

## All Source RFP mailbox -- mail --

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**From:** Darwin Fales <dfales@cbhydropower.org>  
**Sent:** Thursday, September 03, 2020 2:41 PM  
**To:** All Source RFP mailbox -- mail --  
**Subject:** submission of comments  
**Attachments:** CBHP Comments to the WUTC in Docket No. UE-200414 Draft 090220.pdf

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Please find attached comments on PSE's proposed withdrawal of its 2020 All-Source RFP.



**Darvin Fales**  
**Secretary – Manager**  
Cell: 509-289-0544  
Office: 509-754-2227

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

**DOCKET NO. UE-200414**

In the Matter of

Opportunity to Comment on Puget Sound  
Energy's 2020 RFP for All Generation  
Sources, May 4, 2020 Draft

COLUMBIA BASIN HYDROPOWER  
COMMENTS

**September 4, 2020**

**Introduction**

Columbia Basin Hydropower (CBHP) respectfully submits to the Washington State Utilities and Transportation Commission (the Commission) the following comments regarding Puget Sound Energy's (PSE's) draft 2020 RFP for All Generation Sources (Draft 2020 All Source RFP) that it filed with the Commission on May 4, 2020 in Docket No. UE-200414.

On August 26, 2020, PSE submitted to the Commission an informational filing (the August 26 Filing) where it stated that it was considering withdrawing its Draft 2020 All-Source RFP, and that PSE was seeking comments from interested parties regarding this potential course of action.<sup>1</sup> For the reasons stated below, CBHP recommends that the Commission: 1) not allow PSE to withdraw its Draft 2020 All-Source RFP, and 2) instruct PSE to issue a Final 2020 All-Source RFP for the capacity needs that it identified in the August 26 Filing.

**Background on CBHP**

CBHP is the agent and representative of the three Columbia Basin Irrigation Districts (the Districts) located in central Washington State. CBHP provides administration, operations, and maintenance functions for seven irrigation conduit hydroelectric projects owned by the Districts with a combined total maximum generating capacity of 145 MW. CBHP is also currently pursuing the development of the Banks Lake Project, which is a 500 MW hydroelectric pumped storage facility that will be located near Grand Coulee Dam. The Banks Lake Project is a carbon-free resource that will be capable of providing firm capacity, flexible balancing capacity, and other valuable ancillary services to the region's electric utilities. Furthermore, the Banks Lake Project will utilize two existing reservoirs (Lake Roosevelt and Banks Lake) and it will provide significant economic benefits to the citizens of Washington State and the local communities near the Project, both during the construction phase and after the plant is placed into operation in approximately 2026/2027.

The Banks Lake Project will utilize state-of-the-art variable speed pump/turbines that will allow the

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<sup>1</sup> *Dockets UE-200413 and UE-200414: PSE Informational Filing Seeking Comments from Interested Parties on the Potential Withdrawal of its Draft Demand Response and All-Source RFPs dated August 26, 2020.*

Project to provide flexible balancing capacity and other ancillary services in both pumping and generating modes. This capability can be used by regional utilities to reduce the number of instances when they are forced to reduce renewable, carbon-free generation (such as wind or solar resources) due to operational limitations on their existing fleets of hydro and thermal resources. Also, the service life of the Banks Lake Project is conservatively estimated to be fifty years, which is much longer than other generation technologies such as gas-fired combustion turbines or grid-scale batteries; this long service life ensures that the Banks Lake Project can continue to provide value for decades to come while also helping to reduce the region's carbon footprint. Furthermore, the Banks Lake Project can be utilized by electric utilities that serve end-use loads located in Washington State to help these entities meet the upcoming renewable resource requirements established in the Energy Independence Act (EIA) and the Clean Energy Transformation Act (CETA).

### **New Resource Acquisitions by Washington State Investor-Owned Utilities**

CBHP notes that across roughly the last fifteen-year period, the Investor-Owned Utilities that serve customers in Washington State and the Commission have tended to favor the development and/or acquisition of new generating resources that could be fully developed and brought on-line in roughly 48 months or less. While this policy has generally allowed PSE and other the IOUs to remain flexible with regard and to changes in the long-term resource planning environment, CBHP is nevertheless concerned that PSE and the Commission (through its existing new resource prudency review policies) may inadvertently be disregarding viable new electric resources that, in the long run, might be the least-cost/least-risk resources for PSE to meet its future firm capacity needs while also addressing other important public policy goals such as reducing carbon emissions.

CBHP recognizes that new electric resources that have relatively long development timelines - such as hydro pumped storage - may pose a different set of costs and benefits for PSE, the Commission and other stakeholders to consider as compared to resources that can be developed in shorter time frames (i.e. 48 months or less). However, CBHP strongly believes that it is of paramount importance for PSE's customers and other regional stakeholders that ALL viable new electric resources - regardless of their development timelines - should be considered under the Commission's established RFP and prudency review processes.

### **Impacts of PSE's Updated Firm Capacity Need on the 2020 All-Source RFP Process**

PSE's August 26 Filing provided an update on PSE's forecasted need for new firm capacity resources. In particular, PSE's updated F2020 load forecast indicates that PSE now has sufficient existing firm capacity resources for it to reliably meet its seasonal peak loads thru calendar year 2025. However, Figure 2 in the August 26 Filing indicates that PSE expects to have a large capacity deficit of 545 MW in calendar year 2026. Furthermore, Figure 2 also indicates that PSE's capacity need will increase across time to 1,195 MW in 2040.

It is important to note that PSE's forecasted capacity need exhibits a large step function change between 2025 - when the company has a small capacity surplus - and 2026 when the company suddenly has a 545 MW capacity deficit. While Figure 2 and the dialogue that follows does not provide a specific explanation for this change, CBHP is aware thru other publicly available documents that this large swing in PSE's capacity position is primarily associated with three known events. First, PSE's long-term purchase agreement with TransAlta will terminate on December 31,

2025, which results in a loss of 280 MW of firm capacity.<sup>2</sup> Second, the planned closure of Colstrip Unit #3 by the end of 2025 will result in PSE losing approximately 170 MW of firm capacity. And finally, also on December 31, 2025, PSE will lose an additional 95 MW of capacity under a purchase power agreement with Northwestern Energy that is tied to PSE's sale of Colstrip Unit #4.

While CBHP recognizes PSE desire to reduce the regulatory burdens on the company, the Commission, and other stakeholders associated with continuing the 2020 All-Source RFP process, PSE nevertheless has a large identified capacity need beginning in 2026. Withdrawing the 2020 All-Source RFP and delaying the consideration of new firm capacity resource until the completion of PSE's 2021 IRP (or possibly even later) puts resources that have longer-term development cycles at a significant disadvantage *even though such resources may be least-cost/least-risk alternatives to meeting the future needs of PSE's electric customers.*

Most importantly, delaying the consideration now of new firm capacity resources under PSE's 2020 All-Source RFP will prevent virtually *any* hydroelectric pumped storage facility from being able to submit conforming bids pursuant to future PSE RFPs in order to meet PSE's large identified capacity needs that begin in 2026. This situation is due to the relatively long lead times needed to develop pumped storage facilities; in order for such facilities to be constructed and on-line by 2026 (or soon thereafter), PSE needs to be evaluating the available alternatives *right now.*

It should be noted that hydroelectric pump storage facilities are one of only a handful of carbon-free resource technologies capable of providing firm capacity for long-term peak load planning purposes. In fact, PSE's Draft 2020 All-Source RFP *specifically cited "pumped hydro" as one of the resources being requested by PSE.*<sup>3</sup> Furthermore, hydroelectric pumped storage is a proven technology that is capable of providing not only firm capacity for meeting peak electric utility loads but can also be utilized to provide short-term regulation and balancing capacity services that will allow regional utilities such as PSE to continue to add additional amounts of renewable resources (such as wind and solar) to their electric system portfolios in order to meet the established EIA and CETA requirements while also maintaining system reliability.

### **Recommended Commission Actions**

For the reasons stated above, CBHP encourages the Commission to take the following actions:

1. The Commission should not allow PSE to withdraw its Draft 2020 All-Source RFP.
2. The Commission should instruct PSE to develop and issue a Final 2020 All-Source RFP (including an updated RFP schedule) based upon the post 2025 capacity needs identified in PSE's August 26 Filing.

CBHP appreciates the opportunity to submit these comments to the Commission regarding PSE's Draft 2020 All-Source RFP and it looks forward to continuing discussions on the topics raised in these comments with the Commission, PSE, and other regional stakeholders.

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<sup>2</sup> The 280 MW that PSE will be purchasing from TransAlta in 2025 is tied to the retirement of Centralia Unit No. 2, which will take place on or around December 31, 2025.

<sup>3</sup> Draft 2020 All-Source RFP, Table 3.

Sincerely,



Darwin Fales  
Secretary Manager, Columbia Basin Hydropower

Date: September 4, 2020

## All Source RFP mailbox -- mail --

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**From:** Nick Bengtson <Bengtson@energyhub.net>  
**Sent:** Wednesday, September 02, 2020 2:15 PM  
**To:** All Source RFP mailbox -- mail --  
**Subject:** EnergyHub comments on potential withdrawal of DR RFP

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Hello,

EnergyHub appreciates the opportunity to provide comments on PSE's potential withdrawal of its draft Demand Response (DR) RFP. EnergyHub encourages PSE to move forward with the RFP, as planned, with the expectation that doing so will better position PSE to meet coming CETA requirements, ensure the DR resources are scaled and operationalized in time to provide maximum contribution to the anticipated capacity shortfall in 2026, and potentially provide energy arbitrage benefits through avoided wholesale market purchases.

#### CETA compliance

With the recent CETA legislation, PSE is pursuing a significant increase in the amount of renewable energy in its resource mix over the next decade. Developing a DR resource, leveraging distributed energy resources (DERs), in parallel has the following benefits:

- As indicated on the 9/1/20 "Demand Forecast and Resource Adequacy" webinar, PSE is considering using Energy Transformation Projects (ETPs) to meet CETA's requirement of 80% renewables generation and carbon neutrality by 2030. As defined by CETA, DER programs are an eligible ETP; therefore the value of DERs can be leveraged to meet both Resource Adequacy needs as well as contribute to meeting CETA requirements.
- Many of the same DR-enabling technologies can also be used to ease the transition to a more renewables-intensive resource mix. For example, instead of only leveraging DERs as a capacity resource during peak demand events, DERs can also be used on a daily basis to help smooth the volatility in renewables generation.

CETA also includes a requirement for utilities to implement all cost-effective DR programs. While the rulemaking to define the specifics of this requirement is still in process, moving forward with DR programs now will ensure PSE will not be out of compliance with this requirement.

#### DR resource formation

PSE's last DR Potential Study (2017) indicated 188 MW of achievable DR resources. As experienced by IOUs of comparable size, the process of scaling and operationalizing a portfolio of DR programs to achieve that magnitude of load reduction often requires more than 2-3 years, especially

when the resource will ultimately be managed by grid operators and not DSM program teams. Acting now would allow for a five year ramp period (which was actually assumed in the 2017 potential study) and provide PSE significantly more flexibility to scale the program as needed to meet future capacity constraints. A five year ramp period would allow for refinement of the program design(s), ensuring the DR resources are maximized in advance of the actual resource need, and allow for integration of the resource into PSE's grid operations team. With a 2-3 year timeframe, all of these benefits would be unnecessarily rushed or jeopardized.

#### Energy arbitrage

As indicated on the 9/1/20 "Demand Forecast and Resource Adequacy" webinar, PSE's Resource Adequacy planning exercise as part of the 2021 IRP process assumes 1,500 MW of capacity from short-term wholesale market purchases. Notably the exercise does not account for the cost of obtaining the resource through the wholesale market. Recent Mid-C energy prices during peak periods have shown significant volatility, which is expected to be further exacerbated by the region's transition to a more renewables intensive resource mix and the continued expansion of CAISO's Energy Imbalance Market (EIM). These market trends point towards the ability for PSE to more cost-effectively meet capacity requirements through DR/DER programs, as opposed to wholesale market purchases.

Thanks,

**Nick Bengtson**  
Sales Executive

## All Source RFP mailbox -- mail --

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**From:** Daly, John <jdaly@ipkeys.com>  
**Sent:** Thursday, September 03, 2020 2:06 PM  
**To:** All Source RFP mailbox -- mail --  
**Subject:** Demand Response RFP Comments from IPKeys Power Partners

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Good afternoon, PSE,

As an interested party to the originally posted Demand Response RFP, IPKeys Power Partners wishes to express our comments below related to the RFP announcements by Puget Sound Energy.

IPKeys Power Partners cautions Puget Sound Energy on the risk of delaying the development of a Demand Response Resource in their area. As a nationwide leader of aggregated services and state of the art automated controls, the financial and resource specific benefits of acting early on a new Demand Response program where one did not exist previously proves it's worth faster than having to respond to grid surges or environmental effects to the energy supply chain.

The program(s) are multifunctional and while there's a surplus of energy today any number of unforeseen events could quickly alter that. Further, visualization into real time data at the user level and demand limiting warnings could demonstrate an immediate gain by reducing the need to utilize outside generated resources. Demand Limiters and Peak Load Predictors are the way of the future. They'll help manage your entire grid during any stress or when a change of generated resources is required. Further, controls which can stagger duplicated energy use at the end user level could truly balance resources. Control based grids are the way of the future and having the ability to manage at least a percentage of loads has many advantages, along with having a reserve to fall back on.

PSE's peak energy demands are lower due to the COVID-19 global pandemic and industrial production needs changing during the crisis. Utilizing this downtime to implement a new program and new technologies for when energy spikes return is time well spent. A surplus in resources today may not always be available in the future.

We look forward to hearing how PSE decides to move forward and hope to provide our services to your organization.

Sincerely,

*John Daly*  
Program Manager

IPKeys Power Partners, Inc.  
[www.IPKeysPowerPartners.com](http://www.IPKeysPowerPartners.com)  
Office #: 732-982-3121  
Cell #: 732-861-9108  
[jdaly@ipkeys.com](mailto:jdaly@ipkeys.com)

## All Source RFP mailbox -- mail --

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**From:** James Adcock <jimad@msn.com>  
**Sent:** Thursday, August 27, 2020 3:12 PM  
**To:** All Source RFP mailbox -- mail --  
**Subject:** Why Puget Needs a 2020 RFP for New Non-Emitting Power

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Why Puget Needs a 2020 RFP for New Non-Emitting Power

comments from:

James Adcock, Electrical Engineer, ratepayer  
jimad@msn.com  
5005 155th PL SE  
Bellevue WA 98006

James Adcock has been a long-term participant in the PSE IRP process, for more than the last decade.

Currently Puget is about Coal 36%, NG 20%, for Total Emitting about 46%.

CETA 2030 requirements are 80% or more non-emitting or renewable, 20% or less emitting. This is a firm stated requirement in the law, and there is no 2% off-ramp provision prior to 2030, so Puget does need to, without exception, get to 20% or less emitting by 2030 -- which is a reduction of 26% of total generation.

CETA already took effect immediately in 2019. These are requirements that Puget already needs to respond to.

So Puget needs to reduce their reliance on emitting by about 26% by 2030, or about 2.6% per year on average over the next decade.

Puget has about 9,000,000 MWh annual generation, or about 1,026 average megawatts. 26% of this is 267 average megawatts, which represents about 800 megawatts (nameplate) of new Wind Farm -- to use as the example of probably the lowest cost new source of non-emitting power. Puget could certainly substitute new Solar Farms, or hydro contracts -- if Puget can even get such a long-term hydro contract.

Or about one new 100 megawatt Wind Farm per year for the next decade, for example. So Puget needs to get on with it -- not just keep canceling RFPs -- when they should be using those RFPs to solicit for -- and buy -- new Wind Farms and/or Solar Farms.

For this reason PSE needs a 2020 RFP -- to appropriately solicit for, buy, and build new non-emitting generation in order to actually meet CETA 2030 80/20 requirements -- without exception.

Sincerely,

James Adcock, Electrical Engineer  
jimad@msn.com  
5005 155th PL SE  
Bellevue WA 98006

## All Source RFP mailbox -- mail --

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**From:** Sandvig, Nathan <Nathan.Sandvig@nationalgrid.com>  
**Sent:** Thursday, August 27, 2020 11:16 AM  
**To:** All Source RFP mailbox -- mail --  
**Cc:** Erik Steimle; Hossner, Elizabeth  
**Subject:** RE: PSE's 2020 Demand Response and All-Source RFPs

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Hi,

Regarding below, supportive of whatever action PSE takes.

I would add working on long-lead time projects such as pumped storage, early procurement is very helpful, so these projects (i.e. Swan Lake/Goldendale) are ready when it is needed. Currently, Swan Lake is a 2026 COD and Goldendale 2028.

Also, moving forward with RFP, you have real pricing and know of the actual projects to inform the IRP modeling.

Lastly, here are our most recent comments filed with OPUC on PacifiCorp RFP that you may find of interest.

<https://edocs.puc.state.or.us/efdocs/HAC/um2059hac17145.pdf>

Regards,

Nate Sandvig  
Director, US Strategic Growth  
nationalgrid ventures  
T: 503.602.0998  
[nathan.sandvig@nationalgrid.com](mailto:nathan.sandvig@nationalgrid.com)

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**From:** All Source RFP mailbox -- mail -- <[AllSourceRFPmailbox@pse.com](mailto:AllSourceRFPmailbox@pse.com)>  
**Sent:** Thursday, August 27, 2020 9:25 AM  
**To:** All Source RFP mailbox -- mail -- <[AllSourceRFPmailbox@pse.com](mailto:AllSourceRFPmailbox@pse.com)>  
**Subject:** PSE's 2020 Demand Response and All-Source RFPs

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### Update on the 2020 Demand Response and All-Source RFPs

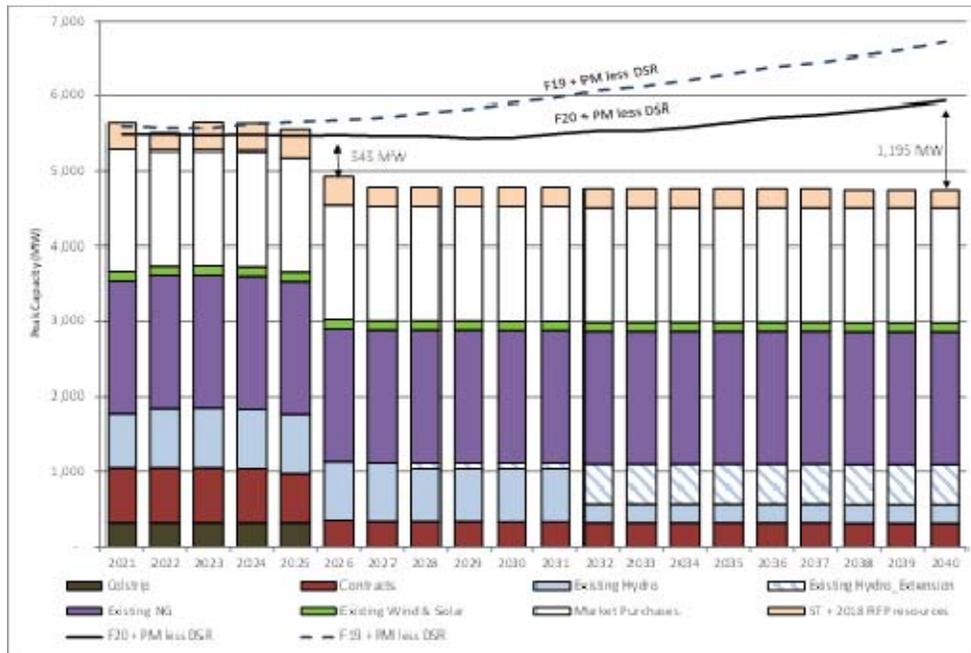
Puget Sound Energy (“PSE”) is seeking comment from interested parties on the potential withdrawal of its draft Demand Response and All-Source RFPs filed with the Washington Utilities and Transportation Commission (“the Commission”) in early May 2020 in dockets UE-200413 and UE-200414 respectively. PSE will consider all comments submitted to the [AllSourceRFPmailbox@pse.com](mailto:AllSourceRFPmailbox@pse.com) by September 4, 2020.

PSE intends to make a final decision on September 8 about whether to **pursue approval of the RFPs** or file a motion to withdraw the RFPs and will notify interested parties of its decision at that time. These RFPs are scheduled for consideration at the Commission’s open meeting on September 10, 2020. If the requests are withdrawn, PSE intends to integrate targeted demand response into a separate Targeted Demand Side Management (“TDSM”) RFP in September of this year.

### Background

On May 4, PSE filed with the Commission draft Demand Response and **All-Source RFPs demonstrating a need for new capacity resources within the next four to five years**. In late July, PSE completed the process to update its load forecast (the F2020 load forecast), which reflects updated economic and demographic assumptions, the effects of the COVID-19 pandemic, and increased conservation from the 2019 IRP process. PSE subsequently updated its electric-peak capacity need projection (as shown in Figure 1) to include the new F2020 load forecast, which had the overall effect of reducing the expected capacity need over the next 20 years.

**Figure 1. August 2020 updated electric-peak capacity need**



As Figure 1 demonstrates, PSE does not project a material need for new capacity resources until 2026. Additional information about the August 2020 update to PSE’s projected electric-peak capacity need is available to interested parties in the informational update letter filed by PSE on August 26, 2020, in Washington Utilities and Transportation Commission dockets UE-200413 (Demand Response RFP) and UE-200414 (All-Source RFP).

### Recommendation and Next Steps

**PSE is considering the withdrawal** of the 2020 Demand Response and All-Source RFPs for two reasons. First, PSE’s August 2020 updated electric-peak capacity need forecast does not project a material capacity need for more than five years. Second, given the more modest need for new resources in 2026 (545 MW), PSE no longer believes that the early glide path proposed in the draft RFPs is necessary to fulfill its reliability obligations to meet growing customer demand and to replace resources expiring or retiring from its portfolio.

For these reasons, PSE is considering withdrawal of the RFPs to mitigate the time and expense associated with (i) Commission and Staff reviewing the draft RFPs, (ii) bidders responding to any final RFPs, and (iii) PSE reviewing responses to the RFPs when it does not expect to have a material capacity need until 2026.

If the requests are withdrawn, PSE intends to integrate targeted demand response into a separate Targeted Demand Side Management (“TDSM”) RFP in September 2020. TDSM is an Energy Efficiency pilot program focusing on delivering demand response and energy efficiency to geographically specific areas as part of non-wires (or pipes) alternative solutions to transmission and distribution infrastructure needs. Additionally, if the 2021 Integrated Resource Plan (due to be filed in

April 2021) demonstrates a need for new capacity (physical reliability) or renewable energy (policy driven) resources, PSE would file updated draft RFPs with the Commission next summer.

At this time, PSE is asking for stakeholder feedback on withdrawal of the draft Demand Response and All-Source RFPs. Interested parties may submit comments for PSE to consider to [AllSourceRFPmailbox@pse.com](mailto:AllSourceRFPmailbox@pse.com) by September 4, 2020. PSE will file an update in the dockets and notify stakeholders of its decision prior to the Commission's open meeting on September 10. Notifications will be sent by email to PSE's stakeholder notification list and will be posted to our RFP webpage (<https://www.pse.com/RFP>). Interested parties may opt in to receive stakeholder notifications by contacting [AllSourceRFPmailbox@pse.com](mailto:AllSourceRFPmailbox@pse.com).

PSE's RFP Team

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**All Source RFP mailbox -- mail --**

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**From:** Joni Bosh <joni@nwenergy.org>  
**Sent:** Friday, September 04, 2020 4:16 PM  
**To:** All Source RFP mailbox -- mail --  
**Subject:** All Source and DR Request for Proposals  
**Attachments:** NWEC comments on PSE RFP 9.4.2020jb.docx

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PSE IRP Team,

Please find attached the comments of the NWEC in response to PSE's request for changes to Dockets 200413 and 200414.

Cordially,

Joni Bosh

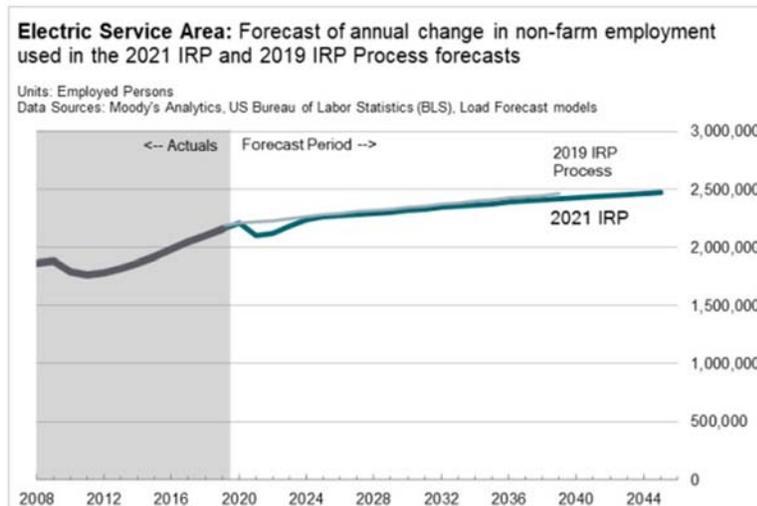
September 4, 2020

Jon Piliaris  
Director, Regulatory Affairs  
Puget Sound Energy  
[AllSourceRFPmailbox@pse](mailto:AllSourceRFPmailbox@pse)

Re: **Dockets UE-200413 and UE-200414: PSE Informational Filing Seeking Comments from Interested Parties on the Potential Withdrawal of its Draft Demand Response and All-Source RFPs**

The NW Energy Coalition (NWECC or Coalition) appreciates the opportunity to comment on the proposed withdrawal of both the all Source and Demand Response Request for Proposals (RFPs) as described in the email received August 31, 2020.

Regarding the All source RFP: The most recent load/demand analysis presented at the IRP workshop on September 1 shows a reduced need for peaking capacity resources in 2026, but clearly many factors are at play. For example, the employment projections underlying the demand forecast show employment returning to pre-COVID19 levels by about 2024.



Furthermore, there is significant uncertainty going forward about the availability and price of market resources – on top of PSE’s current over-reliance on market purchases – as well as other factors that could affect PSE’s capacity need ahead of 2026.

While we have advocated for not buying too far ahead of need, it is also important to assess the risk of underbuying. Delay of the All Source RFP for a full year would lose potential value from access to federal ITC and PTC credits, decrease the time to survey the range of resource offers

and make appropriate acquisitions, and raise the risk that new developments could leave PSE short of the resources needed to serve customers before 2026.

Therefore, it may be better to take a staged approach to new resource acquisition, rather than wait a full year to define an adjusted 2026 target

Regarding the DR RFP: It is not clear exactly what the “Targeted Demand Side Management” RFP that PSE is proposing would accomplish. NWECA has urged, and continues to urge, PSE to expand any DR RFP to include not just system wide DR, but geographically targeted electric and gas DR, aggregated DR projects and explicitly provide for behavioral demand response bids.

PSE needs to approach DR aggressively, given the clear need for those kind of resources in just a few years. Further, the recent experience in California showed that reducing demand kept the lights on. Since California’s demand reduction was not programmatic, it did not prevent the price spike. Planned and implemented DR would keep that spike from happening. There is really no need to pilot any projects, given the broad implementation of DR elsewhere in the country. DR can and should begin to be deployed soon, so it is used and familiar prior to 2026. A new RFP focused on increasing DR use could meet the expectations of CETA as well.

We hope you will consider our suggestions seriously in the restructuring of the DR RFP.

Cordially,

Joni Bosh

[Joni@nwenergy.org](mailto:Joni@nwenergy.org)

Fred Huette

[Fred@nwenergy.org](mailto:Fred@nwenergy.org)

**All Source RFP mailbox -- mail --**

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**From:** Molly Emerson <memerson@plusenergystorage.com>  
**Sent:** Friday, September 04, 2020 3:50 PM  
**To:** All Source RFP mailbox -- mail --  
**Subject:** Comments on Docket UE-200414 and Potential Withdrawal of PSE's 2020 All Resource RFP  
**Attachments:** Comments to PSE RE Docket UE-200414 and Potential Withdrawal of 2020 RFPs.pdf

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Good afternoon,

Please see attached for Plus Power's comments to PSE regarding Docket UE-200414.

Best regards,

Molly Emerson

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Molly Emerson  
Developer | Plus Power

[memerson@plusenergystorage.com](mailto:memerson@plusenergystorage.com)

907.209.8591

Puget Sound Energy (PSE)  
355 110th Ave NE  
Bellevue, WA  
[AllSourceRFPmailbox@pse.com](mailto:AllSourceRFPmailbox@pse.com)

**September 4<sup>th</sup>, 2020**

**RE: Docket UE-200414 and Potential Withdrawal of PSE's 2020 All-Source RFP**

To Whom it May Concern,

Plus Power, LLC is a U.S. based developer of transmission connected stand-alone energy storage projects. As a stakeholder in the results of Docket No. UE-200414, and a future respondent of the 2020 All-Source RFP for Peak Capacity Resources previously filed with the Washington Utilities and Transportation Commission on May 4th, 2020, Plus Power would like to respectfully encourage PSE to pursue running the 2020 All-Source RFPs as planned.

PSE's solicitation would constitute a beneficial price discovery exercise and inform the ongoing 2021 Integrated Resource Planning (IRP) process. For new technologies such as li-ion based energy storage, market-driven price discovery is crucial to understanding how the rapidly decreasing costs of solutions will influence the price of capacity and reliable service to PSE customers. If the solicitation for new capacity resources is delayed, potentially until 2022 or later, there will be a significant gap in PSE's understanding of the assumed capital, operating and maintenance costs for new emission-free technologies. As it currently stands, the last market-based capacity bids received by PSE are over years old. The "optimized" resource stack generated by the IRP modeling process could be skewed by these outdated understandings, and potentially the goals of the Washington State Clean Energy Transformation Act (CETA) goals to have 80% carbon-free electricity by 2030 and 100% by 2045.

In addition, delaying the RFP could potentially strand existing viable capacity projects in the PSE interconnection queue in their development cycle without a clear path toward a capacity contract. This could result in projects potentially dropping out of the queue and reducing competitiveness of capacity bids in the future. Running the All-Source RFP would give PSE and independent power producers a window of dialogue to consider optimal locations for new capacity resources, non-wires alternatives, and seed strategic development for future needs to meet CETA goals.

Although the updated load forecasts have shown a decrease in the 2026 capacity need (without taking into account reserve margin), the gap still clearly remains. If PSE elects to follow the schedule contemplated in the letter submitted to the Washington UTC on August 26th, 2020, and defer the All-Source RFP until the 2021 timeframe, Plus respectfully understands this decision. Our team looks forward to the opportunity to engage with PSE at that, or any prior, time and discuss the current market for and benefits of transmission connected stand-alone energy storage.

Sincerely,



Molly Emerson  
Developer, Plus Power, LLC

## All Source RFP mailbox -- mail --

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**From:** Katie Ware <katie@renewablenw.org>  
**Sent:** Friday, September 04, 2020 11:42 AM  
**To:** All Source RFP mailbox -- mail --  
**Cc:** Max Greene  
**Subject:** RNW Comments re: PSE's 2020 All-Source RFP  
**Attachments:** 20-09-04 RNW comments to PSE re 2020 All-Source RFP.pdf

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Hi PSE RFP team,

Please find attached the comments of Renewable Northwest re: PSE's 2020 All-Source RFP.

Thank you, and have a great long weekend!

Kind regards,  
Katie Ware

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Date: September 4, 2020  
To: Puget Sound Energy RFP Team  
From: Katie Ware, Washington Policy Manager, Renewable Northwest  
Max Greene, Regulatory & Policy Director, Renewable Northwest

**Re: Puget Sound Energy's 2020 All-Source RFP**

Dear RFP Team:

Renewable Northwest appreciates the opportunity to provide feedback to Puget Sound Energy ("PSE") regarding the possibility of PSE's withdrawing its 2020 All-Source RFP. Renewable Northwest recommends that PSE go forward with the RFP to benefit from the present time-limited opportunity to procure non-emitting capacity resources, to get ahead of a potential regional capacity shortfall, and to accelerate the company's decarbonization efforts as part of its glide path to compliance with the Clean Energy Transformation Act ("CETA"). While we understand the challenges to forecasting energy and capacity need presented by the COVID-19 pandemic, the best information available still suggests that this moment presents a unique opportunity to procure non-emitting capacity resources such as tax credit-eligible renewables.

### **PSE's Updated Projections**

On August 26, 2020, PSE filed an informational update letter in Dockets UE-200413 and UE-200414 with the Utilities and Transportation Commission ("the Commission"). In the letter, PSE provides an updated electric-peak capacity need based on revisions to its load forecast to reflect, among other things, 1) short-list resources from PSE's 2018 RFP and 2) the effects of the COVID-19 pandemic.

On the former, the public has only been notified of three selected resources from the 2018 RFP: a Bonneville Power Administration (BPA) power purchase agreement (PPA) for 100 MW of energy and capacity,<sup>1</sup> a Sierra Pacific Industries (SPI) PPA for 17 MW of biomass energy,<sup>2</sup> and

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<sup>1</sup> "New agreements will deliver clean BPA power to PSE customers" (May 7, 2020), *available at* <https://www.pse.com/press-release/details/new-agreements-will-deliver-clean-bpa-power-to-pse-customers>.

<sup>2</sup> "PSE signs deal with local forest products company to create clean electricity" (Mar. 3, 2020), *available at* <https://www.pse.com/press-release/details/pse-signs-deal-with-local-forest-products-company-to-create-clean-electricity>.

an Avangrid Renewables PPA for 200 MW of wind energy.<sup>3</sup> Renewable Northwest would like PSE to clarify how much of the difference in peak capacity need, from the May 2020 estimate to the August 2020 estimate, is attributable to the results of the 2018 RFP, because it is unclear why short-list resources would not have been included in the original load forecast reflected in the 2020 All-Source RFP.

On PSE's indication that the effects of the COVID-19 pandemic are now reflected in the August 2020 load forecast, Renewable Northwest appreciates PSE's attempt at its September 1, 2020, webinar to make available the assumptions of that modeling effort.<sup>4</sup> PSE's incorporation of the pandemic's effects into its load forecast was sourced mainly from data published by Moody's Analytics, and PSE attributed deviations from the May to the August load forecast to an evolution of projections made by Moody's about the economic forecast beyond the pandemic's close. However, in a report published by Moody's in August 2020, Moody's chief economist Mark Zandi indicates in the Forecast Assumptions that the baseline outlook considers the risk of a second wave of the virus to be low, particularly for a wave seriously disrupting businesses.<sup>5</sup> Also worth considering is Washington state's unique position as an early adopter of protective measures, with current infection rates leveling and in some counties decreasing.<sup>6</sup> The economic effects on Washington do not match those of the country as a whole, with warning figures in Moody's August report focusing on the Northeast, the South, and California.

The revised load forecast presented to the Commission in August 2020 reflects a significant reduction from the load forecast documented in PSE's May 2020 All-Source RFP, extending to 2040, where the delta is 783 MW. Because the effects of this unprecedented pandemic are difficult to forecast, both in the near- and long-term, we caution PSE from making liberal assumptions which may prove unsubstantiated and, thus, may affect PSE's ability to meet the clean energy standards of CETA.

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<sup>3</sup> Puget Sound Energy and Avangrid Renewables Announce Power Purchase Agreement; Construction of New Wind Farm" (Aug. 18, 2020), available at <https://www.pse.com/press-release/details/puget-sound-energy-and-avangrid-renewables>.

<sup>4</sup> See, e.g., Puget Sound Energy 2021 IRP Webinar #7: CETA Assumptions, Demand Forecast, Resource Adequacy, Resource Need (Sept. 1, 2020).

<sup>5</sup> Moody's Analytics. (Aug. 2020). *Precis U.S. Maco* (Vol. 25, Number 5), available at <https://www.economy.com/macropress>.

<sup>6</sup> New report shows COVID-19 cases hitting a plateau in some areas of Washington state (Aug. 28, 2020), available at <https://coronavirus.wa.gov/news/new-report-shows-covid-19-cases-hitting-plateau-some-areas-washington-state>.

## Conducting an RFP Now Would Allow PSE To Secure the Benefits of the Expiring PTC and Sunsetting ITC

The federal Production Tax Credit (“PTC”) for wind and Investment Tax Credit (“ITC”) for solar are both on their way out, and there is a limited window to pass their significant value on to PSE’s customers. Wind projects must begin construction by December 31, 2020, to qualify for the PTC, which would provide a value of approximately \$15/MWh for ten years. For solar projects, including solar paired with storage, the ITC requires that projects come online by December 31, 2023, to qualify for an ITC between 22% and 30%. Projects that come online after 2022 receive a much lower 10% ITC. Particularly important at this moment, projects that safe harbor equipment this year could receive a 30% ITC, compared to a 26% credit next year and a 22% credit in 2022, with the project coming online by the end of 2023. With the *unsubsidized* costs of renewables competitive with other generation technologies and tax credits available to further cut the costs of these resources, Renewable Northwest recommends that PSE take advantage of this limited window now to meet its projected needs.<sup>7</sup>

Taking a closer look at wind resources, in its IRP process PSE currently projects Montana and eastern Wyoming wind both to have capacity factors approaching 50% and generation profiles that align well with PSE’s winter-peaking load.<sup>8</sup> Analysis conducted by E3 for PSE found that Montana and eastern Wyoming wind provides 50-60% capacity value to Northwest utilities.<sup>9</sup> Other utilities are finding similar results and looking to near-term wind procurements to meet similar needs -- Portland General Electric, for example, in its 2019 IRP identifies a preferred portfolio that includes Montana wind to meet the company’s capacity needs and drive customer savings.<sup>10</sup> PacifiCorp has made the case that there is enough value -- including capacity value and customer savings -- in eastern Wyoming wind to justify building new transmission to deliver that resource to the company’s customers.<sup>11</sup> Running a 2020 RFP as opposed to a 2021 RFP could pass along to PSE’s customers not only the significant benefits of these resources on an unsubsidized basis but also the additional benefits of the expiring PTC.

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<sup>7</sup> For a comparison of unsubsidized costs, *see* Lazard’s Levelized Cost of Energy 13.0 (2019).

<sup>8</sup> *See, e.g.*, Puget Sound Energy 2021 IRP Webinar #1: Generic Resource Assumptions (May 28, 2020).

<sup>9</sup> “Resource Adequacy in the Pacific Northwest,” E3 (Mar. 2019), *available at* [https://www.ethree.com/wp-content/uploads/2019/03/E3\\_Resource\\_Adequacy\\_in\\_the\\_Pacific-Northwest\\_March\\_2019.pdf](https://www.ethree.com/wp-content/uploads/2019/03/E3_Resource_Adequacy_in_the_Pacific-Northwest_March_2019.pdf), at 55.

<sup>10</sup> *See generally* Portland General Electric 2019 Integrated Resource Plan at sec. 7.3, pp. 195-206.

<sup>11</sup> *See generally* PacifiCorp 2019 Integrated Resource Plan at ch. 8, pp. 209-272.

PSE's ongoing IRP process acknowledges the value of both Eastern and Western Washington solar, while also indicating a decrease in the overnight capital cost of battery storage since the previous resource planning cycle.<sup>12</sup> Utilities are realizing the benefits of hybrid resources, including solar-plus-storage for its potential to provide flexible incremental capacity, to improve resource adequacy at times of peak demand, and to alleviate the intermittency of an increasingly renewables-driven resource mix.<sup>13</sup> Because this paired resource is eligible for the sunsetting ITC, the cost benefit to PSE customers is extremely favorable but time sensitive. Further, since the ability of the project to obtain the financial benefits of ITC is tied to the ability of the solar resource to charge the battery, solar-plus-storage resources ensure delivery of non-emitting energy to meet CETA compliance. Regional analysis conducted by Northwest Power and Conservation Council has shown a forecasted transition from winter to summer peaking needs in the future.<sup>14</sup> Capacity resources like solar-plus-storage have the ability to provide flexible and dispatchable power to meet those needs. Aligned to this observation, modeling efforts in PacifiCorp's 2019 IRP and Portland General Electric's 2020 IRP also show a significant buildout for hybrid resources like solar-plus-storage in their preferred portfolio and reference buildouts, respectively.

### **Conducting an RFP Now Would Provide a Reasonable On-Ramp for Long Lead-Time Resources To Provide Capacity that Aligns with PSE's Need**

Renewable Northwest understands that pumped hydro projects likely intend to bid into the 2020 All-Source RFP if the RFP proceeds. These projects can offer significant benefits as non-emitting capacity resources, but their long lead times can pose challenges to development. If a pumped hydro project competes and is selected in PSE's RFP, that project's selection could help ensure the project is completed on a timeline that both works for the project and aligns with PSE's capacity need (the precise timing and extent of which we understand are presently uncertain).

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<sup>12</sup> See, e.g., Puget Sound Energy 2021 IRP Webinar #1: Generic Resource Assumptions (May 28, 2020).

<sup>13</sup> Southern California Edison Company, San Diego Gas & Electric Company, and Pacific Gas and Electric Company's ELCC Study Submission. Public Utilities Commission of the State of California (July 1, 2020), available at [https://library.sce.com/content/dam/sce-doclib/public/regulatory/filings/pending/electric/ELECTRIC\\_4243-E.pdf](https://library.sce.com/content/dam/sce-doclib/public/regulatory/filings/pending/electric/ELECTRIC_4243-E.pdf).

<sup>14</sup> System Analysis Advisory Committee Meeting. Aug 5. Northwest Power and Conservation Council. <https://nwcouncil.app.box.com/s/3zs5v9jr6k8wb1jnvsvrjlc2t6tqgdmx>

## **Near-Term Capacity Resources Can Add Significant Value by Addressing Regional Capacity Needs**

While we again acknowledge the uncertainty around the timing and extent of PSE's capacity need, Renewable Northwest recommends viewing the need through the lens of regional conversations about potential capacity shortfalls. To the extent there is uncertainty about PSE's need, we recommend mitigating the risk of regional shortfalls by erring on the side of procurement. This is particularly true given recent circumstances in California, where (among other causes, some of which likely have not yet been unearthed) the unavailability of three gas units and competition for energy across the West triggered rolling blackouts.<sup>15</sup> Procuring capacity now -- especially non-emitting capacity and/or tax credit-eligible renewable capacity -- can contribute to diversifying the region's capacity resources, avoiding shortfalls, and ensuring regional resource adequacy.

## **Near-Term Capacity Resources Can Help PSE Meet Its Clean-Energy Obligations at the Least Cost to Customers**

Finally, the Washington legislature intended the Clean Energy Transformation Act to do just that -- transform Washington's energy system. Not only does the Act mandate "greenhouse gas neutral[ity] by January 1, 2030"<sup>16</sup> and "that nonemitting electric generation and electricity from renewable resources supply one hundred percent of all sales of electricity to Washington retail electric customers by January 1, 2045,"<sup>17</sup> but it also requires an investor-owned utility such as PSE to "demonstrate that it has maximized investments in renewable resources and nonemitting electric generation prior to using alternative compliance options."<sup>18</sup> PSE cannot reasonably demonstrate that it has maximized investments in renewable resources and nonemitting electric generation if it withdraws the 2020 All-Source RFP. Accordingly, if PSE withdraws the RFP, it cannot have recourse to alternative compliance options in the future.

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<sup>15</sup> Alex Gilbert & Morgan Bazilian, California power outages underscore challenge of maintaining reliability during climate change, the energy transition, *Utility Dive* (Aug. 19, 2020), available at <https://www.utilitydive.com/news/california-power-outages-underscore-challenge-of-maintaining-reliability-du/> ("In combination with ... high demand, the proximate cause of the blackouts were generator outages. On Friday, a 500 MW natural gas unit tripped offline while another 750 MW gas unit unexpectedly remained out of service. On Saturday, the loss of a 470 MW gas unit combined with a 1,000 MW loss of wind power.").

<sup>16</sup> RCW 19.405.040(1).

<sup>17</sup> RCW 19.405.050(1).

<sup>18</sup> RCW 19.405.060(3)(b).

## Conclusion

PSE has a looming capacity need, a time-limited opportunity to fill that need with particularly attractive non-emitting capacity resources, and an obligation to decarbonize its system to comply with the standards of the Clean Energy Transformation Act. Under these circumstances, Renewable Northwest strongly recommends that PSE proceed with the 2020 All-Source RFP regardless of any uncertainties identified by the company.

*/s/ Katie Ware*

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