ANCILLARY SERVICES COST FACTORS</p> <p>PSE Should Clarify Transmission and Ancillary Services Cost Factors Two other cost factors that are unclear are those for transmission and ancillary services. These might be appropriate in the circumstance that PSE is taking title to power at the busbar and handling transmission itself. However, from the non-price scoring criteria, that does not appear to be the case. Instead, PSE appears to score bids higher when the bidder already has a fully executed transmission agreement. This approach leaves it unclear what PSE aims to accomplish with these cost factors. It appears possible that PSE could double-count a penalty against bidders without finalized transmission arrangements: 1) once in the non-price scoring for not having an executed transmission agreement; and 2) again in the price scoring for having potential transmission costs.</p>	N	Please see PSE's response to public comment 9.11(B).
9.11 (E)	<p>RFP IS TOO SUBJECTIVE: TREATMENT OF IMPUTED DEBT</p> <p>PSE's Treatment of Imputed Debt Is Inappropriate Another proposed cost factor is the "Cost to rebalance debt/equity ratio for imputed debt and consolidated debt." NIPPC strongly opposes any consideration of imputed debt when evaluating competitive bids, particularly when one of the resources evaluated is a utility ownership option. In a situation where both utility and non-utility bids are evaluated, the use of imputed debt can bias the results against PPA options.</p> <p>There is a wide range of risk and benefit associated with both power purchases and utility self-build options. Debt imputation is an item that investor-owned utilities consider a risk of power purchase options. As background, financial rating agencies evaluate a utility's debt-to-equity ratio in assigning ratings. When a utility executes a PPA, the agencies may consider the associated costs to the utility as debt, thus altering the debt-to-equity ratio. However, many different factors affect a utility's debt-to-equity ratio, and imputed debt is not a significant one.</p> <p>While NIPPC understands the utility's concern with maintaining a healthy finance sheet, the impact to a utility's finance from one PPA as imputed debt should not be</p>	N	As NIPPC pointed out, the imputed debt treatment for PPAs is a common practice used by S&P. Imputed debt will be considered for the purposes of consolidated company balance sheet and credit analysis prior to any resource contracting. Credit rating agencies adjust PSE's ratios for imputed debt in rating reports.

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9.11 (F)	<p>debt equivalence issues. This is a fair solution because the question of possible harm to ratepayers via this debt equivalence issue requires a broader discussion of possible balance sheet effects from self- build options and offsetting risk mitigation with third-party bids.</p> <p>RFP IS TOO SUBJECTIVE: PENALTY FOR RECENT LITIGATION</p> <p>PSE's Penalty for Recent Litigation Is Inappropriate</p> <p>Another non-price scoring factor of concern is the adjustments if a bidder has been engaged in recent material disputes. This requirement should be clarified. The Proposed RFP (but not the rubric) states that recent means "within past five years" and <i>material</i> generally means disputes involving "legal breaches of greater than \$5 million." These two clarifications should appear on the rubric itself.</p> <p>Additionally, the Proposed RFP should not consider any litigation where the dispute did not involve a breach by the bidder (i.e., disputes about breaches by the non-bidder counterparty, etc.). The focus of the RFP should not be on protecting PSE's shareholders from the risk of litigation, but to obtain the best deal for ratepayers. And the best deal for ratepayers depends on the number and diversity of bids that are received and fully evaluated, which will be reduced if this non-price factor remains in its current form.</p>	Y	<p>Yes, PSE will include the same clarifying language from the RFP in this section of the qualitative rubric and appreciates the respondent spotting this omission. The comment is correct that PSE would distinguish litigation that did not involve a breach by the bidder. PSE, however, respectfully disagrees with the suggestion that the focus of the RFP is to protect PSE's shareholders from litigation. The purpose of the RFP is to procure the best resource solutions for customers at the lowest reasonable cost, which includes analysis of the risks imposed on the utility and its customers (WAC 480-107-007 and 480-100-695). This particular category of the qualitative rubric is intended to capture and measure one aspect of that risk.</p>
9.12	<p>QF INTERCONNECTION DOCUMENTS AND PROCEDURES</p> <p>PSE Should Provide an Opportunity to Comment on Any Developing QF Interconnection Documents and Procedures Prior to RFP Approval</p> <p>The Proposed RFP states that "PSE is currently developing an agreement and associated procedures for interconnection and transmission of QF resources." This sort of policy change should be transparently and publicly pursued. PSE should be required to publish its agreement and procedures as quickly as possible, and the Commission should require PSE to hold an opportunity to comment on any change to interconnection procedures prior to RFP approval.</p>	N	<p>PSE is still developing an initial draft of an agreement and associated procedures for interconnection and transmission of QF resources. Once an initial draft is completed, PSE will transparently and publicly share the draft agreement and associated procedures for interconnection and transmission of QF resources with NIPPC and any other interested stakeholders prior to seeking approval from the Washington Utilities and Transportation Commission of the new interconnection process. PSE anticipates it will have an initial draft to share in Q3 of 2021 and will notify bidders and interested stakeholders through its RFP distribution list and seek input prior to any filing with the Washington Utilities and Transportation Commission for approval.</p> <p>It is important to note that any new QF interconnection and transmission process, if approved, is simply another option for QFs seeking interconnection; it is not a requirement nor an expectation</p>

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9.13 (A)	<p>CLARIFYING REQUIREMENTS AND EVALUATION CRITERIA</p> <p>The Proposed RFP Needs Much More Specificity and Clarifications</p> <p>In this section, NIPPC provides a list of various issues where the Proposed RFP lacks sufficient clarity and/or specificity. NIPPC suggests that PSE clarify or remove the following items:</p> <ul style="list-style-type: none"> • The statement that “PSE may differentiate between technology upgrades and new classes of technology in assigning scores for deployment,” because it is unclear how any differentiation would ultimately result in different scores. If this is retained, then PSE should provide specific information regarding how the scores will be established. • The notation that the list of cost factors is “not limited to” the identified items, because all cost factors should be identified. • The requirement that bidders not impose credit requirements on PSE, because it is not clear what this means. • The credit requirements that PSE intends to impose on bidders. <p>The last item is of particular concern. It is essential that bidders understand their requirements early on in the process, yet the Proposed RFP does not clearly spell out what the credit requirement is, what performance assurance would be required without the credit, and when a performance assurance would need to be provided. It merely states that a performance assurance will be required and must be “acceptable to PSE.” NIPPC would recommend that any credit requirement be limited to a maximum performance assurance of \$100/kw before commercial operation and \$50/kw after commercial operation starts. Lower credit requirements may be appropriate. Those amounts would be more consistent with market practice and fairer to PPA bidders.</p>	N	<p>of PSE that bidders will switch and use any new QF interconnection process. As stated in the draft RFP, if a new QF interconnection process is approved by the Commission, PSE will notify all bidders of the opportunity to make a switch, and allow an opportunity for them to do so, if desired.</p> <ul style="list-style-type: none"> • In response to the first bullet, PSE disagrees that differentiation between technology upgrades or classes is unnecessary when determining technology risk. For example, PSE is highly encouraged by the recent advances in hydrogen augmentation in existing gas turbines. While this is so, there may be different technology risks that need to be considered between a hydrogen-augmented gas turbine and the exact same non-hydrogen augmented gas turbine. In such case, PSE may elect to differentiate between the exact same gas turbine based on the different fuel and technologies contemplated. • PSE has provided guidance within the evaluation rubric on how the score in the Technology Risk category will be assessed and will work with the independent evaluator to determine when such differentiation would be appropriate. • In response to the second bullet, PSE has included a thorough although non-exhaustive list of all major cost factors. PSE has asked in Exhibit B for bidders to include all other costs unique to their projects that will impact the cost of projects, if such costs have not been explicitly requested. For ownership projects, PSE will also assess costs such as tax credits, property tax, and property insurance. • In response to the third bullet, please see PSE’s response to WUTC staff comment UTC-2 regarding the rationale for the credit requirements in the RFP. • In response to the fourth bullet, please see PSE’s response to WUTC comment UTC-2 regarding the rationale for the credit requirements in the RFP.

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9.13 (B)	<p>CLARIFYING REQUIREMENTS AND EVALUATION CRITERIA – COST ADDERS FOR CARBON CONTROL OR MITIGATION, AND TO MEET ENVIRONMENTAL COMPLIANCE</p> <p>First, PSE should clarify the distinction (if any) between the cost adders “[e]xpected or potential carbon control or mitigation costs” and “[c]ost to meet environmental compliance, including capital improvements and/or capacity limitations and restrictions.” NIPPC notes that the first is a cost factor applicable to PPA bids, while the second is not. This needs to be clarified.</p>	N	The intent is for an ownership project to identify capital investment related to improvements, and/or capacity limitations and restrictions to meet environmental compliance. It is assumed that such cost and many other costs, which are not checked for PPA proposals in Table 1 (Proposal cost factors that impact PSE’s overall costs) in Exhibit A to the All-Source RFP would be included in the PPA costs.
9.13 (C)	<p>CLARIFYING REQUIREMENTS AND EVALUATION CRITERIA – EXHIBIT B FORM</p> <p>Second, NIPPC understands that PSE has endeavored to provide a fillable form for bidders to use which will produce an immediate error if the form itself identifies an error. PSE appears to be requiring bidders to rectify these automated errors prior to the filing date, with no ability to cure. By contrast, errors identified by a human review have three business days to cure. It is unclear how PSE will handle a situation where an attempt to cure a human-identified error causes an automation error. NIPPC asks PSE to clarify that the three business days to cure (or the extended business day cure period, as suggested earlier in these comments) will generally apply to all errors, whether computer- or human-identified.</p>	N	Please see PSE’s response to WUTC staff comment UTC-7.

II. Washington Utilities and Transportation Commission Staff Comments, May 17, 2021

#	Summary of Comment(s)	RFP revised?	PSE Response
UTC-1	<p>COMPLIANCE WITH RULES – SCORING RUBRIC AND CRITERIA</p> <p>Staff questions whether Section 4 of the Draft RFP and Exhibit A satisfy the requirement to “include a sample evaluation rubric that quantifies, where possible, the weight the utility will give each criterion during the bid ranking procedure,” and</p>	Y	<p>PSE has prepared a sample scoring table to demonstrate the scoring for the quantitative and qualitative evaluations. This has been added to as a new appendix to Exhibit A in the All-Source RFP redlines filed on May 28, 2021.</p> <p>The weights of each of the cost factors listed in Table 1 of Exhibit A can be derived based on the cost of each factor relative to the total of all costs of the project. However, these weights cannot</p>

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	<p>whether these components of the RFP provide “a detailed explanation of the aspects of each criterion that would result in the bid receiving higher priority.”</p> <p>Recommendation: PSE should provide, where possible, the weights assigned to each metric in its ranking procedure and in particular the cost factors in Table 1 of Exhibit A. PSE should also develop and include a sample evaluation rubric as part of its description of the evaluation process.</p>		<p>accurately represent or predict the price score of projects, as the quantitative metric to be used in Phase 1 to rank individual proposals, the portfolio benefit/nameplate, accounts for not only all costs of the project but also costs associated with generic resources and market purchases displaced by the RFP project.</p> <p>When projects are ranked in Phase 1, the project with the highest portfolio benefit/nameplate will score 100 as the project’s price score. All other projects’ price scores will be calculated relative to the top-ranked project’s portfolio benefit/nameplate. For example, project A has the highest portfolio benefit/nameplate of \$300/MW, and project B’s portfolio benefit/nameplate is \$200/MW. The price score for project A will be 100, and for project B will be 66.67.</p> <p>In addition, in Phase 1 projects will be compared and ranked on a like-for-like basis. At the end of Phase 1, PSE will select a pool of resources that represents the best-performing proposals from different resource types generally consistent with the resource type categories presented in the effective load carrying capability (“ELCC”) discussion in Chapter 7 of the 2021 Integrated Resource Plan (“IRP”). PSE may further refine those categories based on the actual proposals received and other factors, such as whether the resources proposed are delivering to PSE’s system or to Mid-C.</p>
UTC-2	<p>COMPLIANCE WITH RULES – RATIONALE FOR CREDIT REQUIREMENTS</p> <p>Staff was unable to find a narrative providing the rationale for the credit requirements in the RFP as required by WAC 480-107-025(7).</p> <p>Recommendation: Augment Section 5 to explain why, for example, PSE’s requirement that bidders provide performance assurance will improve the potential results of the RFP.</p>	Y	<p>PSE has added language to Section 5 of the All-Source RFP to ensure that it satisfies this requirement. The rationales for the credit requirements are as follows:</p> <p>PSE will not accept collateral thresholds, credit ratings triggers, general adequate assurances language or similar language that might require PSE to provide performance assurance. PSE developed this policy in order to protect our customers and to avoid undue costs especially in the event of an industry-triggered credit downgrade.</p> <p>PSE will require respondents to provide performance assurance. PSE will expect respondents with sub-investment-grade credit ratings (or being of similar creditworthiness), or whose credit ratings drop below investment grade, to provide performance assurance acceptable to PSE. Non-investment grade entities have inherent default risks. Collateral requirements are utilized to mitigate such risks. When certain PPAs are in default, physical supply will be affected. The collateral gives PSE an option to purchase market power to bridge the gap and, in turn, protect its customers from both cost and reliability risks. This is consistent with standard industry practices.</p>

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#	Summary of Comment(s)	RFP revised?	PSE Response
UTC-3	<p>ALL-SOURCE RFP AND TARGETED DER RFP COORDINATION AND CO-OPTIMIZED RESULTS</p> <p>Staff expects PSE to ensure that the resources acquired through the separate All-Source and DER RFPs result in a cohesive and optimized portfolio of resources meant to meet PSE's system needs and regulatory obligations. These processes should be coordinated for co-optimized results, placing each resource on an equal footing for a comparative evaluation of all resources and potential changes to existing resources for achieving the clean energy transformation standards in WAC 480-100-610 at the lowest reasonable cost.</p> <p>Recommendation: On page 24 of the Revised Draft RFP, the footnote of Table 6 states, "PSE anticipates that it would complete its evaluation of these resources [bids from the DER-focused RFP] around the time the All-Source RFP short list is expected to be selected." Staff recommends including this context in Section 3 of the RFP as well, or otherwise including some explicit indication that that these tandem RFP processes will be managed such that the resource decisions from one RFP will complement the other. Doing so would align with WAC 480-107-009(4), which requires targeted RFPs issued in conjunction with an all-source RFP "must fairly compare all resource options in its combined analysis."</p> <p>CUSTOMER BENEFITS FROM TRANSITION TO CLEAN ENERGY</p> <p>PSE augmented its draft RFP to clarify that the RFP's Phase 2 may include additional analysis and consideration of these CETA customer benefit provisions and CBIs. The CEIP will also identify vulnerable populations and highly impacted communities. Ideally, the RFP would offer more detail and guidance to bidders, but given the work-in-progress status of the CEIP, it is understandable that Draft RFP does not provide much guidance.</p> <p>Equity is one of many lenses which PSE and stakeholders may use when considering the Company's obligation to ensure that all customers benefit from the transition to clean energy. CETA directives related to public benefits include:</p> <ul style="list-style-type: none"> • Equitable distribution of energy and nonenergy benefits; 	Y	<p>PSE has updated Section 3 of the All-Source RFP to clarify the interaction between the All-Source and targeted Distributed Energy Resources ("DER") RFPs. PSE anticipates the analysis of the All-Source and targeted DER RFPs could be coordinated in the following way. Each RFP would be separately evaluated through short list selection. During Phase 2 of the All-Source RFP evaluation, the analysis may include a sensitivity that considers optimized portfolio scenarios in which the DER RFP targets are and are not fully met. At the end of the evaluation process, the short list from the targeted DER RFP could be included in a combined portfolio analysis with the short list from the All-Source RFP.</p> <p>This approach would allow for a fair comparison of distributed resources in both RFPs, and concurrent evaluation to identify the best resources from both RFPs. Because distributed resources and demand response would have two opportunities to propose (through the All-Source RFP and the targeted DER RFP), the resources would be considered to meet the specific requirements identified in the CEIP (and subsequent targeted DER RFP) and to help meet the broader electric portfolio need identified in the All-Source RFP, regardless of the RFP into which the resources were bid. Specific needs associated with CEIP programs and targets cannot be known until the CEIP is approved. PSE anticipates that the targeted DER RFP would include many of the same general requirements as the All-Source RFP; although, it may contain some additional requirements specific to distributed energy resources or the CEIP development process.</p>
UTC-4	<p>PSE augmented its draft RFP to clarify that the RFP's Phase 2 may include additional analysis and consideration of these CETA customer benefit provisions and CBIs. The CEIP will also identify vulnerable populations and highly impacted communities. Ideally, the RFP would offer more detail and guidance to bidders, but given the work-in-progress status of the CEIP, it is understandable that Draft RFP does not provide much guidance.</p> <p>Equity is one of many lenses which PSE and stakeholders may use when considering the Company's obligation to ensure that all customers benefit from the transition to clean energy. CETA directives related to public benefits include:</p> <ul style="list-style-type: none"> • Equitable distribution of energy and nonenergy benefits; 	Y	<p>PSE agrees that "customer benefit provisions" is the broader and more appropriate term and has made that change in the RFP.</p> <p>PSE also appreciates WUTC staff's suggestion to allow bidders an opportunity to revise/augment their Customer Benefit Plans after the finalized CEIP. Assuming that the final CEIP will be issued by the end of 2021, the proposed January 31, 2022 date for such revision or augmentation seems to be a reasonable window for bidders, and it generally aligns with the expected conclusion of Phase 1 of the RFP in Q1 2022. Since the customer benefit indicators to be presented in the final CEIP are not yet known and it is possible that PSE will already have information from bidders to at least partially inform an assessment based on those forthcoming indicators, PSE may find it more expedient to collect additional information from bidders in the form of data requests, for example, rather than full resubmission of Customer Benefit Plans. The manner in which PSE gives bidders the opportunity to revise/augment their Customer Benefit Plans should be at PSE's discretion. PSE has</p>

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UTC-5	<p>Reduction of energy burdens to vulnerable populations and highly impacted communities;</p> <ul style="list-style-type: none"> • Tracking changes to long-term and short-term public health and environmental benefits; and • Maintaining energy security and resiliency. <p>Staff suggests adopting the language used in the IRP and CEIP when discussing these requirements; in short, the broader term “customer benefit provisions” may be helpful when referring to these components of CETA.</p> <p>Recommendation: Staff suggests the Company consider including in its RFP timeline an opportunity for bidders to revise and augment their CETA Equity (or Customer Benefit) Plans, perhaps by January 31, 2022. Per the RFP schedule, PSE would receive these bid updates during its Phase 1 screening process and selection of Phase 2 candidates, allowing for thorough consideration of each bid in the context of a finalized CEIP. This approach would align with WAC 480-107-025(2), which requires the utility to request “information related to indicators approved in the utility’s most recent CEIP, including customer benefit indicators, as well as descriptions of all indicators.”</p> <p>PORTFOLIO SCREENING MODEL AND IRP TOOLS FOR BID EVALUATION</p> <p>PSE states that it will use its Portfolio Screening Model (PSM) as the primary portfolio evaluation tool in Phase 1 and Phase 2 of its evaluation process. PSM was used in previous IRP cycles, but in the 2021 IRP, PSE moved its long-term capacity expansion modeling to a more sophisticated modeling platform called Aurora. Using modeling tools separate from those used in the IRP to evaluate bids diverges from PSE’s historical practices and from industry norms. PSE references Aurora and Plexos in the Draft RFP, but does not specify when and how these models might be used in evaluating bids, and at what phase. Staff understands that PSM is easier and faster to use, and appreciates that the RFP process must balance analytical rigor with workload management and efficiency. However, it is not clear to Staff whether the use of an analytical tool outside the IRP toolkit can nonetheless lead to a ranking system that is “consistent with the avoided cost methodology developed in the IRP,” as required by WAC 480-107-035(1).</p>	Y	<p>added language to the schedule in Section 3 of the All-Source RFP to address Staff’s recommendation.</p> <p>PSE notes that the process of reviewing revisions and conducting any qualitative re-scoring and re-ranking may have the effect of delaying the completion of the Phase 1 evaluation, but does not anticipate that it would be pushed out beyond the end of Q1 2022.</p>
	<p>As recommended by WUTC staff, PSE will adopt the 2021 IRP modeling tool set for the 2021 RFP evaluation. Specifically, PSE will use the Excel-based, portfolio screening model (“PSM”) to compile fixed and variable costs for each resource type. Next, the Aurora model will be used for optimal resource selection and hourly resource dispatch.</p>		

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UTC-6	<p>Recommendation: PSE should consider adopting its IRP modeling tools as the primary bid evaluation toolset, at least for Phase 2 of the RFP process. In the alternative, PSE should demonstrate that PSM's ranking outputs so closely mirror the IRP toolset's outputs that using PSM is very likely to rank bids identically to the IRP toolset.</p> <p>CAPACITY NEED FORECAST – GUIDE PATH FOR MARKET RELIANCE</p> <p>PSE's decision to move away from the assumed availability of market purchases was a late addition to the IRP, and did not benefit from thorough discussion and vetting through the IRP public participation process. While PSE's intention to reduce its reliance on a dwindling market seems like a reasonable goal, Staff questions whether the linear glide path described in Table 2 of the Revised Draft RFP represent an optimized approach to reducing this reliance. Staff provides more questions related to market reliance, below.</p>	N	<p>PSE's decision to reduce its market reliance from approximately 1,500 MW to approximately 500 MW is based on an analysis of Mid-C market liquidity and benchmarking of other utilities' reliance on market. PSE considered the availability of market resources when needed, particularly in summer when the rest of the western interconnect is peaking. That said, PSE agrees that more robust analysis and vetting with stakeholders is appropriate. PSE will hold a workshop in Q3 2021 to share its market reliance analysis and assumptions in more detail.</p> <p>With respect to the glide path, PSE selected a linear ramp, largely due to modeling constraints. If PSE were, for example, to suddenly increase its capacity need by 1,000 MW in a single year, the model would have trouble solving to meet such a large need. However, if the model is forced to incrementally solve over time, then the results are better and more realistic. The linear ramp is an approach that PSE commonly uses in planning, in part because it is easy to explain and understand.</p> <p>Additional benefits to the linear ramp rate include that the proposed glide path: (i) coincides well with coal plant retirements in the Western interconnect, (ii) offers a gradual path forward to ensuring reliable resource supply for PSE customers as regional resources become more constrained, and (iii) helps to minimize rate shock for PSE's customers.</p>
UTC-7	<p>INTAKE PROCESS – AUTOMATED SCREENING OF BIDS</p> <p>On page 25 of the Revised Draft RFP, PSE describes an "automated intake of proposals through a newly designed web platform." Staff appreciates that PSE must balance efficiency with comprehensive review, and views this software-based approach as a positive development. However, an automated rejection of a bid due to a mistyped data entry or misunderstood direction for a specific field could result in a rejection that is not warranted. In discussion with the IE, Staff understands that there will be some manual review of those bids that are rejected through the automated screening, which mitigates this risk. The bidders will also be notified and can address any technical snags.</p>	Y	<p>PSE is committed to providing bidders with the guidance needed to successfully complete Exhibit B (Proposal Requirements Forms) and navigate the newly designed proposal submission process.</p> <p>PSE will not simply reject bids due to a data entry error or a misunderstood direction for a specific field. To help the bidders with a successful submission, PSE will provide the following:</p> <ol style="list-style-type: none"> 1. a downloadable user instruction manual on how to navigate and use the RFP submission portal and its core features and functions, 2. a downloadable user reference on typical expected data validation error messages, 3. a live demo at the bidders' conference to show bidders how to submit a proposals and what to expect with the automated screening,

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UTC-8	<p>Staff notes that the review of PSE's Draft RFP did not include an assessment of the Excel form's usability. Staff hopes and anticipates that any challenges or technical snags will be raised by bidders and addressed by the Company. In addition, the bidders' conference in July 2021 will be a good opportunity for PSE to provide an orientation of this form.</p> <p>BID EVALUATION AND EFFECTIVE LOAD CARRYING CAPABILITY ASSUMPTIONS</p> <p>Staff raised concerns with PSE's approach to effective load carrying capability (ELCC) assessment for generic resources in the Company's draft IRP. It appears that those calculations remain substantively unchanged in the Company's final IRP, and hence are seen on page 12 of the Revise Draft RFP. Staff is not convinced that the ELCC estimates for energy storage resources are reasonable in view of the much higher calculations of similarly situated utilities. Also, Staff may have a differing understanding of whether ELCC estimates are inclusive of the possibility of forced outages during a peak event; if forced outages were included, then the ELCC valuations for thermal resources could not be the 100 percent valuations shown on Figure 4.</p> <p>Recommendation: Staff suggests a review of these inputs to the RFP Phase 1 analysis.</p>	N	<p>4. unlimited access to submit and resubmit proposals during the RFP submission window, and</p> <p>5. a three-day curing period after the RFP due date to allow a bidder to remedy an unacceptable term or condition, or other non-conforming criteria or fatal flaw in a proposal.</p> <p>Respondents may also reach out to RFP team staff through the All-Source RFP mailbox (AllSourceRFPmailbox@pse.com) with questions about Exhibit B and the automated submission process.</p> <p>See PSE's response to public comment 2.1. As noted in public comment 2.1, PSE plans to host a workshop in late August 2021 to provide more information to bidders and stakeholders about the drivers of PSE's generic ELCC assumptions, how ELCC values for resources can vary within a particular region and how PSE will use the ELCC values in its RFP analysis.</p> <p>Additionally, PSE's planning reserve margin calculation includes needs adjusted for forced outage events. Since the planning reserve margin includes capacity to cover forced outage events, it is not necessary for thermal resources ELCCs to be decremented to account for forced outage. Doing so would essentially double count forced outages.</p>
UTC-9	<p>EVALUATION OF RESOURCES WITH POTENTIAL SUB-HOURLY BENEFITS</p> <p>The Draft RFP provides an hourly representation of PSE's system needs, and requests information from bidders on an hourly basis. It is not evident in PSE's description of its bid evaluation whether sub-hourly costs or benefits will be considered.</p> <p>Recommendation: Staff suggests addressing this nuance in the bid evaluation framework.</p>	N	<p>Consistent with the 2021 IRP process, PSE plans to use the same analytical toolset and database over the same 2022-2045 study horizon. Specifically, PSE plans to perform the 2021 RFP evaluation using Aurora software for resource selection and hourly dispatch for both Phase 1 and Phase 2. Although PSE does not plan to perform sub-hourly cost or benefit analysis for all RFP proposals in its evaluation, it does plan to use the results from the sub-hourly Plexos flexibility analysis for generic resources that was published in the final 2021 IRP.</p>

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UTC-10	<p>SUCCESS FEE</p> <p>Staff continues to discuss the inclusion of a success fee for those RFP participants whose bids result in executed contracts. In discussions with the IE, Staff understands that requiring a success fee is not particularly common but is a known industry practice. Staff suspects that requiring a success fee will result in slightly higher bids to offset the cost to the bidder, and may dissuade some bidders. Staff would appreciate more information on this industry practice, including some evidence for its meaningfully lowering costs to utilities and ratepayers.</p>	N	<p>PSE would like to clarify that the intent of the success fee is to recover incremental costs related to the evaluation of bids submitted in the RFP, in the event that bid fees collected are insufficient. PSE believes that these costs should not be borne by customers but appropriately shifted to bidders who underwent a competitive bidding process. The success fee is based on actual costs and capped at a reasonable level, with a tiered structure designed so that smaller proposals, based on nameplate capacity, are not unduly burdened by such a fee, if imposed.</p> <p>In PSE's experience working with small and large developers, each developer has its own unique risk profile and set of contingencies. There is a broad spectrum of cost risks that may be encountered during the development of any energy project, ranging from permitting to construction to transmission, and there is no evidence to suggest that the nominal amount of the success fee would result in a material increase in the cost. Given the possibility that a success fee may not even be imposed should the bid fees collected cover the cost of evaluation, PSE does not agree that the success fee would dissuade bidders from participating.</p>
UTC-11	<p>DEMAND RESPONSE ADDENDUM – EXHIBIT K</p> <p>Staff provided a thorough review of DR resources and PSE's RFP process in the 2020 RFP cycle, and will engage deeply on this topic when PSE files a DER-focused RFP in about six months. Still, the contents of Exhibit K raised some concerns. On Table 1 of Page K-2, the list of benefits from DR resources strikes Staff as limited, or at least under-described. For example, a location-specific delivery system deferral benefit might be included in "Avoided transmission and distribution costs," or it might be a discrete type of quantifiable benefit. Similarly, ancillary services like ramping and spinning/non-spinning reserves may be contemplated within "avoided capacity costs" or "avoided energy costs," or could comprise their own category of avoided costs that some DR resources could provide. Staff encourages the Company to offer more information. Also, the figures presented do not seem to align with the peak capacity credit for DR as shown in the IRP. Staff recommends revising this exhibit for clarity and reconciling any apparent discrepancies with the IRP.</p>	Y	<p>PSE has added further information to the list of potential benefits in Table 1 of Exhibit K to the All-Source RFP, as requested by WUTC staff. However, PSE provides this information with the caveat that any assessment of a potential demand response ("DR") benefit will greatly depend upon the details of the resource program being proposed. For example, transmission savings potential will depend upon the certainty (firmness) of the program, reliability of the DR resource to consistently deliver usage reduction during called events, the location of the resource, and how it is controlled. A voluntary demand response program, or one that is easy to opt out of, would likely not be considered as contributing any benefit. Furthermore, PSE believes that estimating values or benefits of reduced spinning/non-spinning reserves would be more appropriate at a later stage in the DR lifecycle when more data on actual performance is available.</p> <p>Regarding the ELCC table on page K-2 (Table 3), PSE acknowledges the misalignment with the 2021 IRP ELCC values and has updated the table to align with the 2021 IRP.</p>

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UTC-12	<p>WASHINGTON OFFSHORE WIND OUTREACH</p> <p>Considering PSE's sizeable CETA-driven resource need and the constrained transmission paths to reach wind resources matching PSE's system need, Staff is heartened to see "WA Wind Offshore" in the list of generic resources and assumed ELCC values described in Figure 4 of the Draft RFP. Staff asks PSE to ensure that offshore wind developers are included in the utility's outreach efforts to potential bidders.</p>	N	<p>PSE's outreach for the 2021 RFP included notifications to more than 700 stakeholders and interested parties in the industry in the U.S. and globally, including major off-shore wind developers. The RFP announcement was also sent to industry publications and press, stakeholders who commented on the 2018 and 2020 All-Source RFPs, and forwarded by the IRP team to the IRP Advisory Group.</p>
UTC-13	<p>JOINT DR AND ALL-SOURCE ASSESSMENTS</p> <p>In its Draft RFP, PSE notes resources that are dispatchable, are shaped to meet winter peak needs, or with generation profiles that align well with PSE's load shape will <i>perform best</i> in PSE's analysis. While the amount of detail PSE has supplied within its Draft All-Source RFP is generally adequate, Staff notes this solicitation is not occurring alone. PSE cites concurrent benefits of issuing a DR RFP along with this All-Source RFP. How will the results or shortlists of both RFPs be jointly assessed? Staff encourages PSE to delineate the interactive effects between the DER-targeted RFP to be filed by November 15, 2021, and this all-Source RFP. To the extent possible, PSE should detail how both candidate shortlists may be considered in combination, possibly within a subsequent combined assessment. This could help clarify how PSE intends to achieve the outcome of a cohesive portfolio of resource acquisitions.</p>	Y	<p>Please see PSE's response to WUTC staff comment UTC-3.</p>
UTC-14	<p>EXHIBIT I – ENERGY STORAGE SYSTEM LOCATION STUDY</p> <p>Staff commends PSE for including this analysis of its substations, which provides energy storage bidders with necessary information to tailor bids that will bring the most benefit to PSE's system. In Staff's review, it was unclear whether the substations studied represent all substations operated by PSE. Do the substations shown in Tables 3.1 and 3.2 of Exhibit I comprise all of PSE's substations? If not, what caused the substations left out of this study to be discarded from consideration?</p>	N	<p>PSE appreciates the comment acknowledging the benefit of including the Energy Storage Study prepared by Power Systems Consultants as Exhibit I to the All-Source RFP.</p> <p>The substations in tables 3.1 and 3.2 of the study do not represent all substations operated by PSE. Power Systems Consultants began with an initial list of the 382 PSE substations. This list was determined by the number of "busses" in the PSE system modeled by the PowerWorld database. The modeling was initially agnostic as to whether the busses are substations or simple connection points. Power Systems Consultants subsequently performed a detailed analysis of each location using satellite imagery to determine substation status. Substations that did not meet the suitability criteria described in Section 2.1.1 of the study were removed from consideration. Tables 3.1 and 3.2 represent the list of substations that meet the suitability criteria in Section 2.1.1.</p>

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#	Summary of Comment(s)	RFP revised?	PSE Response
UTC-15	<p>MARKET RELIANCE</p> <p>Please describe the rationale underpinning PSE's linear rampdown of its reliance on market purchases; references to the 2021 IRP are welcome. In PSE's evaluation of market reliance risk, did the Company identify whether there are any years with a particularly large number of proposed plant shutdowns within the Northwest Power Pool or the Western Interconnect? Was the 1000 MW reduction – from 1500 MW of presumed market availability to 500 MW – a quantitatively rigorous determination or one based on managerial discretion?</p>	N	Please see PSE's response to WUTC staff comment UTC-6.
UTC-16	<p>PORTFOLIO SCREENING MODEL</p> <p>As discussed above, Staff has concerns regarding the use of tools other than those used in developing PSE's IRP for bid evaluation. Please provide more information regarding this decision. Has PSE determined whether PSM will yield results that are comparable to those produced by its IRP analytical toolkit? How would bid evaluation workloads increase and timelines change if PSE decided to use Aurora and Plexos as the primary modeling tools for bid evaluation? How does PSM countenance intrahour costs and benefits?</p>	N	Please see PSE's response to WUTC staff comment UTC-5. Additionally, while the modeling process change is expected to increase some initial planned workload, PSE will make reasonable efforts to adapt and optimize its personnel resources to maintain its All-Source RFP timeline and meet the expectations of bidders and stakeholders.
UTC-17	<p>CAPACITY NEEDS IDENTIFIED IN 2027, CETA-COMPLIANT ENERGY NEEDS IDENTIFIED IN (2026)</p> <p>Why did PSE decide to describe its capacity needs by focusing on the needs identified in 2027, while describing its CETA-compliant energy needs in terms of the Company's need estimate for 2026? The 2026 focus aligns with the requirement that bids meeting CETA-compliant energy needs be online by December 31, 2025, in time to be included within the 2022-2025 CEIP's specific targets and specific actions. Meanwhile, Figure 2 in the Revised Draft RFP shows a mostly-flat representation of PSE's available resources and system need after conservation from 2027 through 2030. Did the Company decide that the years were better suited for describing the specific system need, and that alignment was deemed more useful than keeping the focus year the same between all system needs descriptions?</p>	N	Yes, PSE determined that 2026 and 2027 for the CETA and capacity needs, respectively, were better suited to describe each specific system need. The CETA need has a linear ramp, while the capacity need is a step function based on the timing of resource retirements and the impacts of reduction on market reliance. The CETA need continues to grow at a steady rate after 2026, while PSE's capacity need has a significant increase from 2026 to 2027 (due to expiring contracts) prior to stabilizing. It should be noted that capacity needs begin at the start of the calendar year (January being one of PSE's peak need months); therefore, the 527 MW need in 2027 means that resources should be online by the end of 2026. Year 2027 is also the year by which PSE has proposed to work to fill its market reliance need.