

June 15, 2016

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BY HAND DELIVERY

Mr. Steven King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

**Re: *Puget Sound Energy,*
Draft Request for Proposals for Technology and Implementation Services In
Support of Puget Sound Energy's Commercial & Industrial Demand Response
Program Pursuant to WAC 480-107-015**

Dear Mr. King:

Enclosed for filing are the original and twelve (12) copies of a Request for Proposals for Technology and Implementation Services In Support of Puget Sound Energy's Commercial & Industrial Demand Response Program (the "C&I Demand Response RFP") submitted by Puget Sound Energy ("PSE") pursuant to WAC 480-107-015, along with an electronic copy of this filing on the enclosed CD-ROM.

A. The Commission's Competitive Bidding Rules, WAC Chapter 480-107

The Commission established WAC Chapter 480-107 to comply with provisions of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), 16 U.S.C. § 2601 *et seq.*, and regulations promulgated thereunder by the Federal Energy Regulatory Commission ("FERC") in 18 C.F.R. Part 292.

As a means of implementing PURPA, the Commission established the bidding rule as a preferred forum for avoided cost determination, replacing what was previously known as administratively-determined avoided costs. The Commission's intent in establishing a market test for determining these avoided costs was to generate bids between PURPA developers that were lower than the administratively-determined costs, and to allow the utilities to purchase only the supply of resources needed.

In re Regulation of Elec. Utils. in the Face of Change in the Elec. Indus., Docket No. UE-940932, 184 P.U.R. 4th 409 (Wash. U.T.C. April 22, 1998). In addition, the rules are meant to

ensure that utilities compare opportunities in competitive wholesale markets with the cost of utility owned projects. *Id.*

The solicitation process begins when an electric utility issues a request for proposals (“RFP”) that has been approved by the Commission. The utility is required to file a draft RFP with the Commission no later than one hundred thirty-five days after the utility’s “no later than one hundred thirty-five days after the utility’s integrated resource plan is due to be filed with the [C]ommission.” WAC 480-107-015(3)(b). Interested persons have sixty days from the draft RFP’s filing date to submit written comments to the Commission on the proposed RFP, and the Commission then has thirty days to take action on the proposed RFP. *See* WAC 480-107-015(3).

B. PSE’s Integrated Resource Plan and C&I Demand Response RFP

On November 25, 2015, PSE filed its 2015 Integrated Resource Plan (the “2015 IRP”) with the Commission in Docket No. UE-141170 pursuant to WAC 480-100-238. The 2015 IRP identified an electric peak capacity need for PSE of 154 megawatts (MW) in 2017. As indicated in the electric action plan in the 2015 IRP, PSE’s energy efficiency and demand-response additions appear sufficient to meet incremental capacity need until 2021, and additional renewables are not needed until 2023. In particular, PSE projects the acquisition of 411 MW of conservation and 121 MW of demand response by 2021. (2015 IRP at pages 1-17 and 2-7.) PSE projects that these combined 532 MW of conservation and demand response resources will meet all projected needs until 2021, when PSE projects the need for 277 MW of supply-side resources. (2015 IRP at pages 1-17 and 2-7.)

On April 1, 2016, PSE filed a Petition for Waiver from Certain Requests for Proposals Requirements in Docket No. UE-160387, which PSE amended on April 20, 2016. The Amended Petition for Waiver requested that the Commission waive three RFP filing requirements in WAC 480-107-015(3)(b) based on resource capacity needs described in its 2015 IRP. PSE first requested a waiver with respect to the issuance of an RFP for supply-side resources because PSE does not project a need for such resources for the 2016-2018 period. Second, PSE requested a waiver with respect to the issuance of an RFP for conservation resources because PSE has already procured the necessary conservation resources for the 2016-2017 biennium. Finally, PSE requested a limited waiver that would allow PSE to file an RFP for demand response resources with the Commission no later than June 15, 2016. In Order 01 in Docket UE-160387, the Commission granted PSE’s Amended Petition for Waiver and, in relevant part, ordered PSE to “file a proposed Request for Proposals by June 15, 2016, for demand response resources, pursuant to WAC 480-107-015(3)(b).” *In the Matter of Puget Sound Energy Petition for Exemption from Filing Certain Request for Proposal Requirements under WAC 480-107-015(3)(b)*, Docket UE-160387, Order 01 at ¶ 17 (May 27, 2016).

Consistent with WAC 480-107-015 and the 2015 IRP, PSE is filing herewith the draft C&I Demand Response RFP. Although PSE believes that the C&I Demand Response RFP is

substantially complete and ready for public comment and Commission action, PSE reserves the right to correct or supplement the draft C&I Demand Response RFP if it discovers any errors or omissions.

Please note that pursuant to WAC 480-107-055, PSE provides as Appendix E to its draft C&I Demand Response RFP a schedule of estimated avoided cost to provide general information to potential bidders about the cost of new power supplies. PSE reserves the right to provide bidders with an updated avoided cost when the final RFP is issued. WAC 480-107-055(3) allows utilities to revise their schedule of avoided cost at any time, if filed with the Commission along with documentation.

PSE will not accept responses from any PSE affiliates or subsidiaries.

For the Commission's convenience, PSE also provides as Exhibit A to this letter a checklist showing that PSE's proposed draft C&I Demand Response RFP satisfies the requirements set forth in WAC Chapter 480-107.

C. Efforts to Promote Public Awareness of Filing

To broaden awareness of the draft C&I Demand Response RFP among persons who may be interested, PSE will provide notice of its filing to demand response service providers and other entities involved in development or provision of demand response capacity resources. Email notification included the website location of the draft C&I Demand Response RFP at <http://pse.com/aboutpse/EnergySupply/Pages/Acquiring-Energy.aspx>. PSE will also be providing notice of the filing to a variety of trade publications.

PSE invites comments on its draft C&I Demand Response RFP and looks forward to working with Commission Staff, proposers and other interested parties to make this C&I Demand Response RFP process successful. Questions regarding this filing should be addressed to the undersigned. Questions regarding the draft C&I Demand Response RFP should be addressed to Elaine Markham, Energy Efficiency Program Development, at 425-424-6866.

Thank you for your assistance.

Very truly yours,

A handwritten signature in black ink that reads "Jason T. Kuzma". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Jason T. Kuzma

EXHIBIT A

WAC CHAPTER 480-107 REQUIREMENTS CHECKLIST

Requirement and Citation	Location in C&I Demand Response RFP
Identify a resource block consisting of the overall amount of power to be solicited from project developers through the bidding process, and specify that block in the RFP. WAC 480-107-025(1).	Section 2.2
Demonstrate (as part of the RFP documentation) that the size of the resource block is consistent with the range of estimated new resource needs identified in the IRP. WAC 480-107-025(2).	Sections 2.2 and 2.3
Explain the general evaluation and ranking procedures to be used in accordance with WAC 480-107-035 and specify any minimum criteria that bidders must satisfy to be eligible for consideration in the ranking procedure. WAC 480-107-025(3).	Sections 7.1 through 7.6
Specify the timing of the process including the solicitation period, the ranking period and the expected selection period. WAC 480-107-025(4).	Sections 7.1 through 7.5
Explain security requirements and the rationale for them. (Security is required on all project contracts whose expected payment to the project developer at any point in time will exceed the payment which would have been made under the utility's avoided cost schedule, but is not required if no such payments are expected.) WAC 480-107-025(5).	No security requirement
Explain the criteria that will be used to rank project proposals. Project ranking procedures must be based on least-cost planning goals, and the factors must at a minimum address price, dispatchability, risks imposed on ratepayers, and environmental effects including those associated with resources that emit carbon dioxide. The ranking procedures shall recognize differences in relative amounts of risk inherent among different technologies, fuel sources, financing arrangements, and contract provisions. WAC 480-107-035(1)-(6).	Section 7.6
Determine the avoided costs for the energy and capacity associated with the resource block calculated per WAC 480-107-025 on an annual basis. The avoided cost schedule and its supporting documentation shall be filed with the RFP. WAC 480-107-055 and 480-107-025(1).	Appendix E

Requirement and Citation	Location in C&I Demand Response RFP
<p>State whether the utility intends to allow its subsidiaries to participate in the bidding process. If so, indicate how it will ensure that its subsidiaries will not gain any unfair advantage over potential nonaffiliated competitors. WAC 480-107-135.</p>	<p>Section 7.2</p>
<p>If other electric utilities will be permitted to bid (subject to the approval of the Commission), such a decision must be explained in the RFP submittal. WAC 480-107-015(2) and 480-107-065(1).</p>	<p>Section 7.2</p>